

# Shutdown Hit Boehner's Favorite Diner as \$24 Billion Lost

Toluse Olorunnipa, Kathleen Miller and Brian Wingfield

October 17, 2013 12:02 AM

*Updated on* October 17, 2013 4:19 PM

Gum Tong owns a diner in Washington, D.C., and Matt Bellinger charts fishing boats in the Florida Everglades. They have this in common: The shutdown of the U.S. government cost them money they will never get back.

Pete's Diner & Carryout, a 50-year-old Capitol Hill eatery frequented by House Speaker John Boehner, lost about 80 percent of its usual business, said Tong, surrounded by empty seats and Halloween decorations. Bellinger missed out on \$1,000 a day in canceled charters because Everglades National Park was closed.

"What people have been doing in droves is saying 'We'll go to Disney World,' or 'We'll cancel our trip and go home,'" Bellinger said in a telephone interview.

Nineteen groups dropped plans for four-hour fishing trips.

"I can't make that money back," he said. "It's gone."

The U.S. economy is big and resilient. Now with the 16-day shutdown ended and the threat of a U.S. default at least delayed, economists will probably look back on this as a glitch, one of those passing crises that seem so common nowadays.

For people like Tong and Bellinger, and for thousands of small businesses, this was no glitch. It's money that can't be easily recovered, creating a long-term ripple effect -- with the holidays approaching -- that will be difficult to forget.

Business leaders say they are nervous. Companies from Knoll Inc. to NCI Inc. have said they expect the shutdown to affect fourth-quarter revenue. Knoll, an office furniture maker, expects about \$10 million of government business to be pushed into next year, Chief Executive Officer Andrew Cogan told analysts yesterday on a conference call.

## Consumer Confidence Drops

Americans were the most pessimistic about the nation's economic prospects in almost two years in October, as concern mounted that continued political gridlock will hurt the expansion. The monthly Bloomberg Consumer Confidence Index expectations gauge plunged to minus 31, the lowest level since November 2011, from minus 9 in September, a report showed today.

Stanley Black & Decker Inc.'s shares yesterday dropped 14 percent, the most since 1992, after the toolmaker reduced its full-year profit forecast in part because of the shutdown. The stock was down another 3.1 percent today.

Campbell Soup Co. has seen consumers pull back after a year that included higher payroll taxes, along with the impasse in Washington, Chief Executive Officer Denise Morrison said at Fortune magazine's Most Powerful Women Summit in Washington.

"People are watching and waiting and saying, 'When is this going to be done so that I can go on with my life?' We see that in sales; we do," Morrison said.

## **GDP Impact**

Standard & Poor's Ratings Services yesterday said the shutdown has shaved at least 0.6 percent off of fourth-quarter 2013 gross domestic product growth, or taken \$24 billion out of the economy. IHS Inc. of Lexington, Massachusetts, reduced its fourth-quarter GDP growth estimate to 1.6 percent, from 2.2 percent in September.

Rates surged at the Treasury's auctions of three- and six-month bills sold during the two-week partial government shutdown as investors shunned the shortest maturity U.S. government debt.

The \$35 billion in three-month bills auctioned on Oct. 15 were sold at a discount rate of 0.13 percent, the highest since February 2011. That compares with 0.01 percent at the Sept. 30 auction. The bill's 3.13 bid-to-cover ratio, which gauges demand by comparing the amount of bid received with the securities offered, was the lowest since July 2009. The bid-to-cover ratio for the \$30 billion six-month bills sold the same day was the lowest since October 2009.

## **900,000 Jobs**

Macroeconomic Advisers LLC said in a report prepared this week for the Peter G. Peterson Foundation that the recurring budget battles in Washington have lowered U.S. economic growth by about 0.3 percentage points a year since 2009. It has also added more than a half-point to this year's unemployment rate, or the equivalent of about 900,000 jobs, the report said.

Some small companies took immediate hits from the shutdown. Tips dropped 25 percent for servers at Vintage Pizzeria in Atlanta, near the Centers for Disease Control and Prevention and other federal agencies. Century Cycles in Peninsula, Ohio, laid off two of its eight employees because it had to shut down the part of its business that rents bikes to tourists in surrounding Cuyahoga Valley National Park. In Washington, Carnivore BBQ food truck vendor Dion Kuehn told his only employee to stay home.

"The girl is off work," he said. "I don't like people that work for me to be off work."

Those paychecks are gone forever.

## **\$500 Billion Annually**

While the government furloughed hundreds of thousands of employees, the agreement passed by Congress yesterday and signed by President Barack Obama includes back pay for the workers, who start returning today. It will not be the same for the additional thousands of contract workers or employees of companies that idled staff members when the U.S. money slowed.

Federal agencies award more than \$500 billion in contracts a year, or about \$1.4 billion a day on average.

