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EMERGENCY PREPARATIONS IN THE NATION'S CAPITAL: THE ECONOMIC IMPACT OF TERRORIST ATTACKS

HEARING

BEFORE THE

SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON
GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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EMERGENCY PREPARATIONS IN THE NATION'S CAPITAL: THE ECONOMIC IMPACT OF TERRORIST ATTACKS

THURSDAY, NOVEMBER 15, 2001

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2154, Rayburn House Office Building, Hon. Constance A. Morella (chairwoman of the subcommittee) presiding.

Present: Representatives Morella, Platts, Norton, and Watson.

Staff present: Russell Smith, staff director; Heea Vazirani-Fales, counsel; Robert White, communications director; Matthew Batt, legislative assistant; Shalley Kim, staff assistant; M.K. Holuman, intern; Jon Bouker, minority counsel; and Jean Gosa, minority assistant clerk.

Mrs. MORELLA. I want to welcome all of you here today, witnesses and those who are interested. This is a continuation of a hearing that we had on November 2nd on emergency preparedness in the Nation's Capital. As you may know, at that time we had planned to have a third panel, but decided the importance of reviewing the economic impact of the terrorist attacks on our Nation's Capital merited its own hearing.

I do want to express my very special thanks to our witnesses, who have had to change their busy schedules more than once to accommodate our schedule. We appreciate your willingness to participate in this important hearing.

I also want to recognize, of course, my ranking member, who has been so instrumental in matters of the District of Columbia, her District, who is present, and there will be others who are planning to attend. I know Ms. Watson will be here.

Ladies and gentlemen, on September 10th the District of Columbia had reason to be optimistic about its economic outlook. Its recovery from the fiscal problems of the mid-1990's was nearly complete, its budget was in balance, its bond ratings were improving, and a half-billion dollar deficit had become nearly a half-billion dollar surplus. As a result, the Financial Control Board would cease operations in just a few weeks, leaving the District in remarkably better shape than it was when the authority came on the scene 6 years ago.

The September 11th terrorist attacks followed by ongoing anthrax scares in and around the District of Columbia have changed

all that. There's good reason to worry that the economic rebirth of the Nation's Capital will be yet another victim of terrorism.

As we will hear from our speakers, the hospitality industry, which is such an integral part of the District's economy, is facing severe losses. Business travel has sharply declined, a situation made worse by the small number of flights that have resumed at Reagan National Airport. Downtown restaurants and retail shops have seen a noticeable decline in customers. Theaters have claimed smaller audiences.

I hope to join J.C. Watts and other Members of Congress later today as they call attention to the slowing retail sector, which affects the whole region, not just the District, by doing some shopping and meeting with hotel industry officials who will also be here on the Hill. And, while we hope this downturn is a short-term problem, it, nonetheless, could have some long-term consequences. The District is already forecasting a budget deficit for next year due to expected drops in tax revenue.

Construction of the new Convention Center is being funded, in large part, through the District's sales tax on restaurants and the hotel room tax. I'd like to hear whether that very important project has been put in jeopardy because of declines in both of those revenue categories. Also, the District has some bold plans to clean up and revitalize the Anacostia waterfront, in addition to rejuvenating some other areas of the city.

These are important projects designed to expand the city's tax base and bring some more vitality to long-neglected neighborhoods. I have to say that I am worried that there will now be a reluctance on the part of the private sector to invest in the District, and I'd like to hear our witnesses' views on that issue. However, I also want to look forward in a positive way. I'd like to discuss with the panel, particularly our business and tourism representatives, what action they or the city are taking to put together some kind of marketing campaign to draw tourists back to D.C. The city of New York just started running TV advertisements, and I'm curious about whether something similar is planned for the Nation's Capital.

I also want to take this opportunity to make sure that we're doing a good enough job letting our businesses know that the Small Business Administration has an existing loan program of which they can take advantage. So far, only 24 businesses have applied for loan relief, which seems too few to me.

But, for the most part, we are here today to get a sense of the scope of the problem and to see if there are things that we can do to help. One thing that we all realize would be beneficial would be for the Federal Government to stop putting up unsightly concrete barriers and blocking off streets. As I have said before, we cannot turn the Nation's Capital into Fort Washington, especially not if we are trying to attract visitors. Tourists are naturally going to be afraid to come to D.C. if we continue to give them the impression that we are afraid to live and work here.

I look forward to the hearing this morning, and, again, I reiterate my thanks to the witnesses for rearranging their schedule to be with us.

As I yield to my ranking member of this subcommittee, I will be leaving to go up for a markup of the Science Committee, and then resuming just as soon as possible.

[The prepared statement of Hon. Constance A. Morella follows:]

CONSTANCE A. MORELLA
8TH DISTRICT, MARYLAND

COMMITTEE ON GOVERNMENT REFORM
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SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA
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CHAIRWOMAN CONSTANCE A. MORELLA
OPENING STATEMENT
"EMERGENCY PREPAREDNESS IN THE NATION'S CAPITAL:
ECONOMIC IMPACT OF TERRORIST ATTACKS"
NOV. 15, 2001

On September 10th, the District of Columbia had reason to be optimistic about its economic outlook.

Its recovery from the fiscal problems of the mid-'90s was nearly complete. The budget was in balance, its bond ratings were improving, and a half-billion dollar deficit had become a nearly half-billion dollar surplus. As a result, the Financial Control Board would cease operations in just a few weeks, leaving the District in remarkably better shape than it was when the Authority came on the scene six years ago.

The September 11th terrorist attacks, followed by ongoing anthrax scares in and around the District of Columbia, have changed all that.

There is good reason to worry that the economic rebirth of the nation's capital will be yet another victim of terrorism.

As we will hear from our speakers, the hospitality industry, which is such an integral part of the District's economy, is facing severe losses. Business travel has sharply declined, a situation made worse by the small number of flights that have resumed at Reagan National Airport. Downtown restaurants and retail shops have seen a noticeable decline in customers. Theaters are playing to smaller audiences.

And while we hope this downturn is a short-term problem, it nonetheless could have some long-term consequences.

The District is already forecasting a budget deficit for next year, due to expected drops in tax revenue.

Construction of the new Convention Center is being funded, in large part, through the District's sales tax on restaurants and the hotel room tax. I'd like to hear whether that very important project has been put in jeopardy because of declines in both those revenue categories.

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Also, the District has some bold plans to clean up and revitalize the Anacostia waterfront, in addition to rejuvenating some other areas of the city. These are important projects designed to expand the city's tax base and bring some more vitality to long-neglected neighborhoods. I have to say that I am worried that there will now be a reluctance on behalf of the private sector to invest in the District, and I'd like to hear our witnesses views on that.

However, we also want to look forward in a positive way.

I would like to discuss with the panel, particularly our business and tourism representatives, what action they or the city are taking to put together some kind of marketing campaign to draw tourists back to D.C. The city of New York just started running TV advertisements, and I was curious if something similar was planned for the nation's capital.

I also want to take this opportunity to make sure we are doing a good enough job letting our businesses know that the Small Business Administration has an existing loan program they can take advantage of. So far, only 24 businesses have applied for loan relief, which seems too few to me.

But for the most part, we are here today to get a sense of the scope of the problem and to see if there are things we can do to help.

One thing that we all realize would be beneficial would be for the federal government to stop putting up unsightly concrete barriers and blocking off streets. As I've said before, we cannot turn the nation's capital into "Fort Washington," especially not if we are trying to attract visitors.

Tourists are naturally going to be afraid to come to D.C. if we continue to give them the impression that we're afraid to live and work here.

Mrs. MORELLA. So now if I might recognize our Congresswoman Eleanor Holmes Norton.

Ms. NORTON [assuming Chair]. Thank you, Mrs. Morella. I am grateful to our Chair, Representative Connie Morella, for her willingness to schedule a special hearing on the economic effects of what has happened to our city since September 11th. The economic effects on the District have been far more widespread than the terrorism. I believe that nothing less than early and concentrated attention and action can help the District avoid a lengthy and deep recession more serious than is forecast even for the national economy.

Two of the three crises that have struck this city have been unique—the 3-week closure of our airport and the anthrax crisis. The third, the precipitous, steep slide to the bottom of our hospitality sector, is shared with other cities; however, there are two important differences. First, the District has no State to go to for financial support during an economic crisis. Second, this city has no other significant sector except government, and government jobs go overwhelmingly to suburban residents whom the District subsidizes with free use of services while our regional residents leave no commuter tax or other payment here in the District.

Compounding the multiple effects of September 11th, for weeks the country has gotten only two messages about the Nation's Capital: that anthrax has been found in some Government buildings; and that it is difficult to get here from there since flights to our airport are still being phased in, and even by Thanksgiving only 57 percent of the flights will be up.

Notwithstanding its remarkable comeback, the District still has a serious, unaddressed structural budget gap because there are still too few residents and businesses and because it will take years to recoup this shortfall. As a result, expenses annually increased faster than revenue, even during the 1990's boom economy.

When the current recessionary downturn is added to the District's structural imbalance, both the District and the Congress need to act quickly to forestall danger. How much more warning do we need? The national economy lost 415,000 jobs in the month after the attack, considerably worse than most analysts had predicted. Job losses were in all sectors—construction, transportation, retail, and services, spreading rapidly from manufacturing, that had borne the brunt of the economic decline in the prior months.

The losses throughout the region quickly emerged with a 70 percent rise in unemployment claims in Virginia, but a 148 percent surge in such claims in D.C. over a year ago.

The sectors to which the District is most attached—tourism, hospitality, and airlines—have experienced a disproportionate share of the national job losses. Minorities who got their first break in the economic in decades have been hit hardest. Lowest-wage workers—cooks, cab drivers, hotel workers, sales clerks—have been those most often left without any wages at all.

The effect on the people of the District and on their city government must not be blinked. With hotel occupancy at half the usual rate and cascading effects on the city's jobs and business sectors across the board, both spending cuts by the District government

and assistance from the Federal Government will be necessary if the District is to hold its own.

The District has submitted a request for Congress for $1 billion in assistance—$250 million to equip the city as a first responder and $750 million in targeted economic assistance, in part to cope with the 10,000 small businesses and 24,000 jobs that are at risk, many of them hospitality related. Mayor Williams testified at our recent hearing that, as a result, the District stands to lose about $100 million in tax revenue during fiscal year 2001, approximately 3.5 percent of local revenues. This means that, as a percentage of total revenues, the District is projected to take a greater hit to its budget than even New York City, which is projected to lose approximately $1 billion in local revenue or 2.5 percent of its city budget.

There is bipartisan support from the Senate, as well as support from House Democratic appropriators, for most of the $250 million the city has requested for emergency preparedness, perhaps because they are mindful that D.C.'s fire, police, and protective services were stripped during the fiscal crisis of the 1990's. However, the President's budget contains only $25 million.

Even if the $750 million for economic relief is received, the District will not be where it was on September 11th, and the economy is likely to continue to decline in the final quarter of the year, according to R. Glenn Hubbard, Chair of the White House Council of Economic Advisors.

The District will be challenged to keep a full-fledged recession from merging with its structural imbalance and crashing its economy. There is an almost painless way to address at least the city's structural imbalance, and it has now become dangerous to delay any longer. If a D.C. non-resident tax credit were enacted, the take-home pay of commuters would not change because 2 percent taxes on their salaries that they already pay to the Federal Government would, instead, transfer to the D.C. government. The tax credit would net the District about $400 million the first year, and, unlike the flat Federal payment, which the District no longer receives, would automatically rise every year because salaries increase every year.

A non-resident tax credit approach is well suited for congressional relief because: one, Congress has already approved tax credits for the District and increasing the user's tax credits nationally as a tool; two, a Federal tax credit is the fairest way to recoup the cost of services, because most commuters are Federal employees, most of the services rendered to non-residents are due to the Federal presence, and most of the land taken off the city's tax rolls is Federal land; three, a tax credit would spread the obligation of securing a viable economy in the Nation's Capital to the entire country; four, the tax credit is set at 2 percent, the average of the non-resident taxes in the country; and, five, the region has always supported a Federal payment, and a Federal tax credit shares most of the characteristics that made the Federal payment acceptable to the region.

There is no place to run and no place to hide from the combination of the recession and the uniquely high consequences of September 11th and the anthrax crisis on the District. It should be im-

possible to forget that only in September did the Control Board sunset, ending the worst crisis for the city in a century.

There is still time to act. The longer the District and Congress wait, the deeper will be the predictable effects and the greater will be the danger to the city's economic health.

I was a prophet of the doom that came true when the District went down in the 1990's. Neither Congress nor the District would act in time. I was left with only one alternative—to call for a Control Board so the city could borrow money and remain viable.

I do not believe the current economic crisis threatens to return the Control Board. I do believe that this crisis could wipe away all of the gains of the last 4 years and leave the District hanging on, unable to grow and no longer attractive to new residents and businesses that have come in far larger numbers in recent years.

I hope that the city's present efforts, its next budget, and early attention from Congress can lead to a more hopeful scenario. I am grateful for this hearing and its potential to be a wakeup call. I very much appreciate the participation of today's witnesses and look forward to their testimony.

[The prepared statement of Hon. Eleanor Holmes Norton follows:]

ELEANOR HOLMES NORTON
DISTRICT OF COLUMBIA

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEES

AVIATION

ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEE ON GOVERNMENT REFORM

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RANKING MINORITY MEMBER, DISTRICT OF COLUMBIA

CIVIL SERVICE AND AGENCY ORGANIZATION

Statement of Congresswoman Eleanor Holmes Norton
District of Columbia Subcommittee Hearing on
"Emergency Preparedness in the Nation's Capital:
Economic Impact of the Terrorist Attack"

November 15, 2001

I am grateful to our chair, Rep. Connie Morella for her willingness to schedule a special hearing on the economic effects of what has happened to our city since September 11th. The economic effects on the District have been far more widespread than the terrorism. I believe that nothing less than early and concentrated attention and action can help the District avoid a lengthy and deep recession more serious than is forecast even for the national economy. Two of the three of the crises that have struck this city have been unique–the three week closure of our airport, and the anthrax crisis. The third, the precipitous, steep slide to the bottom of our hospitality sector, is shared with other cities. However, there are two important differences. First, the District has no state to go to for financial support during an economic crisis. Second, this city has no other significant sector except government, and government jobs go overwhelmingly to suburban residents whom the District subsidizes with free use of services while regional residents leave no commuter tax or other payment here in return. Compounding the multiple effects of September 11th, for weeks the country has gotten only two messages about the nation's capital–that anthrax has been found in some government buildings and that it is difficult to get here from there, since flights to our airport are still being phased in and even by Thanksgiving, only 57% of the flights will be up.

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How much more warning do we need? The national economy lost 415,000 jobs in the month after the attack, considerably worse than most analysts had predicted. Job losses were in all sectors–construction, transportation, retail, and services, spreading rapidly from manufacturing that had borne the brunt of the economic decline in the prior months. The losses throughout the region quickly emerged with a 70% rise in unemployment claims in Virginia, but

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a 148% surge in such claims in D.C. over a year ago.

The sectors to which the District is most attached, tourism, hospitality, and airlines, have experienced a disproportionate share of the national job losses. Minorities, who got their first break in the economy in decades have been hit hardest. The lowest wage workers–cooks, cabdrivers, sales clerks–have been those most often left without any wages at all.

The effects on the people of the District and on their city government must not be blinked. With hotel occupancy at half the usual rate and cascading effects on the city's jobs and business sectors across the board, both spending cuts by the District government and assistance from the federal government will be necessary if the District is to hold its own.

The District has submitted a request to Congress for $1 billion in assistance, $250 million to equip the city as a first responder and $750 million in targeted economic assistance, in part to cope with the 10,000 small businesses and 24,000 jobs that are at risk, many of them hospitality related. Mayor Williams testified at our recent hearing that as a result, the District stands to lose about $100 million in tax revenue during fiscal year 2002, approximately *3.5% of local revenues*. This means that as a matter of percentage of total revenues the District is projected to take a greater hit to its budget than even New York City, which is projected to lose approximately $1 billion in local revenue or *2.5% of its city budget.*

There is bipartisan support from the Senate as well and support from House Democratic appropriators for most of the $250 million the city has requested for emergency preparedness, perhaps because they are mindful that D.C.'s fire, police, and protective services were stripped during the fiscal crisis of the 1990s. However, the President's budget contains only $25 million. Even if the $750 million for economic relief is received, the District will not be where it was on September 11th, and the economy is likely to continue to decline in the final quarter of the year, according to R. Glenn Hubbard, chair of the White House Council of Economic Advisors. The District will be challenged to keep a full-fledged recession from merging with the its structural imbalance and crashing its economy.

There is an almost painless way to address this city's structural imbalance, and it has now become dangerous to delay any longer. If a D.C. Non-Resident Tax Credit were enacted, the take-home pay of commuters would not change because 2% taxes on their salaries that they already pay to the federal government would instead transfer to the D.C. government. The tax credit would net the District about $400 million the first year, and unlike the flat federal payment, which the District no longer receives, would automatically rise every year because salaries increase every year.

