

**Written Testimony of
Ralph Brennan
President, Ralph Brennan Restaurant Group
New Orleans, Louisiana
Before the Subcommittee on Commerce, Trade, and Consumer Protection
House Committee on Energy and Commerce
Tuesday, July 27, 2010**

Chairman Rush, Ranking member Whitfield, members of the House Subcommittee on Commerce, Trade, and Consumer Protection; thank you for the opportunity to testify before you today on behalf of the National Restaurant Association and the restaurant industry.

My name is Ralph Brennan of Ralph Brennan Restaurant Group of New Orleans, and I have been involved in the restaurant industry in New Orleans for almost thirty years. My family has been in the restaurant business for more than 60 years. We as a group operate 12 restaurants - nine in New Orleans, one in Houston, one in Destin, Florida, and one in Southern California. Gulf seafood is an important ingredient in all of our menus.

In addition to having served as chairman of the Louisiana Restaurant Association and the National Restaurant Association, I've also served as chairman of the New Orleans Convention Center, the New Orleans Business Council, and as past President of the New Orleans Convention and Visitors Bureau, so I have a strong appreciation of the city's tourism and business climate even beyond the restaurant side of the equation.

Thank you for holding this hearing and for your continuing focus on the oil spill's impact on the economy of the Gulf region, and the nation. I appreciate the opportunity to tell the restaurant industry's part of the story. Ours is an industry that employs more than 13 million people nationwide, with an estimated 2.3 million employees in the Gulf Coast region. Restaurants in the Gulf Coast area generate about \$77 billion in annual sales.

Once again the Gulf Coast region, in general, and New Orleans, in particular, respectfully sits before you facing a monumental challenge.

Since April 20, when oil began flowing into the Gulf of Mexico, our coastline, our sea life, our culture and our tourism economy are again in great jeopardy.

After Katrina roared ashore on August 29, 2005, Gulf Coast residents and businesses essentially knew what to do to return to 'normal' - or, as we call it, 'the new normal.' Water came in. Water went out. We rebuilt and moved on. That is not the case today.

Today the oil looming offshore is an economic disaster of epic proportion to the Gulf Coast region, dwarfing even the horrific conditions post-Katrina.

The key message I wish to share with you is one of long-term uncertainty - and the potential devastating impact this uncertainty has on the tourism economies of the Gulf states. Millions of gallons of oil have been spilled. Some has come ashore in the coastal marshes of Louisiana and the pristine beaches of Mississippi, Alabama and Florida. Many millions of gallons continue to float aimlessly but perilously in our waters. Despite hope and prayers, we expect oil will continue to find its way to shore. The environmental, economic, and societal impact cannot be underestimated, minimized or abandoned.

I'd like to spend my brief time before you today sharing three key concerns of the restaurant and tourism industries.

- (1) The overarching impact of the spill on the restaurant industry and tourism.
- (2) The current impact of the spill on my business, and others in the region.
- (3) The misperceptions and uncertainty surrounding the spill.

The nation's restaurant industry depends on travel and tourism for a significant portion of its sales. According to National Restaurant Association research, fullservice restaurants derive roughly one-third of their annual sales from travelers and visitors. The trend is even more prevalent among operators of fine dining establishments, with approximately 40 percent of revenues coming from travelers and visitors. The percentages are certainly even higher for this region of the country.

Across the affected areas, restaurants report a range of experiences and concerns. Those located seaside or in beach communities are decimated as tourism shrivels to nothing. Tourists are not coming because either there is oil on the beach or in the water – or people have the perception that there's oil there. Visitor perception is key to decisions about where to vacation. Many of these restaurants are seasonal. They face losing their entire year's worth of sales and income even though there is no oil on their stretch of coastline. Further inland, restaurants such as those in New Orleans are affected as well. The overall numbers of tourists are down, restaurant guests and sales are decreasing; product cost is increasing; and jobs are in jeopardy as already-thin margins precariously slip away. Product availability, other than oysters and Gulf shrimp, is meeting current demand but faces an uncertain future.

In New Orleans, one of the driving forces of our economy is culinary tourism. Gulf seafood is at the heart of culinary tourism. The known damage to the oyster crop and potential damage to other forms of seafood will have a devastating long-term effect on the attractiveness and viability of New Orleans and other Gulf cities as tourist destinations.

Like we saw after Hurricane Katrina, convention groups and leisure travelers are calling to express concern about upcoming business or whether to book future business. Many are asking if oil is on the doorsteps in New Orleans. New Orleans is miles inland. Today, almost five years after Katrina, convention bookings have not returned to pre-Katrina levels because of the damage to the New Orleans brand. The oil spill risks surrendering the ground we've gained, along with future increases. Total tourist visits in 2008, the last year for which we have data, stood at 75 percent of pre-Katrina levels.

According to the New Orleans Metropolitan Convention and Visitors Bureau, one in six people in New Orleans works in the tourism industry. One in every 12 people in Louisiana is employed in tourism. The ripple effect of a damaged brand – whether it's our city or the Gulf Coast region - will have undeniable long-term consequences.

While the focus of my testimony today is not primarily on the BP claims process, I have heard from some of our state restaurant association executives that there is a willingness to set up a claims center that would be solely focused on the restaurant and hotel industries. I want to voice my strong support for that idea. The restaurant and hotel industry is such a large industry, and different from others which have been so impacted by this spill. Claims can be better managed with a center focused on the industry.

Regarding my three New Orleans restaurants specifically, sales are down, counts are down, costs are up and margins are down. This is not a sustainable business model.