Janet Bashen and 18 of her 20 workers, including one-part time employee, were going without pay yesterday at Houston-based government contractor Bashen Corp. They'll all be back on paid duty tomorrow after her first federal payment since before the shutdown arrived today, she said. An agency told her via e-mail that the Treasury would be sending payments.

"I was thrilled," Bashen said in a phone interview. "We're back in business."

## **'Back to Work'**

Lockheed Martin Corp., the largest U.S. contractor, said its 2,400 furloughed employees will be "back to work soon" now that there is an agreement. URS Corp., a San Francisco-based provider of engineering and construction services, had furloughed about 3,000 workers. Many of them already came back to work and the rest will return soon, said Pamela Blum, a spokeswoman for URS who works for Sard Verbinen & Co. in New York, said today.

Among other businesses, a U.S. unit of BAE Systems Plc, the biggest defense company in Europe, had about 500 workers on leave as of yesterday.

Brian Clark, the president of Reston, Virginia-based NCI, was working without pay. He put himself on leave along with about 200 workers after the shutdown put 10 percent of NCI's government work on hold.

"I can't have my people out, not getting paid, and me not sharing in the pain," Clark said.

## **Government Contractors**

NCI gets 100 percent of its revenue from federal contracts, such as Medicare fraud detection and information technology work for the Army, according to data compiled by Bloomberg. Other companies that received 90 percent or more of their revenue from the government include Booz Allen Hamilton Holding Corp., the consulting company based in McLean, Virginia, and defense contractor Northrop Grumman Corp. in nearby Falls Church, according to the data.

The ripples spread from breweries to farms to struggling small businesses, affecting people like Gulf War veteran Eric Roberson, who was a sergeant in the Marine Corps when his eight years of service ended in 1995.

Roberson thought his Pittsburgh-based company, Health Network Management Services Inc., was close to getting its first direct contract with the federal government. Two Department of Veterans Affairs hospitals and two VA clinics were interested in hiring his three-person company to supply, clean and maintain medical privacy curtains, he said.

## **Controlling Destiny**

Roberson estimated the project could be valued at between \$300,000 and \$450,000 in the first year.

"This was our chance to control our own destiny," Roberson said.

He planned to hire mostly veterans, like himself and his other two employees. The company was scheduled to have its third meeting with VA officials on Oct. 7. That meeting never happened because the agency furloughed the staff.

"We may pick up just where we left off," Roberson said, but "they're running a whole hospital system, trying to ensure everything in there is kept clean. They're not just worried about curtains."

Active-duty military personnel have been affected, too. Some college students in the military lost at least a month of studies.

American Public Education Inc., a for-profit college that serves military students, this week said about 13,100 of 41,200 October course registrations were dropped, mainly because of suspension of the Defense Department's tuition assistance program during the government shutdown.

## **Student Limbo**

The company is recommending that students who dropped courses enroll again in November, when a new round of courses begins, Brian Muys, a spokesman for the Charles Town, West Virginia-based educator, said in an e-mail.

Black Star Farms in Suttons Bay, Michigan, is waiting to get three wine labels approved by the U.S. Alcohol and Tobacco Tax and Trade Bureau for some small, seasonal varieties it wants to sell soon in its tasting rooms, Don Coe, managing partner of the winery and farm, said in an interview.

Brewery Terra Firma in Traverse City, Michigan, can't sell its Honey Oat Pumpkin Ale in restaurants and taverns because it's waiting to get keg labels approved, said John Niedermaier, president and brewmaster.

With Environmental Protection Agency inspectors off work, pesticide approvals were delayed. Scott Rawlins, director of regulatory and government affairs for Wilbur-Ellis Co., a closely held San Francisco distributor of farm products, said one chemical, used to kill slugs and snails, was held up at a port in the Pacific Northwest, which will mean some seed won't be protected from the pests this winter.

"When the weather turns wet, the slugs and snails eat the seed," he said. "It's hard to recover."

## **'Compromise Cookies'**

Of course, in the best American tradition, the shutdown begat a kind of gallows humor among some. Six federal workers got together on the National Mall to hold a bake sale with treats such as "compromise cookies" and signs saying "Honk if U Want to Get Paid."

Beth Viola, a lobbyist at Holland & Knight whose clients include Dow Chemical Co. and NextEra Energy Inc., said the pace in Washington slowed a lot during the shutdown.

"We should be lobbying our bosses for more vacation time," she said.

Washington Mayor Vincent Gray said that 13,000 fewer hotel rooms were booked during the first week of October than last year and restaurant sales dropped about 8 percent -- even as residents are buying more alcohol.

"People are trying to drown their sorrows in booze," the mayor said.

Injured small business owners have a message for Washington: Hold off on those high-fives.

For Bellinger, the boat captain in Florida, any agreement in Washington that delays the issues, without resolving them, is worrisome because most of his clients book

their trips in advance. The debt limit is being raised only until Feb. 7 and that worries him because it's his high season.

"There's a potential for people to not call, thinking that they'll close the national parks again," he said. "If that happens in January, in February, the hit then would be devastating."