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entire country; 4) the tax credit is set at 2%, the average of the non-residents taxes in the country; and 5) the region has always supported a federal payment, and a federal tax credit shares most of the characteristics that made the federal payment acceptable to the region.

There is no place to run and no place to hide from the combination of the recession and the uniquely high consequences of September 11th and the anthrax crisis on the District. It should be impossible to forget that only in September did a control board sunset, ending the worst fiscal crisis for the city in a century. There is still time to act. The longer the District and the Congress wait, the deeper will be the predictable effects and the greater will be the danger to the city's economic health.

I was the prophet of the doom that came true when the District went down in the nineties. Neither Congress nor the District acted in time and I was left with only one alternative–to call for a control board so that the city could borrow money and remain viable. I do not believe the current economic crisis threatens to return the control board. I do believe that this crisis could wipe away the gains of the last four years and leave the District hanging on, unable to grow, no longer attractive to new residents and businesses that have come in far larger numbers in recent years. I hope that the city's present efforts, its next budget, and early attention from Congress can lead to a more hopeful scenario. I am grateful for this hearing and its potential to be a wake-up call. I very much appreciate the participation of today's witnesses and look forward to their testimony.

Ms. NORTON. Here comes the Chair, right on time.

Mrs. MORELLA [resuming Chair]. I'm also pleased to recognize Mr. Platts for any opening statement that he may have.

Mr. PLATTS. Thank you, Madam Chairman. No opening statements, other than I look forward to the testimony of all of our presenters and appreciate your being here with us. Thank you.

Mrs. MORELLA. Thank you. Let me ask our panel to step forward. It is the custom of the full committee and its subcommittees to swear in those people who will testify, so if you would stand and raise your right hands.

[Witnesses sworn.]

Mrs. MORELLA. It is a great pleasure to welcome you. Thank you again for coming. We'll ask each of you if you will comment for 5 minutes, and then we'll open it up to questions. Your entire statement will be in the record, so you don't have to repeat it. You can synopsize or add any other points that you would like.

We have Robert Peck, president, Greater Washington Board of Trade; Doyle Mitchell, chairman of the board of the D.C. Chamber of Commerce; Joslyn Williams, president of the Metropolitan Washington Council, AFL–CIO; John Boardman, executive secretary/treasurer, Hotel and Restaurant Employees, Local 25; William Hanbury, president and CEO, Washington D.C. Convention and Tourism Corp.; and Dr. Stephen Fuller, professor of public policy, George Mason University.

I guess it worked out, Dr. Fuller. I thought you might be here quite late, but with the interruptions we've had you're right on time. Let's start off with you, Mr. Peck. Congratulations on your new responsibilities with the Board of Trade.

STATEMENTS OF ROBERT PECK, PRESIDENT, GREATER WASHINGTON BOARD OF TRADE; B. DOYLE MITCHELL, JR., CHAIRMAN OF THE BOARD, D.C. CHAMBER OF COMMERCE; JOSLYN WILLIAMS, PRESIDENT, METROPOLITAN WASHINGTON COUNCIL, AFL–CIO;; JOHN BOARDMAN, EXECUTIVE SECRETARY/TREASURER, WASHINGTON D.C. CONVENTION AND TOURISM CORP.; WILLIAM HANBURY, PRESIDENT AND CEO, WASHINGTON D.C. CONVENTION AND TOURISM CORPORATION; AND STEPHEN FULLER, PROFESSOR OF PUBLIC POLICY, GEORGE MASON UNIVERSITY

Mr. PECK. Thank you. Thank you, Madam Chair and members of the subcommittee.

On behalf of the members of the Board of Trade, I want to thank you, Chairwoman Morella, Delegate Norton, the entire Congressional Delegation from the region, as well as Mayor Williams, Governors Gilmore and Glendening for their leadership and assistance in achieving the reopening of Reagan Airport. The Board of Trade helped form a coalition of tourism, economic development, and aviation groups to help get that done. You were very active in setting up meetings and informing the administration, as we were from the private sector side through newspaper ads and an Internet Web site that we thought that the airport could be reopened in a secure way with the security of this region and this city fully secured, and the President ultimately agreed, for which we thank him and the administration very much.

We are concerned, as Congresswoman Norton has noted, that National Airport is not yet fully opened for service, and, as Mayor Williams has said, it is hard to convince people that Washington is open for business when the front door is closed. Well, it's now ajar but it's not open all the way, and we need that to happen.

We intend to continue our efforts on behalf of the business community in talking to the government officials, particularly in the Federal Government, about balancing the needs of security, which are surely here, with the needs of Washington and the region to behave as a normal city in an economy, so we intend to monitor closely the preemptory closing of streets, thoroughfares, and public spaces that make it very difficult to get business done. We think that, working together with the government, if we are consulted—which is a big if—that we can provide security in a way that allows us to get our business done.

We are also sponsoring a special meeting of the Potomac Conference, an assembly of local leaders, business and private leaders, to talk about emergency preparedness. It is our belief that one way we will be able to get on with business better is when we as a community are fully prepared for whatever may—whatever eventuality we may face. We believe that it is important for the local governments, which are working hard and effectively to better coordinate emergency responses, to bring the private sector in. There are certain critical services—food distribution, broadcasting, wireless communication—which are carried out solely in the private sector, and many other emergency activities are carried out by the government but with private contractors. We are urging the local jurisdictions, and we'd ask for your support in making sure that, as regional emergency preparedness planning goes on, the private sector is fully consulted. It is still important for the governments to let the community—private employers, nonprofits, employees—to know what will be expected of them with different possible emergency scenarios. We fully support additional funding for the District and for the region in emergency preparedness.

On the question of what's happened to the economy, I'm going to—there are other representatives of the tourism and hospitality industry. They are the most dramatic emblems, unfortunately, of what has happened to our economy.

We do see—and I know Dr. Fuller will talk about this—growth in some sectors of the economy, and I am happy to say that, although we continue, I think because the news media show us for what we are, the leadership of the free world at this time on television every night talking about a war and about threats—we do see continued confidence long term in the business sector. We do have people who were talking to us earlier about relocating to this region. They are still talking to us. We've had very few people say they're not coming. We've had no businesses that I know of say they're going to leave. But that's not to say that we're not facing a crisis in our community.

A couple of things I will summarize quickly that we think need to be done: One, in transportation we need more capacity and redundancy in our transportation networks to be able to handle, particularly in mass transit, whatever needs to be done in case we need to evacuate all or part of our community again.

Second, we have—we do have this crisis in the hospitality industry. We strongly urge support for national legislation that would encourage hospitality spending, particularly by restoring full deductibility of business meals and creating a tax deduction for travel.

In the region, you will see, I believe, from the Counsel of Governments, request for legislation to allow indemnification among the jurisdictions for public safety workers working in jurisdictions not their homes, and it appears that this is something that only a Federal piece of legislation can help.

We support Congresswoman Norton's expanded enterprise zone proposal for the District.

And, finally, I would just like to say this: our employers have a strong sense of responsibility to this region. We are working with just about everybody at this table to come together as a community.

And, finally, I just want to say that we have seen from the residents of this region the same kind of courage which we believe Londoners showed during the Blitz. We have people here who on September 12th, even though they may have been a little bit shaken, showed up for work, whether they were in the public sector, private, or nonprofit sectors, and we think that spirit will carry us forward.

I've given you some specific suggestions. I will be happy to answer questions, obviously, later.

Thank you very much.

Mrs. MORELLA. Thank you, Mr. Peck.

[The prepared statement of Mr. Peck follows:]

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA

The Honorable Constance A. Morella, Chair

Hearing on Economic Impact on the
District of Columbia of September 11 Terrorist Attacks

Testimony of Robert Peck
President of the Greater Washington Board of Trade

Thursday November 15, 2001
Room 2154 Rayburn House Office Building

Good morning Chairman Morella, Delegate Norton, and members of the Subcommittee on the District of Columbia. I am Robert Peck, President of the Greater Washington Board of Trade. The Board of Trade is the regional chamber of commerce serving business and non-profit members in the District of Columbia, Maryland and Virginia. I'd like to thank you for asking me to speak with you today about the economic impact on the District and the region, and about challenges that face this metropolitan area, because of the terrorist attacks on our country on September 11.

On behalf of the members of the Board of Trade, I want to thank you, Chairman Morella, Delegate Norton, the entire Congressional delegation from the region, as well as Mayor Williams, Governor Gilmore and Governor Glendening, for their leadership and assistance in achieving the re-opening of Reagan Washington National Airport. As you know, beginning around September 20, the Board of Trade formed a coalition of tourism, economic development and aviation groups to coordinate with you to press the White House and other members of Congress to get the airport re-opened. In addition to the many meetings you helped to set up, we coordinated through daily conference calls, we placed full-page newspaper ads, and we created an Internet website to help citizens across the country communicate their support of re-opening National Airport to the President and to Congress.

We were certain that the airport service could be restored in a secure way, and the President ultimately agreed. We applaud the decision of President Bush, returning thousands of working men and women to their jobs. We believe that Reagan National will become the "gold standard" for airport security, and will be a catalyst for the region's ultimate economic recovery.

The website, www.LetFreedomSoar.com, enabled citizens from the District, the region, and across the nation to speak out for re-opening the gateway to the nation's capital. With "Phase II" of the airport's service now restored, we are encouraging everyone to log onto the site again and to send a note of thanks to the White House and to Congress in order to let them know how very important it is to phase in more flights and to get National Airport back up, and running a full operation.

Without the regional effort and cooperation, Washington DC voices might have been drowned out by other urgent decisions then facing the White House. Similarly, we understand that public needs and concerns, domestic, military and foreign policy decisions facing the President and Congress have increased dramatically in number and in gravity since September 11. We are determined to keep this regional coalition together in order to address, with one voice, the proposed closing of streets and thoroughfares and other security measures that *may* adversely affect the Washington area economy – while offering no significant enhancement of security – as well as other strategies to ensure the safety of all our citizens, and to further enhance the collaboration and readiness preparations among the region's jurisdictions.

The Potomac Conference scheduled for November 29, 2001, will give the region's elected and business leaders an opportunity to learn about and to coordinate emergency preparedness plans that each city, county or state is putting into effect, improving, or expanding, and to begin to build a communications network that will disseminate to the community at-large important information about those preparedness plans.

Much work has been started to measure and to project the economic impact on the District and Washington area, as well as the economic impact on specific sectors of the economy. Nevertheless, the events of the past week make predictions about the medium-term impact on the local economy impossible. It appears that we will see growth in Federal procurement dollars to local companies and some growth in the technology sector, but it is clear that the temporary closure of National Airport has hit the hospitality industry, and it is common sense that the more recent threats of biological events will at least temporarily depress tourism. The ultimate impact with respect to jobs and ancillary businesses will not be measurable until the source of these events and threats is identified and we have some level of assurance that they will not be repeated, or that our response to them will be managed in a way that makes them less disruptive.

This is not to imply that there is *nothing* we can do now to ease the impact on the city and the region. As an example, I was asked by Mayor Williams to chair his Task Force on Transportation created in the wake of the Sept. 11 terrorist attacks, to develop strategies for strengthening District transportation systems. Among the early conclusions of the participants was that the federal government must cease its practice of unilaterally closing streets and eliminating curbside parking, and that the District demand a reasonable balance between security needs and the movement of traffic through the city, consistent with the potential level of threat. We ask your help in ensuring that the decisions regarding the security around the perimeter of federal and congressional buildings will be balanced against their relative impact on the local economy.

The Task Force further concluded that the lack of capacity and redundancy in the region's transportation system could endanger the people who work and live in

the region. Mass transit and surface transportation clearly need to be strengthened in order to enable people who work in congested areas to evacuate safely. Adequate alternative routes are essential so that the local infrastructure will not have to carry interstate traffic during an emergency.

The Federal government must continue to improve the communication and coordination with area cities and counties and to include business issues in their planning or employment in the area will suffer.

This region's economy is particularly sensitive to the impact of September 11th on the hospitality industry. We have over 10,000 hospitality workers displaced from their employment with that number likely to grow in the short term. Greater Washington has been slower to rebound than other markets as new threats have continued to affect our city. We strongly urge support from our delegation for national legislation that would encourage hospitality spending – particularly for restoring the full deductibility of business meals and for creating a tax deduction for spousal travel. Addressing the tax status of the purchase of business meals for legislators might begin to offset the impact of the events of the past six weeks on area restaurants as well as invite Americans to visit their Capital – to reconnect with their national government.

Regional response to emergencies such as the September 11 attack on the Pentagon requires resources – manpower, equipment and expertise, -- that resides at the local government level. Such a response also requires a shared- or assumed indemnification – a commitment of an unknown level of revenues by responding jurisdictions, some of which cannot now engage in that commitment without violating state law. The Metropolitan Washington Council of Governments has asked

Congress to support legislation entitled the "Washington Metropolitan Region Public Safety Cooperation Act". This legislation would facilitate an intergovernmental response to civil emergencies or disasters on a regional mutual-assistance basis. We ask that the Committee lend its support to this very important legislative proposal. Similarly, liability created by the Federal presence in the District should be addressed apart from the city's budget.

We note that Delegate Norton has long been working on expanding the Enterprise Zone District-wide, which would produce real and immediate relief to employers in the District. Expanding the EZ will help in ways that are particularly useful to small and mid-size businesses where these companies really live: namely, taxes on profits and increasing the ability to expense capital expenditures. These businesses are looking for real signals from the DC and Federal govenments that their continued existence means something to you at this critical time. We urge the Committee to encourage their colleagues in the House to move the Enterprise Zone proposal forward.

It is important to note that the closing of National Airport, and even the first phase of re-opening, affects the District and all of its neighbors in the region. Insofar as our neighbors fully recognize the importance of maintaining the health of the urban core, we also recognize how interdependent the various parts of the region are. To that end, we have responded to Virginia Governor Gilmore's request that Board of Trade Senior Vice President Bill Lecos and GWI managing partner Tom Morr to serve on Virginia's newly created Post-Attack Economic Response Task Force to look at business and community needs in the aftermath of the terrorists attacks. We are optimistic that, as each jurisdiction develops its economic and preparedness response strategy, the entire region will benefit from shared information, ideas and

policy proposals. When citizens feel prepared and have confidence in the government's preparations, they are more likely to be productive in their work and optimistic in their outlook.

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The members of the Board of Trade are heartsick at the events of September 11—at the way the terrorists' actions have shattered so many innocent lives and shaken the rest of the country. Our members are the region's employers, and they have a strong sense of responsibility to their corporate families as well as to the community. As an organization, we have met and talked in a number of different settings, and our members have expressed a corresponding steadfastness in their commitment to going forward, doing business, and denying the terrorists even the most symbolic of victories. Although the region is challenged, we believe the strengths that make this region such a good place to visit, to live and to do business have not changed. Washington remains the seat of American government, its residents are some of the most highly educated in the country, whose median income remains among the highest in the country.

While our world has been changed and continues to change in ways we cannot yet comprehend, one thing seems not to have changed: Americans are brave people. In wars that our nation has had to fight, soldiers overcame their fears in order to do their jobs. On September 12, when probably no one wanted to leave their homes and their families to face the unknown day, the people of Washington bravely went back to work. Likewise, the people of America will come to visit their nation's capital, visit the monuments that are more meaningful than ever before and, in this city we call home, celebrate who we are as a nation.

The Greater Washington Board of Trade is prepared to work with the Subcommittee on the District of Columbia, and with area leaders, to ensure that we will be able to welcome them and make them proud.

If you have any questions, I will be glad to try to answer them.

Mrs. MORELLA. I am now pleased to recognize Mr. Mitchell.

Mr. MITCHELL. Thank you. Good morning, Chairwoman Morella, Congresswoman Norton, and Mr. Platts. I am B. Doyle Mitchell, Jr. I am here to testify before you about the opportunity we have to mitigate the impact on Washington, DC, of the terrorist assaults that commenced on September 11th.

The District of Columbia Chamber of Commerce shares the thanks of the Board of Trade of all the efforts of the local and Federal officials in getting the Reagan National Airport open. It meant a tremendous amount to the local businesses, including our members.

Special concern of the District of Columbia Chamber of Commerce throughout our 63-year history has always been the city's small businesses. It is these businesses which Mayor Williams has characterized as constituting 90 percent of the city's business base, which provides the city jobs, pay our taxes, and enliven our neighborhoods. We are present today to speak on their behalf.

We entered a new world on September 11th. The catastrophic events which brought such grief have also realigned the local and national roles of Washington, DC. At present, the task before us is to act quickly to mitigate this harm to the city. Action taken now can prevent the disruption we've suffered over the past 2 months from turning into lasting damage to the Nation's Capital.

Small business must be a special focus of this effort, we believe. What's at stake is the substantial progress toward the civic and economic resurgence of Washington, DC, made under the leadership of the Williams administration. Neighborhood revitalization and downtown vibrancy are built from the successes of the city's many small and mid-sized entrepreneurs. The Chamber's goal and the goal that we hope this committee shares is to ensure that District businesses which, but for the effects of September 11th, are economically sound, and make sure that they survive to serve the city in 2002 and beyond.