In the five years since Katrina, the combined sales in my restaurants have been down 14 percent. Recovery in my restaurants had been on a year-over-year upward curve year with the exception of 2009 when the national economy turned down. From October 2009 to April 2010, we experienced an 11.2 percent increase in sales. This summer, sales have dipped 5.2 percent compared to their levels this time last year. More notably, sales at our seafood restaurant on Bourbon Streets are down the most, at 9.7 percent below last year's levels. This restaurant is the one most susceptible to fluctuations in tourism or a negative perception of seafood.

The financial effect on our business from the spill is largely unknown. This time last year we were in the depths of the recession. Our business rebounded in October 2009 and remained strong through Memorial Day. What I can see is that earlier this year we were trending up. Now we are down. And the oil looms offshore with an impact that could last for years to come.

Speaking for the Gulf Coast beyond Louisiana, my colleagues in Florida tell me that bookings at many hotels in the Panhandle remain down over 30 percent. This has had a devastating impact on restaurants in the region. Hundreds of hospitality employees have been laid off. Also, restaurants cannot get the seafood they traditionally sell – particularly oysters and Gulf shrimp. My colleagues in Mississippi estimate that restaurant sales along their coastal region are down 15 to 20 percent, and other Mississippi restaurants are seeing sales down approximately 10 percent.

And in Alabama, I'll cite one specific example of the business downturn. The Wintzell's Oyster House chain based in Mobile has 11 locations throughout the state. Wintzell's has seen an average decrease of 30 percent in sales since the oil spill while seafood costs have doubled. Sales at company's location in Orange Beach are down 40 percent.

With regard to perceptions and misperceptions, I'd like to begin by applauding state and federal officials for the stringent safety testing of Gulf seafood that has allowed truthful reporting around potential toxicity. We are fortunate that 100 percent of reports have shown Gulf seafood to be safe to consume from approved waters. Ongoing testing is crucial for a safe and informed public.

Despite the testing, concerns about safety and supply abound. One recent national poll shows an increased concern over the safety of seafood from the Gulf of Mexico. When asked how the Gulf oil spill will affect their seafood consumption, 54 percent of respondents said it will have some impact. Forty-four percent of that group said they would only eat seafood they know does not come from the Gulf of Mexico. Another 31 percent said they will eat less seafood regardless of where it is caught.

Our staff has also received a large volume of calls and has heard many anecdotal comments, all centering around concerns about seafood safety and supply. To combat concerns, we have aggressively trained our staff to knowledgeably share precise locations of where our seafood comes from, whether it's the coastline, lake or another area. To demonstrate our support for the fishermen and the safety of their product, my restaurants have added seafood offerings. As I told the New York Times, "the way to help is to eat Gulf seafood." If high-profile individuals – including celebrities, celebrity chefs or members of Congress -- could be seen eating a Gulf Shrimp po-boy, it goes a long way to alleviating fear. The Obama family's visit to Florida beaches next month is a welcome opportunity for positive reinforcement. I know the National Restaurant Association is looking to plan some of its meetings in the Gulf Coast region. I would hope that trade associations and even government agencies, where appropriate, would also look to schedule meetings in the Gulf Coast to help support the region's hospitality industry.

Gulf seafood remains readily available with the notable exception of oysters, and 86 percent of Louisiana waters are open to recreational fishing. Cooking oysters continue to be harvested from the Gulf, but the taste has been compromised due to fresh water diversion, which alters salinity and flavor. The raw oysters we serve come from waters adjacent to Galveston, Texas. I emphasize neither is a substitute for the biting, salty perfection of a Louisiana oyster.

Despite a curb in demand for Gulf seafood, prices across the board have increased. On average we are paying 30.5 percent more for Gulf shrimp, 21 percent more for Gulf fish, 18 percent more for oysters, and 17.6 percent more for crabmeat. Should demand rebound, it is questionable whether prices would decrease. Supplies would diminish and the cost of transporting seafood from more distant Gulf waters to meet demand would further cut suppliers' margins.

Finally, I'd like to comment on the long-term impact of a misinformed public. In the years after Hurricane Katrina, potential visitors from around the country thought the city was still underwater; or the drinking water was unsafe; or there were no hospitals or other city services. These misperceptions were largely created and reinforced in media because of the regular replaying of images from the days after the storm. These were published online, in magazines and newspapers, and on television. Truly, many feel that it was only after the New Orleans Saints and the city of New Orleans hosted two high-profile NFL playoff games in January 2010 and went on to win the Super Bowl that many in New Orleans believe that the inquiries and misperceptions finally ceased.

That is happening again now. Just about every day a story is reported live from New Orleans on the spill. The perception shaped by the media, even if unintentional, is that oil is on the doorsteps of New Orleans. That is sensationalistic and untrue. Yet if reporting from these locales

continues, the public will continue to draw its own conclusions and perceive New Orleans as a damaged destination.

The long-term consequences and impact on tourism of a damaged brand are severe. Decreased visits lead to job loss, decreased tax revenue, and more. There are intangible effects, too – including the number of people who will choose not to live and work in our city.

As I said, the oil looming offshore is an economic disaster of epic proportion to the Gulf Coast region. It could dwarf the impact of Katrina. I implore you to continue to help make sure the public is well informed about the reality in the region. For many on the coast, the economic impact is devastating, but for others inland, it does not have to be. We have the ability to ensure that the public reaction to the oil spill does not supersede Hurricane Katrina as the event that will live on in infamy for Gulf Coast residents and future generations.

Again, thank you Mr. Chairman and members of the Subcommittee for the opportunity to testify before you today.