Allow me to report briefly on the small business impact of September 11th and then ask your support in creating an effective response.

At the request of Mayor Williams, the D.C. Chamber convened and coordinated the efforts of the city's Task Force on Small Business Impact of September 11th. We have provided the committee with a full copy of our report. Washington's small businesses have been hit with lost revenues, changed perceptions of the city's safety, and the fear that the effects of the terrorists' assaults will be long-lasting and deep.

In mid-October, the Small Business Task Force surveyed the impact of September 11th on local business. Revenue losses experienced through mid-October and forecast through year's end reported by only 75 Chamber hospitality businesses, which represent but a fraction of the District's hospitality sector, averaged more than $300,000 per enterprise. Extrapolating the $12 million in losses reported by 29 restaurants to the 140 joint members of the Restaurant Association and Chamber suggests losses through year's end on the order of $60 million for this portion of Washington's restaurant sector.

The plurality of non-hospitality businesses responding to the outreach effort estimated 10 to 25 percent revenue drops, with no end in clear sight.

Is Washington, DC, open for business? The Chamber and our sister business organizations continue to receive calls from around the Nation from would-be visitors who believe the city is locked down.

The litany of our woes is familiar: streets disrupted, the prolonged closing of national airport, more bad press, and scary CNN visuals, and, on top of that, the anthrax panic, which appears targeted on the Nation's Capital. This damage to the city's image is particularly harmful, given our disproportionate reliance on tourism.

The most frequent request from small business after the loosening of credit restrictions has been a plea for aggressive marketing of the city, including its neighborhoods. Effective marketing requires the participation of Federal faces and themes. We must get this word out. Washington, DC, is open for business and for the business of government.

Washington, DC, avoided the grievous loss of life suffered by the city of New York, but the requirements and the constraints placed on the Nation's Capital mean that the effects of tourism here may be longer lasting and deeper.

From the banking industry perspective, we anticipate phased-in damages. September and October saw direct hits to hotels and restaurants, which this month are being translated into paying for wholesalers and suppliers who hold aging receivables. By the beginning of 2002, mortgage lenders may likely see the consequences of last month's layoffs. One major hotel group in the city forecast its recent layoffs will not last 3 to 5 months, but 12 to 15 months.

The effects of September 11th are felt more deeply here, where the assault on the Nation's Capital resonates in the local business community.

The responses to September 11th requested by the business community are detailed in the Task Force report submitted by the committee. As stated, priority concerns are aggressive marketing of the city and availability of bridge financing.

Two weeks ago the D.C. Council passed the Emergency Economic Assistance Act of 2001. This legislation, which has the mayor's support, permits District government to back loans to hospitality businesses which have been damaged by September 11th. The resources the bill provides will allow banks to exercise appropriate flexibility in their underwriting of loans associated with the disaster.

The leadership exercised by Council and the mayor on this issue has provided a beacon of hope to small business. At present, approval of this lending program is before decisionmakers in Congress. We urge your support and seek whatever assistance this committee can bring to moving this process rapidly.

As you know, time is of the essence. Accessibility financing—essential financing will allow us to prevent loss of healthy businesses temporarily damaged by September 11th.

Thank you, and I will be prepared to answer questions, as well.

Mrs. MORELLA. Thank you very much, Mr. Mitchell. As I mentioned, your entire testimony will be in the record.

[The prepared statement of Mr. Mitchell follows:]

Before the
Committee on Government Reform
Subcommittee on the District of Columbia

Public Hearing
Emergency Preparedness in the Nation's Capital

Testimony of
B. Doyle Mitchell, Jr., Chairman
District of Columbia Chamber of Commerce
November 2, 2001

Good afternoon Chairwoman Morella and members of the Committee. I am B. Doyle Mitchell, Jr. and I am here to testify before you today about the opportunity we have to mitigate the impact of last month's terrorist assault on Washington, D.C.

The special look-out of the District of Columbia Chamber of Commerce, throughout our 63-year history, has always been the city's small businesses. It is these businesses – which Mayor Williams has characterized as 90 percent of the city's business base – which provide the city's jobs, pay our taxes, and enliven our neighborhoods. We are present today to speak on their behalf.

We entered a new world on September 11. Catastrophic events which brought such grief have also realigned the local and national roles of Washington, D.C., in ways which in time may prove productive. At present, the task before us all is to act quickly to mitigate the harm to this city. Action taken now can prevent the disruption we have suffered over the past weeks from turning into lasting damage to the Nation's Capital.

Small business must be a special focus of this effort. What's at stake is the substantial progress toward the civic and economic resurgence of Washington, D.C. made under the leadership of the Williams Administration. Neighborhood revitalization and downtown D.C. vibrancy are built from the successes of the city's many small- and mid-sized entrepreneurs. The Chamber's goal, and it is a goal we hope this Committee shares, is to ensure that District businesses which, but for the effects of 9-11, are economically sound, survive to serve the city in 2002 and beyond.

Allow me to report briefly on the small business impact of September 11 and then ask your support in creating an effective response.

Small Business Impact of 9-11

At the request of Mayor Williams, the D.C. Chamber convened and coordinated the efforts of the city's Task Force on the Small Business Impact of 9-11. We have provided the Committee with a copy of our full report. Washington's small businesses have been

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hit with lost revenues, changed perceptions of the city's safety, and the fear that the effects of the terrorist assaults will be long-lasting and deep.

Revenues In mid-October, the Small Business Task Force surveyed the impact of 9-11 on local business. Revenue losses experienced through mid-October, and forecast through year's end reported by 75 Chamber hospitality businesses averaged more than $300,000 per enterprise. Extrapolating the $12 million in losses reported by 29 restaurants to the 140 joint members of the Restaurant Association and Chamber, suggests losses through year's end on the order of $60 million for this portion of Washington's restaurant sector. The plurality of non-hospitality businesses responding to the outreach effort estimated 10 to 25 percent revenue drops, with no end in clear sight.

Perceptions Is Washington, D.C. open for business? The Chamber and our sister business organizations continue to receive calls from around the nation from would-be visitors who believe the city is "locked down." The litany of our woes is familiar – streets disrupted, the prolonged closing of National Airport, more bad press and scary CNN visuals than money could buy, and, on top of it all, the anthrax panic which appears targeted to the Nation's Capital. This damage to the city's image is particularly harmful given our disproportionate reliance on tourism. The most frequent request from small business, after the loosening of credit restrictions, has been a plea for aggressive marketing of the city, including its neighborhoods. Washington, D.C. is open for business, and for the business of government. Effective marketing requires the participation of federal faces and themes.

Duration Washington, D.C. avoided the grievous loss of life suffered by the City of New York. But the requirements and constraints placed on the Nation's Capital mean that the effects of terrorism may be longer-lasting, and deeper. From the banking industry perspective, we anticipate "phased-in" damages: September and October saw direct hits to hotels and restaurants which this month are being translated into pain for wholesalers and suppliers who hold aging receivables. By the beginning of 2002, mortgage lenders will be seeing the consequences of last month's lay-offs. One major hotel group in the city forecasts its recent lay-offs will last not 3 to 5 months, but 12 to 15 months. The effects of 9-11 are also felt more deeply here, where each decision – or assault on – the Nation's Capital resonates in the local business community. The anthrax panic unsettles people across the nation, but here in Washington, D.C. it means that businesses don't receive their mail – or the checks that were in it. Our status as presumed priority target disrupts business day after day after day, in ways which don't make the news. An executive of a major downtown enterprise reports that her building has been evacuated four times since September 11, due to bomb or anthrax scares -- with readily imaginable consequences to productivity and morale.

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Responding to 9-11

The responses to 9-11 requested by the small business community are detailed in the Task Force report submitted to the Committee. As stated, priority concerns were aggressive marketing of the city, and availability of bridge financing. Let me address the financing issue and briefly discuss the Chamber's interest in extension of the city's Enterprise Zone incentives.

Financing Two weeks ago the D.C. Council passed the *Emergency Economic Assistance Act of 2001*. This legislation, which has the Mayor's support, permits District government to back loans to hospitality businesses which have been damaged by 9-11. The resources the bill provides will allow banks to exercise appropriate flexibility in their underwriting of loans associated with the 9-11 disaster. The leadership exercised by Council and Mayor on this issue has provided a beacon of hope to the small business community. At present, approval of this lending program is before decision-makers here in Congress. We urge your support and seek whatever assistance this Committee can bring to moving this process rapidly. As you know, time is of the essence. Accessible financing will allow us to prevent the loss of healthy businesses temporarily damaged by 9-11.

Incentives In addition to providing financing to address immediate enterprise shortfalls and mitigate loss of businesses to the District, we must address the depth and the likely duration of the impact of September's terrorist assaults. It is the view of the Chamber that extension of the city's current Enterprise Zone legislation is a direct and expeditious approach to this issue. Washington, D.C.'s Enterprise Zone designation should be extended to 10 years (the period granted other cities), and it should be extended geographically to include the entire city, alleviating the disparate treatment of similar communities under the current scheme. In addition, the legislation should be altered to extend zero capital gains tax treatment to include investments in companies involved in Internet design and development and other information-based technologies, thus assisting efforts to attract more such firms to the city. Proposed also is exemption of District bonds from federal, state, and local taxes, and exemption of Enterprise Bonds from the District's private activity bond limit.

In closing, let me observe that the tragedies of the past weeks have made clear the interdependence of all citizens the District of Columbia. Whether we are rooted in the local community, or in the national community which this city hosts, each of us has an interest in ensuring that Washington, D.C. remains viable, and vibrant, open for business, and for the business of government. I offer you the services of the Chamber of Commerce in that effort. Thank you.

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Mrs. MORELLA. Before I recognize Mr. Williams, I wanted to indicate that we now have been joined by Ms. Watson, our newest member of the subcommittee.

Did you want to make any statement?

Ms. WATSON. No, thank you.

Mrs. MORELLA. Thank you.

Mr. Williams, thank you.

Mr. WILLIAMS. Thank you very much, Madam Chair and members of the committee. My name is Joslyn Williams. I am the president of the Metropolitan Washington Council, which is the umbrella group of all the AFL–CIO unions in the District of Columbia and five counties in Maryland.

Let me first of all thank the chair for not only inviting us here, but also for the leadership which you have shown since the tragedy of September 11th. You have been in the forefront advocating solutions to the problems, and we certainly, from the labor side, thank you very much for your leadership.

I also would like to say to my Congresswoman that it is always a pleasure to be in her presence, and in particular I also want to commend her for leadership that she has provided not only September 11th but ever since she has been in the U.S. Congress. We like to think of her as our gift to the U.S. Congress. In particular, I want to commend her for the leadership that she has shown in bringing labor, government, and business together. As soon as September 11th occurred we were all taken up to the White House. It is one of the few times that I can simply say that someone was able to get the government, labor, and business on the same page on the same day at the same time, and for that she certainly deserves our commendation.

All I can say by way of summary, since my full testimony is in the record, is, first of all, amen to Congresswoman Norton's opening statement. I could not have said it better. She has covered the solution and I want to fully associate labor's support with her comments.

Let me just say that our concern is—and my comments this morning will be more of a global nature. My colleague to my left will speak specifically of the impact that this has had upon workers in the hospitality industry.

We always view ourselves, Madam Chair and members of the committee, as speaking not only for members who carry a union card, but even those members who are not fortunate enough to carry a union card, and it is in that vein that I want to make my comments this morning about what I consider to be the problems.

I think, from our standpoint, Congresswoman Norton has laid them out. I just wanted to add one particular segment to her statement, and that is the impact that this has also had upon the immigrant population.

I do not want the impact of this on the immigrant population of the District to be lost in the rush to try and find a solution. In fact, they have had the greatest impact that anyone has been—on the immigrant population.

Let me say, if I may just refer to my testimony, and in particular that most of these immigrants are from El Salvador and they are in legal limbo. They live and work here legally, they pay taxes, and

they contribute to the local economy; however, most of them have an immigration status called temporary protected status [TPS], which allows them to work legally but stops short of legal permanent residence, or green card status. As a result of the 1996 welfare reform, people with TPS are disqualified from all safety net programs except for unemployment. They cannot access food stamps, welfare, or subsidized housing.

In my testimony we have presented two solutions that we consider essential. We do not want—and we agree with Congresswoman Norton—the District of Columbia, itself, needs to step up to the plate and use this occasion not just as a challenge but also as an opportunity to address many of the problems that are wrong with the safety net, because we need to create a safety net which will be able to deal with the problems that now face many of our workers.

We have shared with you our solutions of what the District should do, not because we are seeking the blessing of this committee or the Congress, but more because we think it is essential that once the District acts on these reforms, as we would like them to act, that this Congress, Madam Chair, should not engage in micromanaging and should, in fact, allow the District of Columbia to manage its own problems. In particular, we would bring to your attention the restrictions of the Congress on the District to be able to use the rainy day fund. We would remind you that the District is now in the middle of a thunderstorm and it cannot afford to be saving money in the rainy fund when the roof needs to be fixed immediately, so I would hope that the Congress would not interfere with the District's ability to use its rainy day fund or its ability to use moneys in the surplus fund from this year into next year.

Now, the respect to the congressional actions, we think that Congress, itself, should be taking some immediate action, and we would hope that the economic stimulus plan, certainly which the organized labor community has been pushing in the U.S. Congress, is a stimulus package which we think the Congress needs to move to immediately right away.

Finally, we would say to you that we also think that Congresswoman Norton's legislation is one which the Congress should be acting on immediately as a first step.

I will stop there and will be happy to answer any questions, Madam Chair, which the committee may have. Thank you very much.

Mrs. MORELLA. Thank you, Mr. Williams.

[The prepared statement of Mr. Williams follows:]

TESTIMONY OF JOSLYN WILLIAMS, PRESIDENT, METROPOLITAN WASHINGTON COUNCIL, AFL-CIO

Before the Subcommittee on the District of Columbia of

the Committee on Government

U.S. House of Representatives

Honorable Connie Morella, Chair

15 November 2001

Good morning. My name is Joslyn Williams and I am president of the Metro-olitan Washington Council, AFL-CIO, a federation with 175 local unions representing 150,000 union members in DC, Montgomery, Prince George's, Charles, Calvert and St. Mary's counties. In accordance with the mission of the AFL-CIO, we strive to represent the interests of all working families, whether or not they enjoy the benefits of unionization. I am here today to tell you about the impact of the terrorist attacks of September 11 and the anthrax scares on workers of the metro area and to ask for cooperation between local officials and Congress to ensure that these workers do not bear the brunt of sacrifice in this economic downturn.

The Problem

The effects of September 11 have been devastating. Our labor council's Community Services Agency, the non-profit service arm of the local labor movement, has assisted over 520 area workers with emergency financial assistance in the last 6 weeks. While approximately $300,000 has been raised, all of it has been spent providing funds for emergency rent, mortgage and utility assistance for workers directed impacted. The staff of the agency has been working non-stop with a team of hundreds of volunteers to handle the overwhelming requests for assistance and aid.

The downturn in the hospitality industry has been well documented. However, we see the beginning waves of the terrible ripple effects that are inevitable. For

example, we are seeing lay-offs of laundry workers, as well as those who work for food wholesalers. These workers are employed by companies that service hotels and restaurants around town by washing tablecloths, napkins, uniforms and sheets, and by supplying items such as fish, poultry and vegetables. As traffic in hotels and restaurants diminishes, their need for laundry service and food deliveries does too, and the workers inevitably suffer through job loss.

Local airport employees, many of them District residents, have, of course, also been adversely affected. We recently provided lay-off assistance to a group of workers laid-off at Dulles Airport, but our ability to assist them was limited given that few spoke English. These workers immediately lost health insurance and meals provided by the employer.

We worry as well about our brothers and sisters who make up the D.C. government. With the District already in a precarious financial situation, having just regained true financial health, we worry that without decisive action to shore up the District's revenue streams, lay-offs of government workers will be an inevitable result.

Without swift and decisive action on all levels, the District is in danger of losing the economic and social gains of the last five years, and the effects of the economic downturn on the working men and women will be devastating. The District is ill-equipped to handle a downturn. While the unemployment

compensation trust fund is solvent, it cannot handle large, sustained increases in applications. The rest of the safety net is incredibly fragile: welfare benefits are just $379 per month for a family of three. This is not enough to survive in high-cost Washington. Affordable housing is scarce: half of residents who qualify for Section 8 vouchers return them because they cannot find an apartment willing to rent to them. Welfare to work efforts have moved slowly in the District, with few welfare recipients finding employment at wages to support their families. Some of the persons who did find work under this program have no been laid-off.

We worry particularly about immigrant workers. As you know, the largest group of immigrants in the Washington region is from El Salvador. The Brookings Institution estimates that more than 25,000 immigrants from El Salvador live and work in our region. Most people from El Salvador are in a "legal limbo". They live and work here legally, they pay taxes and they contribute to the local economy. However, most Salvadorans have an immigration status called temporary protected status (TPS), which allows them to work legally, but stops short of legal permanent residency or "green card" status. As a result of 1996 welfare reform, people with TPS are disqualified from all safety net programs except for unemployment. They cannot access food stamps, welfare (TANF) or subsidized housing. Unemployment replaces just 75% of previous wages, and it is taxed just as wages are, and it lasts for just six months. If the local economy does not rebound by March, and few predict it will, these families, many of them 20-year residents of our area, will be left with no means of support.

At times it feels like the "Perfect Storm", where so many forces are working at once against the working men and women of the District: the fragile safety net, the affordable housing crisis, the cuts against tax-paying immigrant workers, and now massive lay offs in critical industries causing ripple effects throughout the region.

The Solution

Part of the solution requires that the District fix its safety net, so badly broken even in boom times. I have worked with a coalition of local advocates to develop specific proposals to reweave the safety net. These proposals in detail are attached to my testimony. In short, we recommend:

- improve the unemployment compensation system to cover more unemployed workers.
- increase funds for emergency assistance. The experience of my agency, where we have expended almost all our emergency funds- more than $300,000- is being repeated all over town. The government must step in with funds of its own for emergency assistance.
- Mend the safety net, especially for people without minor children, and for immigrants, with sensible proposals including purchasing food stamps from the federal government to give to immigrants and enacting a temporary General Relief program to provide subsistence level assistance to people not covered by traditional safety net programs such as welfare.

- Invest in training. There could be no more critical time to invest in the future of Washington's workers than right now. The "skill gap" in our nation's capital is well documented and much time and effort has been spent wringing our hands over what to do about a 40% Level 1 Literacy rate, our number one perch in "skill mismatch", and a school system many years in disarray. Now is the time for decisive action. While workers are on lay off, let's enroll them in training to help them upgrade their skills and make them more marketable to our area's employers.

The additional part of the solution includes speedy Congressional action on a real economic stimulus package that directly benefits working men and women. Each day that passes, is a day closer to disaster for too many families. Landlords still demand rent on the first of the month and the court still processes evictions. Residents with chronic health problems need to keep up their treatments – another month without health insurance could mean the difference between life and death. Additionally, we urge you to improve unemployment compensation by requiring states to implement the alternative base period, extending unemployment benefits in ways that benefits workers in Virginia, the District and Maryland, and raise benefits in all states. We also urge using federal money to pay for unemployment improvements. Last, enact a 50- 75% subsidy for COBRA costs for laid-off workers, and expand federal Medicaid to states to cover non-COBRA workers.

Specifically with regard to the District, first we ask that when the District enacts needed economic stimulus to help laid-off workers, that Congress not interfere when the legislation comes before you. But even more importantly, you must allow the District to increase revenue to fund needed reforms to help laid-off workers. Allow the District to use Surplus Funds from the last fiscal year for this fiscal year. Eliminate the Congressional requirement that the District put funds into the so- called "rainy day fund", the Emergency and Contingency Reserves which does not allow adequate flexibility to handle resident needs. Members of the committee, we cannot put money into a rainy day fund while the working men and women of the District are caught in the middle of a rainstorm.

Finally, pass the D.C. Non-Resident Tax Credit Act. This legislation, as you know, allows the District to emerge from the unfair and untenable situation of spending millions on commuters who each day come into the city, tear up the roads, and use city services while we cannot collect a dime from them in tax revenue. Congresswoman Norton's sensible proposal is needed now more than ever.

Thank you for allowing us this opportunity to testify before you. I am happy to answer any questions you may have.

Mrs. MORELLA. I also wanted to acknowledge our very newest member—sorry, Ms. Watson, you are no longer the newest member of this subcommittee. The newest member of the Government Reform Committee, but also the newest member of the D.C. Subcommittee, and that is a gentleman from Massachusetts who took Mr. Moakley's place, Stephen Lynch. Welcome.

Mr. LYNCH. Thank you.

Mrs. MORELLA. You know, I am originally from Massachusetts. A lot of the politicians are. But we welcome you.

Mr. LYNCH. Thank you.

Mrs. MORELLA. Thank you. Mr. Boardman, a pleasure to recognize you, sir.

Mr. BOARDMAN. Good morning. Thank you, Madam Chair, Congresswoman Norton, and other distinguished members of the subcommittee. My name is John Boardman. I am executive secretary/treasurer of Hotel and Restaurant Employees Local 25, AFL–CIO. Our local union represents a little over 8,000 workers in a variety of sectors of the hospitality industry. I am also a vice president of our national organization, Hotel Employees and Restaurant Employees International Union.

I want to thank you for giving me an opportunity to appear before you this morning on some issues affecting the major part of our metropolitan economy, the hospitality sector. I am sure you will be hearing from a number of panelists this morning who are more qualified than I to speak to the macro statistics. Those numbers are staggering.

From our perspective, to give you some flavor of what Local 25's members have been dealing with, in the 5,000 or so members directly connected to the hotel industry here in the District of Columbia and metropolitan surroundings, on any given day since September 11th, 2,500 to 4,000 of those workers have been out of work. On a national level, our membership across the country currently has more than 105,000 members out of work. So I certainly endorse and support my fellow panelist, Mr. Peck's comments that the hospitality industry deserves and, in fact, needs special consideration.

What I thought might be appropriate this morning—and you are going to hear a good deal on macro statistics, but a little bit about what happens in the day and some of the lives of the folks that work in the hospitality sector.

If this were a normal day here in the fall season in Washington, DC, our busy season, an attendee to a convention or a meeting would be arriving at National Airport and could choose from somewhere around 750 flights. She would have taken a cab downtown to check into a hotel, where the occupancy would have been somewhere around 95 percent. For the next few days she would have attended meetings, gone to luncheons, and have needed to make a reservation to get into a restaurant because those restaurants were busy. That person would have also ordered some room service probably, had a few drinks with friends in the lounge. She also would have visited some of our retail establishments and bought some souvenirs for her children and family members.

All that changed on September 11th. Our meeting attendee doesn't come to Washington now. Maybe she couldn't get a flight that worked for her. Maybe it is a fear of anthrax. But, as a result

of her not coming and thousands like her, we are experiencing an economic tragedy of the proportions I have never seen in the 23 years I have been working within the hospitality industry.

Here's what we see now: attendees aren't arriving in any great numbers, because our airport operates at a little over a third of the normal load capacity. At an in-flight catering kitchen that we represent at National Airport, Maria Cadena is no longer preparing meals for the flights and is not working, along with 100 of her co-workers. Dennis Thomas, who is a member and is an on-call banquet waiter who also drives a cab to make ends meet, didn't get that fare to the downtown hotel. He's also not getting called in to work on banquets.

At the hotel where our attendee would have checked in, the lobby is empty. Only one front desk clerk is working, where normally there would be five or six. Anthony Hoston, who is an employee with 22 years seniority, is the only bellman on that bell stand waiting to take guests to their room, but few arrive. The rest of the bell stand is on layoff.

The few attendees that make it to our convention have breakfast in empty dining rooms. Jane Welsh is a waitress of 24 years, isn't serving guests because her seniority doesn't give her an opportunity to work. She is on layoff.

Conventioneers go to sparsely attended meetings and a luncheon where Mary Smith, a full-time banquet waitress of more than 30 years, is working only her second day of a very slow week. She and her co-workers in the Banquet Department have seen their incomes drop by 75 percent.

In housekeeping, with so few guests in the hotel there are not many rooms that need clean linen or bed changed. Tawanna Reed is not working at her station in the laundry, and Katy Daly, along with more than half the housekeepers in the hotel, are without work.

With the phone quiet and no orders coming in, Mary Wise, a room service cashier, sits at home. She is wondering how she will pay the rent, feed her two grandchildren that are now living with her after the death of her daughter. This is only the second time Mary has been laid off since she started her job 19 years ago.

In the bar the seats are empty except for one guest. Elleni Megistu, a cocktail waitress, feels lucky to be at work, though. She won't be earning many tips, but it is better than sitting at home, like her friends and co-workers. At least she has her health insurance because she's working. Her co-workers have lost theirs due to the layoffs.

The workers I've noted here above are real, and so are the thousands of other co-workers that are laid off in the Washington metropolitan area. They face real and immediate needs. They are the folks that have gotten up every morning, year after year, taken the Metro or a bus to work, put in a hard day at honest labor. They are the cooks, the dishwashers, the housekeepers, the laundry workers, the bellmen, the bartenders who have always paid their bills, kept a roof over their family's head, have put food on the table. They are also those who work in the ancillary industries that support hospitality, such as cab drivers, provision delivery drivers, and warehouse workers. They are all workers who, even in good

times, are one or two paychecks from crisis, and they are in crisis now. They need your leadership and help. You need to carry their stories to your colleagues, make them understand that extending unemployment is absolutely necessary to keep these families intact. You must convince your colleagues that a 75 percent COBRA rating is the basic minimum for providing health care and keeping these critical families in health insurance.

These are our friends, our neighbors, your constituents. They are the backbone of this area's service community, and I hope you speak out on their behalf.

And I would just like to note one other thing, which I think is an extremely sad commentary. Local 25 that normally engages in representation and collective bargaining has had to convert its entire operation to helping families survive. In the past 3 weeks, we have distributed food to more than 2,600 families here in the Nation's Capital. As of yesterday, we are distributing food to 50 families every day just to keep body and soul together. We have another 50 to 100 families that are supported by nonprofit groups and churches weekly. I think this is a shame that in the Nation's Capital hard-working people who are the solid members of our community have to come and take a handout like this.

Thank you very much. I will answer any questions if you have any.

Mrs. MORELLA. Thank you, Mr. Boardman, for that very poignant description of how September 11th has affected the people in the District of Columbia.

[The prepared statement of Mr. Boardman follows:]

John A. Boardman
Executive Secretary Treasurer
Hotel & Restaurant Employees, Local 25 AFL-CIO

Testimony
Subcommittee on the District of Columbia
Of the United States House of Representatives
November 15, 2001

Good morning Madam Chair and members of the Committee. My name is John Boardman and I am Executive Secretary-Treasurer of Hotel & Restaurant Employees, Local 25 AFL-CIO. Our local union represents over 8,000 workers in a variety of sectors of the hospitality industry. I am also a Vice President of the Hotel Employees and Restaurant Employees International Union.

I want to thank you for giving me the opportunity to speak before you this morning on some of issues affecting a major part of our metropolitan economy: the hospitality industry. I'm sure you will be hearing from a number of experts certainly more qualified than I about some of the current macro statistics. The numbers are staggering. I thought might be helpful to provide a closer view of what has changed since the events of September 11th.

If today were any normal fall day here in Washington an attendee to a convention or meeting would be arriving on any one of more than 750 flights at National Airport. She would have taken a cab downtown to a hotel and check-in to a hotel where the occupancy was around 95%. For the next few days she would have attended meetings, gone to luncheons, had to make reservation to have dinner in a restaurant. This person probably would have ordered room service or had a drink with friends in the lounge. She also would have spent a few dollars on some things for herself and purchased some souvenirs to take home to the family.

On September 11th our whole world changed.

Our meeting attendee did not come to the convention. Maybe because she couldn't get a flight that worked, or perhaps she was afraid of contracting anthrax. As a result of her not coming – and thousands like her – we are experiencing and economic tragedy of proportions I have never seen in my 23 years working within the hospitality industry. Here's what we now see.

Attendees aren't arriving in any great numbers because our airport operates at about a third of the normal load capacity. At the in-flight catering kitchen, Maria Cadena is no longer preparing meals and is not working along with about 100 of her co-workers. Dennis Thomas, an on-call banquet waiter and cab driver didn't get the fare to that downtown hotel. He also hasn't been called in to work any banquet functions lately.

At the hotel, the lobby is empty and only one front desk clerk checks guests in. Anthony Hoston, an employee with more than 22 years and the only bellman on duty is waiting to take guests to their rooms – but few arrive. The rest of the bell stand is laid off.

The few attendees that did make it to the convention have breakfast in empty dining rooms. Jane Welsh, a waitress of 24 years, isn't serving guests because she is laid-off. Conventioneers go to sparsely attended meetings and a luncheon where Mary Smith, a full time banquet waitress of more than 30 years is working only her second day of a very slow week. She and her co-workers have seen their incomes drop by 75%.

In housekeeping, with so few guests in the hotel, there are not many rooms that need clean linen or the beds changed. Tawanna Reel is not working at her station in the laundry and Katy Daly along with more than half the housekeepers are without work.

With the phone quiet and no orders coming in at the hotel, Mary Wise, a room service cashier, sits at home. She is wondering how she will pay the rent and feed the two grandchildren that are now living with her after the death of her daughter. This is only the second time Mary has been laid off since she started the job 19 years ago.

In the bar, the seats are empty except for one guest. Elleni Megistu, a cocktail waitress, feels lucky just to be at work. She won't be earning many tips but its better than sitting at home like her friends and co-workers. At least she has her health insurance because she is working. Her co-workers have lost theirs due to the lay-offs.

The workers noted above are real as are the thousands of their co-workers all over metropolitan Washington whose families now face real and immediate needs. They are the folks who have for years gotten up each morning, taken the early bus or metro to start a day of hard but honest work. They are the cooks, dishwashers, housekeepers, laundry workers, bellman, and bartenders who have always paid their bills, kept a roof over their families heads and put food on the table. They are also those who work in all the ancillary industries that support hospitality such as the cab drivers, provision delivery drivers and warehouse workers. They are all workers who are always, even in good times, one or two paychecks from crisis -- and they are in crisis now.

They need your leadership and your help. Please carry the stories of their situations to your colleagues. Make them understand that extending unemployment is absolutely necessary to keep these families intact. Convince your colleagues that a 75% COBRA payment for health insurance is critical to maintaining healthy families. These are our friends and neighbors. They are your constituents. They are the backbone of this country's service economy. Please speak out on their behalf.

Thank you again for this opportunity to appear before the committee.

Mrs. MORELLA. I am now pleased to recognize Mr. Hanbury.

Mr. HANBURY. Good morning, Madam Chair, and good morning to our committee members. Of particular note to Congresswoman Norton, thank you for all your great help and leadership here in recent days. It has been deeply appreciated.

I guess Washington, DC, has been humbly reminded in recent days that we bear both the glory and the responsibility of living, working, and doing business in our Nation's Capital. As the capital, Washington, DC, will be the symbolic leader of the country's return to normalcy. Revitalizing our metropolitan economy must be a key to our Nation's recovery.

As John Boardman so well put it, over 260,000 employees and their families in the capital region rely on a vital travel and hospitality industry to make their living. It pumps over $10 billion a year into our economy, and really this industry must be foremost in your minds as you consider emergency preparedness.

Perhaps more than any other destination in America, Washington runs the significant risk of a long-term downturn in the hospital sector as the result of these recent events. Because of our large number of national attractions and government facilities, travelers perceive Washington, DC, as a high-risk area. If we are unable to sustain a thriving hospitality industry, the economic health of our beloved capital region will be in peril.

Thus, as the Congress considers emergency preparedness, there needs to be sensitivity concerning the effects it has on the hospitality industry. Every street closure, every false alarm, every pronouncement by Federal officials has an effect on the travel industry. A family in Massachusetts planning a vacation to the Nation's Capital receives all its perceptions from the national media. Negative or inaccurate news coverage will diminish our chances of attracting visitors to the region.

As the engine that drives our metropolitan economy, the drop in visitors has caused tourism-related businesses to experience significant layoffs, major losses in revenues, and in some cases closed their doors permanently. Because tourism is this region's No. 1 private sector industry, it has had serious implications on the overall economy.

From a hospitality perspective, normally this time of the year—and John said it well—we usually run about 80 to 90 percent occupancy during this time of the year. In dollars and cents we estimate that visitors spend over $285 per day in our economy. These dollars are spent on hotels, restaurants, tours, recreation, retail, local transportation, rental cars. In the fall of 2000, visitor spending per day was over $5.9 million. This fall, spending has fallen to less than $3.3 million per day. Thus, the District of Columbia, alone, is currently losing almost $6.5 million per day in tourism spending.

Going forward, both the national and local tourism industry is anticipating several very difficult months. PricewaterhouseCoopers now forecasts that the lodging industry will have the worst fourth quarter in 33 years. They also predict further deterioration in 2002.

It should be remembered that the lodging industry demand took a full year to recover from the Persian Gulf war, and I must tell you that the downturn this time is dramatically steeper than then.

The week of October 14th is a good example. Hotel room occupancy was at 58.1 percent, down 37.3 percent from last year.

Our recovery rate will also be slower than other American cities; thus, for the next several months it will be very difficult for us to return our economy to some level of normalcy.

Although the situation appears bleak, there is a tremendous amount of work underway to return the hospitality industry to a position of strength. On a daily basis the Convention and Tourism Corp. continues to work with travelers, meeting planners, and the media who have questions concerning closing, safety, and scheduling changes. We are assuring people that Washington, DC, is open for business.

Additionally, the Convention and Tourism Corp. has created a "Be Inspired" marketing campaign. It will implement marketing, advertising, public relations, Internet, and promotional activities aimed at reestablishing Washington as a premier convention and visitors destination.

I'm pleased to report that we have already raised over $3.5 million in public and private sector resources to assist with this campaign. Our goal is $10 million.

As has been noted by Congresswoman Norton, other municipalities have States to bail them out of their problems. D.C. has no such option. For example, as you may have noted, as the Chair has noted, New York City is spending over $40 million to rebuild their tourism industry, $20 million from the State of New York, $20 million from the New York/New Jersey Port Authority. We just do not have those resources.

The Congress can play a role in assuring the recovery of the Nation's Capital. Congress must publicize that our capital city is open for business. I would ask that every Member of Congress communicate with their constituents that Washington is safe and a hospitable destination.

Also, as Congress considers emergency preparedness, it must be sensitive to the fragile nature of our hospitality industry. Statements and pronouncements should be carefully worded not to alarm visitors to our Nation's Capital.

Finally, the Chair had asked about the Washington Convention Center. I will tell you that no other convention center probably in the history of our industry has had a more successful pre-opening activities. We have 157 events booked into the new Washington Convention Center for future years after it opens in 2003. I'm happy to report that none of those events have canceled for future years. Not one has canceled for future years. The bonds are secure. There is a very large financial resource available for rainy days, and so we are confident that project which is on schedule and on budget will continue to go forward and will be an extraordinary success for our Nation's Capital.

Thank you.

Mrs. MORELLA. Thank you very much, Mr. Hanbury.

[The prepared statement of Mr. Hanbury follows:]

Testimony of William A. Hanbury, CEO
Washington, DC Convention and Tourism Corporation
Emergency Preparedness Hearing
November 15, 2001

In Washington, DC, we have been humbly reminded that we bear both the glory and the responsibility of living, working and doing business in the Nation's Capital. Our economy has been dramatically impacted by the tragic events of September 11 and the emerging threat of bioterrorism. As the nation's capital, Washington, DC will be the symbolic leader of the country's return to normalcy. Revitalizing metropolitan Washington's economy must be a key to the nationwide recovery.

Over 260,000 employees and their families in the Capital Region rely on a vital travel and hospitality industry to make their living. It pumps over $10 billion dollars annually into our economy. This industry must also be foremost in your minds as you consider emergency preparedness.

Perhaps more than any other destination in America, Washington runs the significant risk of a long-term downturn in the hospitality sector as a result of recent events. Because of our large number of national attractions and government facilities, travelers perceive Washington, DC as a high-risk area. If we are unable to sustain a thriving hospitality industry, the economic health of our beloved capital region will be in peril.

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Thus, as you consider emergency preparedness, there needs to be a sensitivity concerning the affects this has on the hospitality industry. Every street closure, every false alarm, every pronouncement by officials has an effect on the travel industry. A family in Peoria, IL planning a vacation to the nation's capital receives all of its perceptions from the national media. Negative, or inaccurate news coverage will diminish our chances of attracting visitors to our region.

As the engine that helps drive our metropolitan Washington economy, the drop in visitors to the region has caused tourism-related businesses to experience significant layoffs, major losses in revenues, and in the case of some small businesses, to close their doors permanently. Because tourism is the number one private sector industry in the region, this has serious implications for our overall economy.

From a hospitality industry perspective, here is a tabulation of the economic downturn. Traditionally, metro Washington runs a hotel occupancy rate of approximately 80% during the months of September and October. In 2000, September occupancy was 80.8% and in October of the same year, 81.2%.

In dollars, based on statistics provided by the International Association of Convention and Visitor Bureaus (IACVB), we estimate that

visitor spending is $285 per day. This includes: hotels, restaurants, tours, recreation, retail, local transportation, rental cars, etc. Using the industry standard that 1.5 persons occupy each room, we can say that in fall, 2000, visitor spending, per day, was nearly $5,928,000. This fall, we estimate the spending figure, per day, to be $3,334,500.

Based on the above, the District of Columbia alone is currently losing $2,582,500 per day in direct spending. The indirect economic impact, i.e. "the multiplier effect" is three times this amount. The multiplier of three is an industry standard used by the International Association of Convention and Visitor Bureaus (IACVB). Thus, the daily total economic loss is $7,474,500. This number is almost double when you consider the entire capital region.

Going forward, both the national and local, tourism industry is anticipating several very difficult months. PricewaterhouseCoopers now forecasts the lodging industry to have the worst fourth quarter in 33 years. They also predict further deterioration in 2002. It should be remembered that lodging demand took a full year to recover from the Persian Gulf War. The week of October 14, hotel room occupancy in DC was 58.1%, down 37.3% from last year. Our recovery rate is slower than any other major

American destination, thus it will be several months before we return to some level of normal economic activity.

Although the situation appears bleak, a tremendous amount of work has been accomplished to return the hospitality industry to a position of strength. On a daily basis, we continue to work with travelers who have questions concerning closings and schedule changes. WCTC sales staff has connected with hundreds of valued clients, in both the convention and tourism market segments. We are assuring people that Washington, DC is open for business. We will continue these efforts for the indefinite future.

Thanks to the leadership of the Mayor Williams and Council of the District of Columbia, loan packages have been passed to aid impacted businesses and employees during their time of need. The federal government should fully support these initiatives.

Additionally, WCTC has created a "Be Inspired Marketing Campaign". It will implement marketing, advertising, public relations and promotional activities aimed at reestablishing Washington, DC as a premiere convention and visitor destination. I am pleased to report that we have already raised over $3 million in public and private resources to assist with this campaign.

The Congress also has a role to play to ensure recovery of our Nation's Capital. As the leaders of our nation, Congress must publicize that our country and our capital city is open for business. We can't let the terrorists win. We would ask that every member of Congress communicate with his or her constituents the importance of coming to Washington, DC. Also, as Congress considers emergency preparedness, it must be sensitive to the fragile nature of our important local hospitality industry.

Finally, I urge Congress to support the travel and tourism industry by supporting the Travel America Now Act, S. 1500/H.R. 3041. This bill would provide some temporary incentives for business and leisure travelers to return to the skies, the roads, the rails and the high seas. The Travel America Now Act would also help travel and tourism companies sustain losses resulting from the September 11 attacks and continuing bioterrorism. Supporting S. 1500/H.R. 3041 would help in our nation's overall recovery.

As the nation continues to recover it is critical that Washington lead the way in returning our country to normalcy. Until the capital city is fully open for business and thriving, the perception to the world will be that the nation remains crippled.

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Thank you for the opportunity to testify, and I would be happy to answer any questions.

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Mrs. MORELLA. Now I am pleased to recognize Dr. Fuller. Thank you, sir.

Mr. FULLER. Good morning, Chairwoman Morella. Thank you. And good morning, Members. I am pleased to be here to add my voice to the panel.

You have a copy of my testimony. Just to summarize a few key points, it is important to recognize that the District economy was in very good health prior to September 11th, and we were forecasting growth of over 15,000 net new jobs for this year and about a 2 percent real growth rate in the economy. That was before September 11th.

The September data showed a 0.6 percent job growth rate for the year ending in September, 3,700 jobs, far below the expected annual rate of 15,500.

Unemployment was still at 6.5 percent, hadn't begun to rise yet, but it will. Initial claims were moving up, but still the October data will show much more serious impact, as has been described here. It should not come as a surprise in January or February if unemployment goes to double digits in the District. And if it doesn't, it's because many of the unemployed persons aren't being counted.

As you've heard, the most visible impact—and we know this, too—of the terrorist attack has been the near shut-down of the hospitality industry. As was mentioned, October is the best month of the year and September is the third-best month of the year. The performance this year has looked like January, so we'll have 5 months of January where hotel occupancy tends to be around 40 percent. My estimates are, at the regional scale, that we're losing, on average, over the course of the remainder of this year from September 11th onward, $10 million a day in lost hotel, restaurant, transportation, entertainment, and retail sales. 50,000 jobs are at risk. Some of these are part time, some of them are full time. They're spread around the region, but the District economy is much more dependent on this industry than the suburbs. It has less to cushion the impact. Even though the District only has about 40 percent of the hotel rooms, it reaps or captures at least 55 percent of the revenues.

The loss this year, by my estimates, will total about $1.25 billion in the hospitality industry. For the District, that's going to be a loss of almost $700 million of revenues not realized. Instead of growing 2 percent, the District will grow at 0.9 percent. More than half of this year's growth was lost because of the impact that the hospitality and related industries had following the September 11th attack.

The consequences of lost and slower business in the District are seen also in many small businesses facing hard times. I think we can expect to see a substantial increase in the failure rate of small businesses. This was—as for the hotels, this was the season where they earned the money that got them through the rest of this month, December, January, and February, until the season begins again. Many of the small businesses going into the September attack were already suffering problems from the slowdown in the national and local economy. They're going to need some help.

There's a larger problem that I see that we can't quantify that worries me, though. I think, as this region recovers, the suburbs

will recover much stronger than the District, and part of this will be at the expense of the District. Business visitors right now who can't come through National Airport are coming into BWI and Dulles. It is likely that many of those are also staying in the suburbs, because that's where they're flying into. They may also be having their business meetings in the suburbs. We're going to be getting—you're going to see a transfer of business—it won't be very large at first, but it's happening—from the District into the suburbs. You also may see this among local employers and firms that are considering location to the District. They want to come to Washington. The District is becoming too expensive to locate. It has higher costs. But this may be the tipping point, the cost of terrorism.

The forecast had been for 15,000 net new jobs this year. We're looking at about 3,000. It's a substantial slow-down. Next year it will be worse. Our forecasts right now are that the District will add jobs next year, but probably about 1,000. It is actually adding more jobs, but it is losing more jobs, and so the net is going down.

The District could very well experience recession. The Nation's economy is in recession. This region will not, but the District could very well have a recession.

I think we need to look at this in short-term as well as long-term perspective. Short term, clearly the personnel who have been laid off need help. They will not be re-employed at the earliest until March, and many won't be re-employed until 2003. They don't have adequate food, shelter, medical services. We need a short-term program to provide a safety net for the thousands of District residents, as well as many suburban residents who have been impacted by the sabotage to the hospitality industry.

We also need a longer-term program. The District needs to become more aggressive to sell itself as a good place to visit, as a good place to live, as a good place to do business. Clearly, getting National Airport back up to 100 percent is critical. It's not the only answer. We need to be much more sensitive to the armed camp environment that is becoming visible in this city. As long as the District retains this image, the economy is not going to retain its vitality that it fought so hard for since the mid-1990's.

The longer it takes to address these problems, both the short-term problems and the long-term problems, the more likely the District is of sinking into recession, and its recovery is going to be quite difficult.

Thank you.

Mrs. MORELLA. Thank you very much, Dr. Fuller.

[The prepared statement of Mr. Fuller follows:]

U. S. House of Representatives
Committee on Government Reform
Subcommittee on the District of Columbia

Emergency Preparedness in the Nation's Capital: The Economic Impact of the Terrorist Attack

Testimony Presented By

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Good morning. In my testimony today I will attempt to outline the scope and magnitude of the economic impact that the September 11th terrorist attack had on the District of Columbia. I will discuss this economic impact in the short term and in the longer term as the consequences will be different and will require different governmental responses.

Prior to September 11th, the District of Columbia economy was projected to grow in the neighborhood of 2.0 percent in 2001 and generate 15,500 net new jobs. While this year's growth was not expected to be as robust as achieved last year, when the District added 19,400 net new jobs and its gross state product (GSP) grew at a 3 percent rate (for the City's largest gains since 1988), it was on track to achieve a healthy and sustainable growth rate that would continue to support a strong fiscal base.

This forecast has dramatically changed on September 11th. While the actual impact of the terrorist attack is still being tallied, estimates of this year's losses can be made. The September data only show the very initial magnitudes of these impacts. While August job growth in the District was running at an annual rate of 1.0 percent or 6,600 jobs and unemployment was 6.5 percent, September's labor market conditions only reveal moderate changes. Job growth slowed to 0.6 percent with a net gain of 3,700 new jobs and unemployment remained at 6.5 percent. Initial claims for unemployment insurance, the earliest warning of impending unemployment changes did increased (worsened), rising slightly from 2,047 to 2,104, up 2.8 percent from August.

Unemployment and initial claims will increase dramatically in the coming months with the unemployment rate expected to exceed 10 percent by year's end. That the rate is not higher now is explained by delayed reporting, and many workers are working at reduced hours but have not lost their jobs yet. Also, many of the workers who did lose their jobs in the hospitality industry were not "covered" employees and therefore were not counted as being unemployed.

The most visible economic impact of the terrorist attack was seen in the near shut down of the hospitality industry in the District and across the region. September is the industry's third best month of the year and October is its best month. Hotel occupancy should have been averaging 85 percent in October but occupancy and visitor spending looked more like it does in January when occupancy rates drops below 40 percent. I estimated that in September and October the region's hospitality industry was losing an average of $10 million per day and that for the remainder of the year (since September 11th) these losses would add up to at least $1.25 billion. And, with the hospitality industry operating at January levels since September 11th, at least 50,000 jobs in the region are at risk. How many hotel, restaurant, taxi, rental agency, retail and other hospitality-related jobs have been actually lost will never be known. For the industry that generates about $7 billion in direct revenues region wide, these losses will add up to a 20 percent reduction in revenues this year.

The District of Columbia economy is much more narrowly structured than the economy in the Washington suburbs so its ability to absorb any losses from the hospitality industry or others is much more limited. Stated another way, the District's economy is substantially more dependent on the hospitality industry than is the economy in the suburbs.

While only about 38 percent of the region's hotel rooms are located in the District, the District accounts for about 55 percent of the industry's revenues. The hospitality industry's region wide loss of $1.25 billion in direct revenues will reduce the District's economic growth this year by $687.5 million or by 1.1 percent. As a result, the District's economy will only grow by $530 million in 2001 rather than the projected $1.22 billion in the absence of the attack. That is a growth rate of 0.9 percent rather than the 2 percent projected at mid-year.

While the District of Columbia economy may also experience other less visible reductions in spending in 2001 outside of the hospitality industry, it is the longer-term impacts that point to the City's continuing vulnerability. These include continuing under-performance by the hospitality industry as well as losses in other core industries that may occur over several years.

There are two reasons supporting the conclusion that the District's hospitality industry is not likely to fully recover until 2003. First, the national and global economic downtowns will undercut the industry's performance next year. Compounding this trend are: (1) the fear and inconvenience of air travel and (2) the continuing national media focus on terrorist activity in the District. As long as Reagan National Airport is not operating at pre-attack levels, it sends out the message that Washington is not a safe place to visit. This impression has been reinforced by the daily reports on the Anthrax incidents over the past month.

This continuing image of the District as a difficult place to get to and an unsafe place to visit will result in cancellation of tourist visits to the District next year. Already school trips, even from local suburban jurisdictions, have been cancelled and organizations such as the Close Up Foundation have experienced substantial reductions in applications for its District-based programs. Tour bus operators also are reporting lost business. The full magnitude of this decline in visitation rates will not become evident until next March at the beginning of the 2002 visitor season.

The consequences of lost and slower business in the District will be seen in many small businesses failing during the coming months. These small firms are typically under-capitalized and depend on strong revenue growth in September, October and into early November to build their revenue base for support them the normally slower winter months. As these firms are already at the limits of their credit lines, this terrorist-induced slowdown will push many of them over the brink. By March, not only will the hospitality industry have experienced widespread failures, but many other firms that supply and in other ways relate to the District's core business also may have failed.

A larger problem threatens the District next year and beyond. With business travelers having to rely on Dulles or BWI Airports for air service to the District and with the threat of bio-terrorism hanging over the city, business visitors may just decide to stay over night in the suburbs rather than risking

coming into the city and may even conduct their business meetings in the suburbs. Local employers with offices in the city may conclude that the cost of being in the city has become too much and relocate or shift some of their business activities to the suburbs. And, firms planning on relocating to the Washington area may either change their minds and stay where they are or restrict their site search to suburban locations.

A location in the District of Columbia has always cost more than a suburban location but the benefits of being downtown made this extra cost justifiable. With the workforce of many DC firms finding it increasingly difficult to commute downtown from their suburban residences and rental cost differentials increasing, the costs, uncertainty and disruptions of terrorism may drive private sector employers not specifically tied to a market in the city to relocate to a safer place in the suburbs.

Rather than adding the projected 15,500 new jobs this year, the District economy is struggling to generate 3,100 net new jobs and losses attributable to the September 11th attack have cost the District economy more than half of its expected annual economic growth. In 2002, net job growth in the District is projected to total just 800 and the overall economy will struggle to remain positive. While that could be considered a major achievement with the national economy likely to slip into a recession this quarter and remain negative over several quarters next year, the growth forecast for the District prior to September 11th was for job gains of 13,200 and overall economic expansion of at least 2.0 percent. The economic impact of the terrorist attack has largely erased this year's growth and could drive the District's economy into recession in 2002.

Given the short-term and longer-term nature of these impacts, the District of Columbia must formulate a two-pronged approach to counter the negative consequences. In the short term, unemployed residents will require a broad range of direct assistance whether or not they had previously held a "covered" job. This assistance will have to extend at least until March or April of 2002 and provide resources to cover food, shelter, medical services and other necessities of daily living. As the hospitality industry begins to recover, the District's economy will be able to put these workers back into productive jobs. Between now and then, these workers, who were displaced by the terrorist attack on September 11th, will require a meaningful level financial assistance.

Similarly, the viability of many small businesses has been threatened by the terrorist attack. These businesses need to be allowed to restructure their debt, defer interest and principal payments for a six to twelve month period, and may need a range of technical assistance to develop new business plans and survival strategies.

In the longer-term, the District of Columbia needs to become aggressively self-promotional. The District needs to get the word out to the rest of the country and world that it is open for business. Getting Reagan National Airport back to its pre-attack operational level will send a positive message. However, until it is back to normal operating levels, it will be sending the wrong message.

While no one questions the need of greater security in the District, especially around important public buildings and monuments, how this security is achieved should be carefully considered. This will be important to the District's ability to convey that the city is open for business and visitors are welcome. The ever-present "New Jersey" barriers and barricaded streets do not generate a positive message. This positive message must be consistently reflected in the actions of the City and Federal governments. If the District retains the image of an armed camp, its economy will not regained the vitality that it had fought so hard for since the mid-nineties. And, the longer it takes to address these two formidable problems, the less likely it becomes that the District can avoid sinking into a recession from which recovery could be long and difficult.

Mrs. MORELLA. We will now start with questioning, and I'm going to allocate about 5 minutes for each of us for each round of questioning so that we get many of our questions in.

I'm trying to put together kind of a synopsis of what you've said about what we need to do. We certainly have had you paint for us a depiction of the post-September 11th terrorist attacks on the Nation's Capital. But from what you have said, pulling together what we need to do—certainly, increase the number of flights at Reagan National Airport. No doubt about it. Do more advertising about what is offered at the airport, where people can go. Hopefully, there would be fewer barriers in the District of Columbia, whether we're talking about street closings or barricades that will be barriers psychologically, as well as in other ways. Unemployment insurance obviously, and Mr. Williams mentioned looking at those immigrants, particularly from El Salvador, who do not have the advantage of some of the other safety net services. Small business was mentioned a number of times, and in my opening statement I also referred to the fact that the U.S. Small Business Administration has an economic injury disaster loan program. Apparently, of the 108 applications that were issued, SBA has only received 24 applications.

I wonder if—and I would address this to whoever would like to respond—whether or not these numbers are correct, whether small businesses know about the program and are taking advantage of the program. Also, have you all provided technical assistance to businesses who might want to complete the applications but, again, find that as a barrier? Of course, I am just astounded even that there are only 108 businesses that would qualify for these loans, wondering about the criteria. So if there is anyone who is familiar with that program and that particular loan, I would ask that person to respond. Mr. Mitchell.

Mr. MITCHELL. I am somewhat familiar with the program. I believe that the numbers are in the neighborhood of being correct. There has not been a tremendous amount of loans approved, anyway, that we have heard of in this area. That was reported to us by the District's director of the SBA not long ago. I think he only said that there were somewhere in the neighborhood of 20 loans out of the District office that had been approved.

We are not providing—in response to the question as to whether small businesses are aware of the program, I cannot answer that. I can only assume that there is not widespread knowledge about the SBA's program, given the number of applications.

There is one technical problem with the program is that it does not allow refinancing of existing SBA loans into the new emergency loan program, and therefore, although the SBA has put in place forbearances, the debt service on those existing 7(A) loans will continue and, of course, they are amortized over a short 7-year term. So I've had several people come to me and raise the issue about the fact that those 7(A) programs cannot be refinanced or existing debt cannot be refinanced into the new emergency loan program.

Mrs. MORELLA. It might be good for you to put that into writing and show me what you sent to SBA, and maybe we can piggyback onto it in terms of this. This appears to be what is needed, if you all agree. The indication we got from SBA is that 108 applications

have been issued, 24 have been received, and 12 have been approved at this point. It seems as though we could do a better selling job of making people aware that this does exist, maybe bring SBA more into the picture.

If no one else wants to comment on that, I would ask: is there any combined program with the Federal Government and the District government to promote tourism in the Nation's Capital? Mr. Hanbury.

Mr. HANBURY. Madam Chair, there is not. As you know, there is no national tourism organization. We are really, in many respects, doing it alone as the District of Columbia, although we're collaborating closely with the State of Virginia and Maryland and the immediate surrounding municipal areas. We really have to do this on our own. There is no bail-out possible, and even with collaborations with National Parks and with Smithsonian, although we work with them on a regular basis to promote Washington, DC, there's no structured Federal program that provides for significant funding to go to the District of Columbia and to promote the Nation's Capital to national audiences and international audiences.

That's why, you know, we have had—we're not in the fundraising business, but we have been challenged by the Mayor and by community to go raise up to $10 million in resources to drive a marketing campaign, our "Be Inspired" marketing campaign.

We are a little over one-third of the way to that $10 million, but I must tell you that in a national campaign that is not a dramatic amount of money, and we need to continue to work with the Federal Government through the Smithsonian, National Parks, and other agencies that have very significant resources to help promote the Nation's Capital.

Mrs. MORELLA. Mr. Peck. I am going to give you your 5 minutes in about 10 minutes.

Mr. LYNCH. Well, relative to this comment, if it's all right, Madam Chair, I just wanted to probe a bit. Would it be possible within this piece of legislation we'll be marking up, H.R. 2995, to put a grant program in there for the tourism convention industry?

Mrs. MORELLA. At this point that's the CFO Enhancement Act. I don't think it is going to be germane to that. But we will have issues coming up later on with the Convention Center. We will be looking at how moneys are being disbursed, and I know that the District of Columbia has asked for $250 million and $25 million so far has been approved, but we're hoping to get more money in that regard, so I think there will be some ways that we probably could help.

I think what we would be looking for is a program so that we're not just saying, "The Federal Government should give this amount of money," but we need a program. I would guess that you would all agree, also, that we need to do more public service announcements, we need to do more kind of heavy lifting when it comes to promoting the District of Columbia. I mean, what's happening at the museums, the stores, the vitality of Union Station stores, too, as a matter of fact, as well as the airport, so more needs to be done. We haven't really done what New York has done with far greater difficulty, but we have not really been following some of the good pointers that have come from New York.

Mr. Hanbury.

Mr. HANBURY. Just a brief comment, Madam Chair.

We are working very diligently on a local and immediate drive market to spur the tourism industry. Our restaurant week that is underway this week——

Mrs. MORELLA. Yes.

Mr. HANBURY [continuing]. Right now is really a great——

Mrs. MORELLA. How is that working? I meant to ask you.

Mr. HANBURY. Unbelievable. Fantastic is the only comment.

Mrs. MORELLA. It has gotten some good publicity.

Mr. HANBURY. And we're getting some more people back to work—not enough, but we're getting some more people back to work. That has been great.

We, in all candor, are very carefully watching, polling data about the national opinion about travel, and we're convinced that the American traveling public is not ready to re-engage itself at this point in returning to the Nation's Capital, so for us to go and begin to spend the major part of these $10 million in resources is probably not the best of ideas, so we are holding until we believe it's the right time to begin again, from a national perspective, begin to promote Washington to the Nation and the world.

Mrs. MORELLA. There's also someone coming by this afternoon at 2:30 with a press conference, a Mr. Ledsinger of Choice Hotels, to talk in general about tourism and travel and to give out the "Thanks for Traveling" pins, and I know that Washington is probably involved with that, too.

Mr. Peck, and then my time is up.

Mr. PECK. A couple of comments.

One, the Board of Trade runs something called the "Greater Washington Initiative," which markets this region to the rest of the country and the world. It's a region-wide organization that includes the economic development organizations of the counties and the city. And I just wanted to say we found the same thing that Bill Hanbury found, which is that we were prepared to begin a new media campaign this fall and we are holding off on it because we think we need to change the message and move it into the spring.

But one important point. A number of people have touched on it. The Federal Government, money aside—and I don't want to belittle money, because we can use it for this effort—one problem we have is that we are overwhelmed by what we call in political campaigning "free media," the network news and the way in which Federal officials portray the city. It's very hard to overcome with almost however much money you have when what people see coming out of Washington are Federal officials with a backdrop of, you know, closed-off, barricaded places talking about the Nation's Capital.

One bit of help we really need is to get Federal officials to sort of raise some pride about the Federal Government and to say that we can—this is a great national capital, that people should be proud of what's going on here.

That's another side, quite honestly, of what we feel is necessary, so when we meet with Federal officials we are trying to say that we need that aspect of the region played up, as well.

Mrs. MORELLA. This subcommittee could encourage Members of Congress to do, like, 1 minute at a certain time about the District

of Columbia and what it means to them, but thank you. My time has expired.

I now recognize Congresswoman Norton.

Ms. NORTON. I've got the Mayor's stimulus package here for $750 million, an economic recovery package, and I think part of the difficulty is finding ways to assist a city which has sectors like ours. For example, if this were a sector that had manufacturing, then you could kind of stimulate the infrastructure and the rest of it, but I tell you, I'm looking in here to find anything that would have any effect upon you. It says, "Loans and grants to small businesses." OK. I'm not even sure I understand what the city means.

Here you have the SBA, which puts forward small businesses, business loans, and the Chair has just indicated the small number of loans. Well, here comes the District in the face of 100 percent federally financed loans which you can get 30 years to pay from the Federal Government, pay back, and you can get up to $1.5 million—that's what they are offering—and they now say you don't even have to exhaust your credit. You can come.

And here comes the District, and in its package all I can find of small business loans are loan credits or loan guarantees. I'm not sure how the Federal Government—if these loans aren't being taken already in large numbers when the Federal Government finances them 100 percent, is the Federal Government going to give D.C. money to finance them? And even if it did, it looks like they're not taking those loans. So I need some information. I don't know how we can help our tourist sector.

The only thing in his package—most of these things have to do with unemployment, benefits, temporary assistance to needy families, homeowner assistance, but very little of it has to do with our kind of sector, perhaps because it is difficult to find ways that the Federal Government is accustomed to using to help a sector like ours, which is its service sector.

So if you look at the $750 million, I don't see that it would do anything for the major sector that is in trouble here for its workers or for its businesses. I need some help if I'm supposed to go to get some targeted money to help the major private sector industry. If all I've got is SBA loans down here that we're not even taking from the Federal Government and D.C. comes and says, "Give us some of the same" and they don't tell me what the credit is on that, I need to ask you: are those better loans? You can get those cheaper? People are going to rush forward and take them in a way they haven't the SBA loans? I'm really very perplexed, because I don't see any way that the District's money is going to help the major private industry problem in the District, and that is very serious.

Mr. PECK. Let me take that. I think you've put your finger on something very important. One is you have to analyze this sector by sector, and I'll defer to Dr. Fuller on some of that, but Dr. Fuller's numbers show—and I think he's right—that the IT sector, which is not much represented in the District of Columbia, will probably do well next year. Government is increasing its spending.

The hotel industry—and, again, John Boardman can probably tell more than that—the hotel sector tends to be large businesses. The hotels are owned by large businesses purely driven by how

many room days they can generate and probably aren't at all eligible for these kinds of loans.

The restaurant industry, which is—you know, one thing about the restaurant industry is people in that industry tend to go week to week on cash-flow, and I have a hunch there's a lot of worry about if the market isn't there will people be able to repay the loans, and I don't quite know where we go there. That's why, you know, we have to look at this other side of sort of getting more people into the restaurants, getting more people into the city eventually to sort of—to generate that.

And I think we, too, I have to say, are very concerned that there is this differential impact on workers. You know, let's face it, lawyers and accountants so far, although there are beginning to be layoffs in that sector, too, are not feeling the impact that we're seeing among the people who really have no safety net, probably no savings under them, so we're going to have to analyze this again sector by sector. And those people, by the way, are probably not much able to move into the sectors that are going to be more healthy.

Ms. NORTON. Mr. Fuller, I would appreciate your response. I mean, if you were trying to "stimulate" this economy with its sectors and its kind of folks, not simply stimulate the region, which even you have said has better prospects, how would you stimulate this economy with its service sector, with its hotels and travel?

Mr. FULLER. As you reviewed some of those recommendations, those are really, as I see them, some of those are still quite important, not in stimulating the economy but in supporting the businesses and individuals who have been damaged, and I would certainly argue to support extension of employment benefits and even provision of benefits for people who are not covered and some other——

Ms. NORTON. That's the kind of thing that Congress is going to do, anyway.

Mr. FULLER. Yes.

Ms. NORTON. That's why I'm looking. We went to the White House. Joshua Lumbren said, "We need a targeted package for the District of Columbia." Mr. Hanbury will remember. We said, "We need targeted assistance." Well, I'm having a hard time coming up with what that means. I didn't—they didn't ask me to say exactly what it means, and I'm having a hard time with that now.

Mr. FULLER. I think one of the reasons that the small businesses are not responding to what SBA has to offer is that these businesses don't need more debt. What they need is to restructure their debt, they need to defer principal and interest. They need to cut their cost. They need technical assistance. They will not survive. They're already up to their ears in debt, and so—and many of them just don't have the business plans or the formal documents that SBA requires. Now, they need to get some of those, too, and I'm not an expert in this area, but I've heard small businesses talk about what they need and it isn't exactly what SBA is offering.

Now, to stimulate the District economy, that would be different than what the Federal Government or the Congress is already considering. We clearly need—I don't have a good answer for you there, other than that there are two or three segments of the Dis-

trict economy that are quite unique. The hospitality segment is one of those that may not be as well-reflected in the broader proposals for stimulation, but in my view we need to help businesses of any size clear out their bad debt. We need to help them depreciate equipment that they've purchased and don't need or have available on inventory and can't sell. We need to clear up the old business of the economy so that these companies can start buying again, so accelerated depreciation, some investment inducements that may be targeted to special kinds of industries here that we have in the District would be helpful.

Ms. NORTON. Mr. Hanbury.

Mr. HANBURY. Congresswoman, we are making a concerted effort to raise private sector resources to help with the marketing campaign. I believe the simple answer here is how you do something targeted is you spend financial resources to promote Washington, DC, to the world. That's the most important thing we could possibly do right now is to let people know that we are open for business, invite people back to the Nation's Capital, and get our tourism economy up and running and promoting the Nation's Capital to the Nation and to international visitors.

We have asked—literally are asking hundreds of organizations for financial resources—the corporate community of the metropolitan area that has a direct link to the hospitality industry, good corporate citizens who find value in the overall economic health of the economy. The foundation world is also extremely interested in a compelling ask from us, because the reality is that visitation to arts, cultural, and historic institutions of this community have been dramatically compressed because of what has happened here.

So there is a compelling reason here for people to collaborate in a joint marketing fund. We have established—are in the process of establishing a not-for-profit 501(C) foundation that can accept money from not-for-profit entities and foundation entities, and I'm just convinced that is the best way—the best thing we can do.

Ms. NORTON. You're probably right, Mr. Hanbury, because it looks like the traditional ways in which government stimulates would help—you know, even if we do infrastructure and the like, those jobs are not transferrable to the thousands who are unemployed.

It would have been difficult to put ads up with the megaphone that has been up there saying, "Come to D.C. and get anthrax," so it wouldn't have been a good time to put your ad up, anyway. Can I ask you how much money has been raised and when you think ads might go up?

Mr. HANBURY. To date we have about $3.5 million committed, and we are doing a significant amount of work right now on a local and metropolitan area in the media drive markets to bring people back to restaurants. We're doing deep discounts in hotels and——

Ms. NORTON. Do you mean an ad, a national television ad campaign?

Mr. HANBURY. Will not happen until probably after the first of the year, because, Congresswoman, we have the same concern you have. You have these continuing messages from Washington, DC, and it is very difficult to push back against those messages. We're going to do cable and national media buys that there will be some

days where—I've seen the media schedule—we're spending $100,000 a day. We do not want to be spending $100,000 a day when the Attorney General is out there telling the Nation's public that it's not safe to travel, and particularly when that pronouncement comes from Washington, DC.

Ms. NORTON. That message does trump any ad you could possibly put up, and one of the things you're going to need is to conference with some of the high-powered media people in this town.

I was at the Ex/Im Radio kickoff yesterday where Hugh Canaro offered to be in touch with such people. I'm not sure we have enlisted such people. Some of them would be, I'm sure, willing to do a lot of it pro bono. We've got very high-powered public relations folks in this town that serve corporate America nationwide, and I look at what New York has done. New York has, of course, what we don't have, you know, it's star town. But I think that it would be very important to somehow—this town has going for it in many sectors some of the top people of the country. You know, it's got some of the top politicians, by definition, but it's also got top people all over now.

You have an ad campaign that talks about being inspired and so forth, but it has been criticized as not sexy enough, you know, not inclined to make people run and come. I noticed that New York has taken its ad, "I love New York" and ginned it up with, "I still love New York," which somehow resonates and gets you where you want to be gotten.

Of course, we don't have Woody Allen and we don't have the great stars. I do think that there are folks—I mean, the bunch of politicians you see in the Congress. I have asked the Speaker and I'm sending a letter—I've already asked Leader Gephardt—if they would help us deal with one of the great problems that we have, which is the House of Representatives, the Capitol was closed down. So if I was coming to Washington I would say, "Let me just wait until the Capitol opens." I've asked the leader, my own leader, to give us a date for when the Capitol opens. They don't even have a date for that because they're trying—you know, all of this is done in the name of security. They have a trailer out there that they're trying to get ready so you could go there first before you came in, in order to protect the complex.

I think we need to look at short-term and long-term ways to go at this issue, because we can't guarantee that Mr. Ashcroft is going to stop doing what he's doing or that the House will open soon enough.

And there are people in this town who have national reputations that would help us. I mean, maybe Bob Dole would do an ad—I don't know—with somebody. I mean, I think that we need to take advantage of people like Hugh Canaro and the other top public relations people in this town and try to see what we do in the interim, what we do in the long run, and not simply say that, "Until they finish doing what they're doing, I guess we just can't break through this." I can't think of any way to do so, but I would like to put that proposition to some people who have had to handle just such tough corporate decisions with people like Firestone, for example, or Ford when they had to keep advertising, keep people

buying cars and tires, even though they were getting slashed, if I may say so.

Mrs. MORELLA. The gentlewoman's time has expired, but very briefly.

Mr. HANBURY. Very, very brief. We have an outstanding team of media and public relations council working on this. We are assembling, I think, an outstanding group of celebrities who will help us with our public service announcements and paid media.

You're going to be very, very pleased when this is rolled out that it will match up very well with the standard that New York City has set.

Mrs. MORELLA. I'm pleased now to recognize Mr. Platts, and thanks for your patience.

Mr. PLATTS. Thank you, Madam Chairwoman.

Having come from the State House, including service on the State House Committee on Tourism, I well appreciate the case you've made and the impact on the economy across the board, as we saw it. In Pennsylvania, agriculture is still our No. 1 industry, but tourism is quickly approaching that status. And coming from an area that includes Gettysburg and what tourism means to that community and the dollars brought to it, I appreciate your testimony.

The questions that have been asked and the comments help me as far as what is that comprehensive approach to marketing D.C., and sounds like it's really going to be after the first of the year in the national marketing. When I think of the holidays I do think of New York and Central Park and ice skating at Rockefeller Center more than coming to D.C., so that probably has some logic in that. But I would encourage that, and Ms. Norton stole my thunder with reference to Senator Dole. The New York commercials I've seen are just incredibly witty and a great play to just put people at ease, and that approach to getting on with life in a fun way. And Senator Dole also came to mind because of his notoriety with Viagra commercials and the one that's out there with the race car driver and—I don't know if you've seen that, "Who did you expect? Bob Dole?"—something along those lines to promote Bob Dole in that celebrity status.

I couldn't remember the name—the Federal City Council, where Senator Dole is actively involved in promoting D.C. He jumps out as just one example, and maybe that's somebody you have in mind already, but I think that effort of—by doing that, I think you're going to help with reassuring people, you know, because I'm asked back in the District in Pennsylvania, "What's it like in D.C. right now?" There is that perception, because of all that's going on and this being the center of our Government and of the military leaders, that there is great trepidation and things. I say, you know, "It's actually very calm and deliberate and normal, in a sense, to me. And my wife and children come down here on a regular basis for events. You know, we have different priorities and focus because of the war on terrorism, but our day-to-day interactions in the city and with a brother and his family who live here in the District, as well." That's not the perception, though, nationally, and that national campaign I think can help go a long way as it is for New York, and they're beginning to restore that calm to things.

I think—I'm not a marketing expert, so don't—I'm not going to give you advice how to do it, although the Bob Dole one I couldn't pass up. I think that's too good.

Mr. MITCHELL. If I may, Madam Chair, just respond to some of the marketing efforts, I think that the private sector raised $100 million and put on the most creative campaign that we possibly could, as Ms. Norton said, the Capitol being closed is going to trump all those efforts. No one is going to come, no matter how much money we spend to get the country to come to Washington, DC.

It is imperative that the Government, by its actions, say that the District is open, and then the private sector, along with the District and maybe some Federal efforts, can team up and do an effective marketing effort.

Mr. PLATTS. Let me respond to that. I think having the Capitol open is an important part, but there is so much history and opportunities here, and playing on that the war on terrorism is being fought on many fronts, including individual citizens and, you know, a way of showing your patriotism is to go visit Lincoln's Memorial and to stand there where Martin Luther King stood and to go to Arlington Cemetery and the changing of the guard with our men on the war front, men and women, you know, in Afghanistan. It can be from a patriotic sense of coming here. The Capitol is part of that, but I don't think it's the only part. I mean, for a lot of people, families, the tour of the Capitol is something, but it's not what draws a lot of families, in my opinion. I say that as a father of young children and what they enjoy when they come to Washington. It's not necessarily the Capitol building.

So I think there is an importance to doing that, and that symbolism that goes with the Capitol being closed, but there's so much else obviously to market.

Mr. Mitchell, if you had something else that you were—it sounded like when I——

Mr. MITCHELL. It was actually a comment that I can address later.

Mr. PECK. May I just say there is—if you go downtown you will see people out. On a day like this, you'll see people at cafes. But I have to say I just drove up here. Many of you know, I ran the Public Buildings Service and spent a lot of effort on security. I just drove by the Air and Space Museum, which has jersey barriers on the front steps. Now, there are people still going up and through there, but I just have to tell you, as I think I'm something of an expert on securing buildings, it somewhat boggles the mind about why that is necessary. We are piling layer of security upon layer of security. There is snow fencing around LaFayette Square, which won't stop a person let alone a vehicle. And some days you can't get across it.

I think, unfortunately, word of mouth is around, too. People say, "What can I see in Washington?" There is still a lot to see. I mean, I hear you. But, you know, we're somewhat constrained.

Doyle was saying, you know, if you do go to New York, if you're inspired by that commercial, as I am, you can pretty much get around New York.

So I think one of the things we have to say to the security folks, as we said in GSA, the job is not to make the buildings fortresses but to keep the buildings open and inviting to the public, and we have to figure out—and there are ways to do security that will keep the place much more open and inviting, and that's the message we have to get across, too.

Mr. WILLIAMS. At the threat of appearing to rain on this parade, let me say I agree with everything, Congressman, members of the committee, that has been said here this morning in terms of solution and long-range solution, what the District needs to be doing and what everybody else needs to be doing, what help we can get from individuals.

The challenge that I faced in coming here this morning was to try and speak about what can the U.S. Congress do to assist the District through this crisis. And I do not want, at the end of this exercise, to leave here and say to unemployed workers out there who are facing this tragedy on a day-to-day basis that hope is down the line 18 months from now or even 10, 12 months from now. Their question to me and to their union representative is, "What about the here and now? What do I have to face with respect to my loss of health care? What do I do when the beginning of the month comes and I cannot pay my rent?" All these things that we are talking about here, you know, we leave a community fully endorsed. But I just think that there is immediacy here that I do not want to be lost on this committee that there are workers out there who need the help.

Now, I am glad to hear that there seems to be some optimism that the Congress is going to be doing certain things, you expect, to unemployment compensation. I would say to you that on this issue I'm from Missouri. I'm just not quite sure that I see our shared enthusiasm with respect to what the Congress might do to help workers immediately. I just don't see it. And I would hope that we could have a discussion, not only in terms of what we can do in the long term, but what can we do now to help these workers make it through the winter and the spring, because what I read tells me that, come the spring, even with all of these ads, I don't think the people are going to come clamoring to the District.

The Boston Globe had an article that said that high schools were canceling their trips to Washington, DC, for the spring. There wasn't the clamor of these high schools that the District depends on in the spring coming here, so what do we do come spring and people are not here?

I just put that out, and I just think that I hope that Congress is also struggling about what is going to be happening to workers and in trying to solve the long-range problems of the District of Columbia we do not forget the tragic short-term impact upon workers here and now in the Nation's Capital.

Mr. PLATTS. Mr. Williams, I fully agree and appreciate that concern. The economic stimulus plan that came out of the House to get the ball rolling included about $12 billion for unemployment extensions, either extension of weeks of unemployment or expansion of the amount of unemployment available each week. Included—$3 billion of that was for health care to pay COBRA payments or other flexibility to the local officials on how to provide health care for

their unemployed, especially those areas hardest hit because of September 11th, which the D.C. area I think is strongly, clearly one of the areas in that category.

The Senate has not yet passed a stimulus package, but certainly they have been discussing both of these issues and what will be in their stimulus package, so I share the hope that in the short term, before we break for this year's term, ideally before we broke before the end of this week, but it looks like we'll be in a post-Thanksgiving session, we pass an economic stimulus plan that long term includes the incentives to make sure people don't need unemployment because they have a job to go to, and that turns the economy around in all sectors, including the tourism sector, so that people don't need unemployment benefits because they're working and they have a paycheck so they don't need, but in the short term, while that recovery is occurring, that they do have additional assistance for health care and for unemployment benefits.

We need to get that job done as part of the response nationally, including the people of the District of Columbia.

Mrs. MORELLA. Thank you.

Mr. PLATTS. Thank you, Madam Chairman.

Mrs. MORELLA. The gentleman's time has expired.

Ms. Watson, I recognize you.

Ms. WATSON. Thank you. There are several things I'd like to say.

There are some realities that we all have to face in this country, if not around the world. Things will never be the same again. I would not encourage my own constituents right after September 11th to fly to the East Coast, to fly here or to fly to New York.

Now, we are not going to be able to tell the news media not to regard a statement made by the President or Rumsfeld or the Attorney General. That is not going to happen. So if that's not going to happen, we must frame our own message. We're not going to be able to have the Capitol open until we're sure that every single building up here on the Hill has been cleared for any kind of contagious disease, any kind of bioterrorism agents, and so on. Just understand that. These are the realities.

All of you have described the problem very well. We know the problems. We hear them all day long every day. I represent Los Angeles, and they are defining the problems, their impact to my office, every single day including the weekend because they have my home phone. I'm in the telephone book. So we know the problems.

What we have to do is come together in a problem-solving mode. Now, I just heard something startling from Hanbury saying that there is no national organization for convention and tourism. Well, that's a place to start. We need assistance nationally. New York is suffering from the same way, but what New York did, it came right back. I saw the stars off of broadway. I saw stars coming from my own Hollywood there to join in this effort to promote New York. Every day you turn on the TV you can see Ground Zero, but you also see a promotion celebration of some kind.

You must come together and say, "How do we promote Washington, DC? If they never get back into the Capitol Building, how do we promote Washington, DC?"

And I suspect that many of the buildings and many of the offices in the buildings will remain closed until we can get a handle on the spread of anthrax. That's reality.

Another thing, too, on the political side, I don't think we need a tax rebate to stimulate business. You can weigh in on that issue. I think that SBA needs to relax some of its requirement and be more applicant friendly. We were having that discussion on September 11th when we learned that there was an airplane headed toward the White House.

So I think you've got to weigh in on some of those issues, but those of you who represent workers and businesses, the Convention Bureau, must come together with, say, a 10-point plan. How do we salvage this?

And let me just say this to you: it is going to take time. People are petrified of flying. You ought to talk to the representatives who represent Hawaii and know that there is a 23 percent occupancy rate going on. People are stiffed. It is going to take a while, and another plane crash on Monday didn't help. We've got to have an airline security bill out right now. You can help us on that. You can go to the people who are holding it up. But we've got to let some time pass. We have to get rid of the jitters that America is facing.

We are doing all that we can here, but we need you to help us, so what I would say, the people around this table, when you leave this capital you get together with other like kind and you come back to us with a 10-point plan and say, "This will work." And then let us grapple with the political side of developing a policy that really will bring people back to Washington, DC, but it is going to take a while.

Many of us are canceling our own plans because it requires flying over water and taking American Airlines. I have to fly on American Airlines to get from Los Angeles here. United Airlines I fly on. You know, you have to just put your fears aside. We can't be fearful in this. We have to be constructive.

So come together. Give us a plan of what you would think would work. Join with the media, you know—and, believe me, the competition in the media industry is just horrendous, so I don't think you can do much to get them to relax their coverage, but how do we work with them. How do we use it for our advantage? How do we use them for our advantage? How do we bring the well-known people who reside here to play in on this. Who do we bring?

I think you could be very helpful by coming in with a plan and letting us look at that plan, tear it apart and look at it politically, what it's going to cost, but address it, and so we need to hear from you.

Mr. MITCHELL. In the District's economic assistance plan, of course, there was the $100 million loan plan in there. I am not exactly sure how the SBA publicized its loan program; however, when the District announced last week that it was going to implement a loan program, low-interest loan program through the depositing of dollars into District banks, the Industrial Bank, of which I'm the president and CEO, was one of them. We were flooded with calls. We have been flooded with calls all week.

I agree with Dr. Fuller that most of these small businesses don't want debt. They don't want additional debt. But I think as every

day goes by that they are not giving some assistance, they have no other choice. And this week we've probably gotten over 40 calls—that's our bank, alone—about this particular loan program. So I believe the demand is there for loans and grants for these businesses. I don't know how the SBA is reaching its individuals, but the press conference that the city conducted last week on this most recent program was extremely effective, and it showed me that the demand is out there.

Ms. WATSON. Mr. Mitchell, Mr. Mineta, the Secretary, is in Los Angeles right now being taken around through the city. You know, we have our little crises all the time and we have to work our way out of them. We started something called "RLA," where we had all the heads, the executives of big business committed for a certain number of years for a certain amount of money, but it would be very helpful to us if you would look at the SBA and see how SBA could help.

Now, you don't want to get into more debt, but if you had all those responses maybe there are people, if maybe some of the provisions are restructured, that could be assisted by SBA. That could be part of your plan that you bring back to us, and I'm sure Mr. Mineta would have an open ear as to how we could restructure some of the provisions in SBA to be very, very helpful at this time.

And my last comment, we need to look at a short-term plan, and I heard it here, and also a long-term plan. I think it was Joslyn Williams who mentioned that. I think you are right on target. What can we do now for the workers? We were trying to put workers' interests into our stimulus plan and we passed out immediately a bill to support the President in his response to terrorism, and we were trying at the same time to address all of the workers and their families that would be out of business because of what happened on September 11th.

We are concerned. You know, you're speaking to and singing to the choir here, and, you know, we just have to do it. We have to get through the political morass to get it done, but we are very, very concerned, and that's your short term. Over the long term, give us a plan. Give us, you know, your suggestions. Come together and start organizing nationally.

We're all in these United States affected by what happened.

Mr. BOARDMAN. Is there any timeframe? Just a couple of quick comments, if I may, in response, Congresswoman.

To give you some perspective on what marketing dollars do, Bill has been talking about $10 million. I deal with two resorts that will spend in any given year between $1.5 and $2 million on a single resort. So the fact that we're out with our hat in our hand soliciting dollars for this effort is a critical element that I'm very glad to hear you are considering.

The second thing is the macro level. You can, when you look at New York, think of the thing in terms of Ground Zero, which doesn't necessarily, as someone noted, mean that you can't get around the rest of the city. Anyone who has talked to anyone else around the country, we are the victims of the perception that the whole city is affected, as opposed to one building or one part.

You asked for specific recommendations, and I would make two, one directly affecting workers—and I would argue that it is also

something that I would believe my partners in the business community would appreciate, as well, and that is there's a tremendous effect in terms of the multiplier when rents don't get paid, when utilities don't get paid, when new clothes don't get purchased by the folks that we represent who are out of work, so direct relief in terms of subsidizing those efforts on the part of families is important.

But, from a specific thing that I think is important both from our perspective and from the industry's perspective, if we cannot maintain the level of staffing and the service levels that our customers are used to, we are not going to be able to sustain the continuing visits of those who are inclined to fly at all. So toward that end what I would suggest is that you look, whether it is in the context of an SBA loan or some other tax relief element, I think it is completely appropriate to subsidize employment in the service sector industry, and that will counter the direct response of businesses who are inclined to keep themselves afloat at low general cash-flow by understaffing, which ultimately affects service, and service is, after all, what we are about in the hospitality industry.

So if you can subsidize a restaurant or a hotel rather than have one waiter on the floor or one cook in the kitchen, have two waiters and two cooks, I think ultimately that does two things. It helps that business and it also keeps people employed.

Ms. WATSON. Let me just comment that we need to look at the public and the private sector and how the public sector then relates to the private sector in terms of the short-term goals and the long-term goals, so it would be very helpful to us if you could come up with the kind of recommendations you are making as to how the two come together in this emergency situation short term, and then how, over the long term, we can help.

Mr. WILLIAMS. Madam Chair, the Congresswoman makes an excellent suggestion. Let me say that the stimulus package, Congresswoman Norton, which you referred to earlier, I'm not quite sure how many of us in this panel have been privileged to that stimulus package. Maybe some other people are here, but let me speak for the labor community and say that we have not been privileged by a stimulus package, and therein may very well lie a problem.

I referred to earlier, you used your good offices to bring government, business, and labor together at a very, very critical time, and I think you will agree that it was a very successful beginning. We have not seen that since then, and, in fact, my colleague from the Board of Trade just suggested, Congresswoman Watson, that it would be a good idea if the executive, the legislature in the District of Columbia, business, and labor could get together to pick up on your suggestions about coming up with ideas. This is a critical time, and it is essential that all the elements come together to deal with one problem.

I would suggest that probably that Congresswoman Morella or Congresswoman Watson or Congresswoman Norton or in one of the committees, and maybe what you need to do is to use your good offices probably to suggest to the government that it might be a very good idea if the Mayor would convene all of the elements of

the District of Columbia around the table at the same time to just pick up on your idea.

We would certainly—I would speak for the labor community and say that we would be happy and we would adjust our schedule to do just that, and I just want to put that in the record. We are willing to do that. We think that the convening really needs to come from a different level. If it came from Congresswoman Norton, it probably needs to come from the government of the District of Columbia, and probably the stimulus package which the Congresswoman just referred to would have been a different stimulus package if probably other people had input before it came to the U.S. Congress.

Thank you.

Mrs. MORELLA. I thank you. And thank you, Ms. Watson.

We certainly do believe that all parties should come together, and I think the fact that we have all of you on this panel and had the previous one where we had the Mayor and the Council of Governments and the Council Chair and others, all of you should get together for a concerted plan.

But when mention was made of people who service and people who may not have jobs, I have been noting that a number of companies—and I'm not sure whether this includes the District of Columbia—have been asking their employees, "Would you be willing to work reduced hours so that we do not have to lay off or fire people," and some of the executives saying, "I will refrain from a salary increase or I will not take a salary," in other words, working together. Would you like to comment on that, Mr. Boardman?

Mr. BOARDMAN. Thank you very much. Yes, I would. In fact, our members have initiated a number of programs on their own and with our assistance. Individuals who had accrued vacation took vacation and allowed others with lesser seniority to work. We have whole departments that have gone onto reduced work weeks, where everyone in the department, to the extent work is available at all, works 1 or 2 days, rather than have fewer people working longer weeks.

Our problem, quite frankly—and I noted it in a couple of our examples that we looked at in my testimony—is that when you have occupancy levels, as Bill notes or Dr. Fuller notes, you are essentially operating at the most minimum of par staffing. You will have one person in each department. And when I say there's one waitress in a restaurant, we had hotels operating for the better part of September at below 10 percent occupancy. So I have a hotel with 775 members normally that's operating with 45 people. There's no work to share.

And we have had a couple of situations where the work has increased. Particularly over the last couple of weeks we've had some little bit of occupancy and people are sharing. But the bottom line is you can't share work if there is no work to share, and that is, quite frankly, what we are looking at for the next 6 to 8 months.

Mr. WILLIAMS. Let me just speak in general on the subject and let me just say candidly that our experience in that area has not been a very, very positive one, so it is not one that I would—that I think members of the labor community, given their experiences, now would embrace.

We have found, candidly, that whenever there is a crisis the first individuals that are required to step up to the plate and make sacrifices are the workers. And I do not—it happened when the District was going through its crisis. I think the Congresswoman, yourself, know exactly what sacrifices workers who worked for the District of Columbia government paid during that crisis.

The crisis that construction workers—the give-backs that they had to make when the crisis went down in the private sector, every time there is a crisis, the workers are asked to give. We do not see the same give-back from managers, from supervisors, from owners.

So I would say to you, Congresswoman, that the labor position is that in this effort, if we are to solve it, there must be equal sacrifice across the board. But we are not going to be the first one to step up to the plate and say we are prepared to go over the cliff while others meditate whether or not they should do the same.

Mrs. MORELLA. I understand. I was pointing it out because I think it shows the innate sense of respect for each other that workers have, when given the proposition, will say, "I would rather work fewer hours and sacrifice for a bit rather than to have you lay off or fire someone else." But, at the same time, I also mentioned that there have been a number—and I hope it has been equitable—of executives who have foregone their salaries or not—you know, reduced it significantly in order to demonstrate to the workers that they feel the same difficulty.

But let me bring up another point that kind of relates to that. As a result of the consequences of the terrorist attacks, grants will be available under the national emergency grants authorized under the Workforce Investment Act. They will be offered as an incentive or an initiative to assist displaced workers. The funds will be used to provide a variety of employment and training assistance, including income support payments to individuals who are out of work but are ineligible to receive unemployment benefits.

How do you anticipate that this kind of assistance could be, should be, is being utilized in the District? Will your organizations be available to promote the grants' existence and assist workers with their applications? Anybody want to comment on that?

Mr. BOARDMAN. If I can field that very quickly, Congresswoman, I'm pleased that you mentioned this program because I think it is one brick in a continually built building.

We are aware of that, and I would suggest that there are probably several ways that are appropriate in the current context, and again addressing both the needs of the worker, but also anticipating some of the things that employers would like to see out of that trend.

We, for example, think that it would be important, and we are already ramping up to do some of the front-end process work to do skilled maintenance or skill upgrade. And I'm thinking, as an example, a cook who wants to go back and refresh their saucemaking techniques, or something on that order.

The other thing that I think is equally important to employers and certainly a desire on the part of the folks that we represent, and that is training in English as a second language, and also upgrade of general educational skills.

There are very rare opportunities—and this may be one of them—when families have enough time out of a work life to devote to further education, so we may have a valuable opportunity here, as bad as things are. If folks aren't working, they can certainly be getting a little bit of an education.

Mrs. MORELLA. Is that program offered also to immigrants who have the temporary protected status? Would they be eligible for that?

Mr. BOARDMAN. My understanding is that the English as a second language as part of that program would be available to those folks, and that is, as Josh notes, of particular importance in the hospitality industry, as well as some of the continuing education components.

Mrs. MORELLA. Yes. Very good.

Mr. WILLIAMS. Can I point out that it seems to me that there is a predicate to that, and that is that the city must apply for a national emergency grant [NEG]. It is my understanding—and, Congresswoman Norton, you may correct me—that the District of Columbia has not applied for an NEG grant, Madam Chair, and does not contemplate applying for an NEG grant.

Mrs. MORELLA. Do you know why? Have you had any reason why they have not, do not plan to?

Mr. WILLIAMS. Our understanding is that the District indicated that it has enough money already in the pipeline and does not need the NEG grant, which is, of course——

Mrs. MORELLA. Very interesting.

Mr. WILLIAMS. It's one of those good news—you know, it's good news if that is the case, and if it does not have the money, then I just do not know where we'd go from there. But in the District I'd say that they do not apply for—at least the last indication to us, that we have had that discussion, that it does not need an NEG.

Mrs. MORELLA. Is that what you've heard also, Mr. Boardman?

Mr. BOARDMAN. I'm not as close. I'm more on the ground level. We anticipate that at some point someone will come to the realization that any money that we can get in to help employers train and employees learn, we will be pursuing that.

Mrs. MORELLA. I would think so.

Mr. BOARDMAN. So we're ramping up the process.

Mrs. MORELLA. I would think so. So what we will do then is we will inquire of the Mayor and the Council about why they have not availed themselves of it and what their plans are.

Mr. BOARDMAN. You should also note, Madam Chair, that this is something that I am working very close with my counterparts in the Hotel Association to identify those exact issues which employers feel are important so that we can target some of the whatever amount of money is available to those critical areas that will help people in their career paths.

Mr. WILLIAMS. And I would hope that we would recognize again that—and I recognize the hospitality industry is a very, very important sector, but the grants and training and stuff are—it's an element that should be targeted all across the board, and there would be a lot of industries outside of the hospitality industry that are critical to the livelihood of the District of Columbia that we

should also be looking at—the health care industry, the impact of the closing that D.C. General has had upon the community, and other industry hospitals which may be affected.

So I would hope that, as we talk about the economic stimulus for the District of Columbia, we are looking not just at the health care industry but all across the board.

Mrs. MORELLA. Thank you. I now recognize the ranking member.

Ms. NORTON. Well, I know the Chair wants to get to the markup of the budget autonomy bill. Indeed, I want to say to Mr. Williams that in your testimony you mentioned the restrictions on the use of surplus. If this budget autonomy bill is enacted, the District will be like Maryland and Virginia—it can use its surplus. I mean, imagine the absurdity of not being able to use your surplus at a time of recession because you are treated as a Federal agency. Budget autonomy would release us from that, and the Chair is going to lead the markup of that shortly.

Also, I will raise with the Mayor, Mr. Williams, the notion of the NEG grant. We are in for a long, hard time, and I can understand how he might have said that earlier, or thought that somehow we could get over, but after anthrax, I mean, the writing is on the wall.

And I will also ask him to convene all elements, if for no other reason because we know we don't have any answers right off the top of our head. We need to inspire hope in our people to believe that we can get together, and if enough of us get together and put our heads together, some answers will come out of this, but if we are all working in our own spheres without good communication across these lines, then the answers will be not as forthcoming as rapidly.

I do have a question that I need guidance on, as we work on the stimulus package here in the Congress from the labor representatives. Some of us have pressed very hard on COBRA. We think adding to the number of people without health insurance, given the failure to make progress on that in the first place, is quite unthinkable.

But I need to know from you, particularly since there are so many low-wage workers and even workers that are not low wage, what it would take to get people to want to maintain their health insurance even if we were able to get Federal subsidy of COBRA.

For example, the Democrats have said that the subsidy should be at least 75 percent of the cost of the premium. I'm not sure what the Republican package has in it. But even at 75 percent of the cost of the premium, if the person isn't getting a wage, is COBRA likely to—are people likely to keep up their health insurance while they are unemployed? I mean, do you think that——

Mr. BOARDMAN. I think that's an excellent question, Congresswoman, and I can speak from direct statistical data. We have done over 1,200 intakes at our local union and have queried people on this issue, and the bottom line is that anything below 75 percent subsidy you can virtually guarantee that people who are on unemployment, limited household cash-flow, are not going to allocate money to health care, and that is a fact, and that's what we have been told over and over again in direct response to the question.

I would think that there were some other critical downstream costs which one might anticipate in this debate, and that is people are not going to be less sick, children are not going to fall off bicycles and break arms fewer times simply because the COBRA is not being subsidized. In the District or in Prince George's County or in the surrounding communities, it sort of puts the burden on public health systems who are already under attack or under-funded.

To take that argument one step farther—and, again, we have very close relationships with our health care providers and we want them to be healthy—I would be prepared to argue—and I hope you would, too—that the most efficient delivery system for health care is in the current private sector context at the present time, and that's not negating any national health care argument. But in the context now, I would say that if a doctor has my medical records, has a relationship with my family, it is probably going to be less costly, from a public coffer point of view, to have me continue to receive health care in that environment rather than go over to the public sector where I have no records, I'm entering a system which is grossly under-staffed. I think it makes sense from both points of view. You can look at it from the moral point of view, where it is the right thing to do to take care of these families, but I think from a public policy point of view and a fiscal point of view it makes sense also because you are going to spend less money taking care of those families in their current environment than you will shifting them over to the public sector.

Ms. NORTON. Thank you.

Could I ask Mr. Hanbury, you responded to the question of the Chair that you did not think the Convention Center was in jeopardy. I need you to elaborate on that about the security of the bonds. You talked about rainy days. Are you saying to me that if there were a long turndown, a year or two, since this is paid for almost entirely from tax receipts from the hotel and restaurant industry, that even though you all are down to often nothing, that there has been built up such a huge rainy day fund that we don't have to worry?

Mr. HANBURY. Madam, Louis Dalli is probably the best person to answer that from the Convention Center Authority, but I do know that they have an extremely large reservoir of resources to draw upon in an economic downturn, and the bondholders were assured early on that these resources would be put in place to assure that, if there was a very dramatic economic downturn, that the bonds would still be secure.

Mr. Dalli believes that there are adequate resources to deal with this downturn and to deal with a very extended downturn of the economy and still assure that the bondholders would be secured.

Ms. NORTON. Thank you. That's very comforting to hear.

Madam Chair, if I can ask one more question, Mr. Fuller said something that I found very discomforting because there was some ring of rationality in how people operate, and that is that when people get used to coming to Baltimore and to Dulles they then get used to going to the surrounding hotels. I'd like to know whether you know, from your experience, whether or not a new way of doing business like that sticks, or is the attraction, the magnet of coming to the Nation's Capital, such that you think people will revert to

old habits? I mean, are they going to get used to being out there where you don't have to take all that traffic to come back into the District and say, "Well, we might give up some of the glamour of coming to the District, but it's easier"? Or do you think we have sufficient magnet effect to rearrange that habit as the recession recedes?

Mr. FULLER. I think it's—this is a trend that has been going on anyway as employers have moved to the suburbs or are located in the suburbs. There is more reason to stay and conduct business in the suburbs.

I think some of these temporary lost souls will find their way back to the central city, and once they start flying in through National then it is a logical location for them to come to, so I think the biggest threat is the longer it takes to get back to normal, the less likely it is to recapture these individuals. But there's this threat that the industry needs to work against, and quickly.

Ms. NORTON. Thank you, Madam Chair.

Mrs. MORELLA. I want to thank all the panelists. I think this has been a very productive coming together of these stakeholders who are very much involved in the economic situation in the District of Columbia. I hope we have pointed out the need to work together, to come to work together on an agreement of what needs to be done, to look into SBA, to respond to us about what the needs are, to also look at the national emergency grants, other promotional and marketing things that can be done. I want to thank all of you.

Ms. Watson has said she would hold back any other questions, and Mr. Platts, and so we may be sending some questions to you and look forward to working with you as we go along inch by inch, long range and short range, so I'm going to adjourn the meeting and thank you.

But as I do that, I do want to just note for the record staff who have been very much involved with this committee hearing: Russell Smith, my staff director; Robert White; Matthew Batt; Shalley Kim; Heea Vazirani-Fales; Jon Bouker; Jean Gosa, and Cheryl Williams.

Our subcommittee is adjourned.

[Whereupon, at 12:24 p.m., the subcommittee proceeded to other business.]

[Additional information submitted for the hearing record follows:]

TO: Constance A. Morella, Chairwoman
Subcommittee on the District of Columbia

FROM: William A. Hanbury, President & CEO

DATE: December 11, 2001

RE: Follow-up Questions from the "Emergency Preparedness in the Nation's Capital" Hearing

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1. **What is the "Be Inspired Marketing Program?" To whom is this effort directed? What are the intended benefits of the program? How much will it cost to implement the program? Is it cost effective?**

The "Be Inspired Marketing Program" is a marketing recovery campaign aimed at reestablishing Washington, DC as a premiere convention and tourism destination. This marketing, advertising, public relations and promotional campaign to revive visitation was started with a local and regional focus, and will expand to national and international focus. The intended benefits are to revive visitation, hence increasing hotel occupancy, restaurant revenues, museum attendance and much more. This will have a positive impact on the city's tax base. We estimate that the cost of this campaign will be roughly $10 million. We feel this is a cost effective way of returning the number one private sector industry to normalcy. The campaign has already achieved success with the "Be Inspired Weekend" and "Restaurant Week", due in a large part to strong community collaboration. WCTC will continue to reach out to local, regional and national partners as the campaign progresses.

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2. **What are the estimated benefits of the "Travel America Now Act of 2001" in Washington, DC.**

The "Travel America Now Act of 2001" is a national piece of legislation that aids the entire tourism industry. This bill would provide incentives for business and leisure travelers to return to the skies, the roads, the rails and the high seas. Plus, it would aid travel and tourism companies that have sustained losses resulting from the terrorist attacks.

The Bill would provide immediate relief for U.S. travel and tourism by: 1) allowing for temporary restoration of full deductibility for all business meals and entertainment expenses that are currently subject to a 50 percent limitation; 2) instituting a temporary tax credit of $500 per person ($1000 for couples filing jointly) for personal travel expenses for travel within the United States; 3) and extending temporarily the "carry back" provision so losses by travel businesses could be offset by previous years profit.

3. **Are there any innovative promotional programs or measures being used in New York that you suggest that could be implemented in the Washington Metropolitan area to boost its long-term and short-term growth?**

We are working collaboratively with our counterparts in NYC and there are several pages we have taken out of NYC's book...such as Restaurant Week. In some cases, we have implemented programs before they have, such as our DC tax-free week, which NYC is proposing for a week in February.

The biggest differences between NYC and DC is the dollar investment, of course, but also they were/are in their peak tourism season, as we, thankfully, were not. The other issue is that New York City is a massive media headquarters...with the ability to pump out pro bono services and media in a very timely fashion.

Congresswoman, I am at your immediate convenience. If you would like to discuss this information in more detail, please don't hesitate to call me at 202.789.2017

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