

**EXAMINING MINNESOTA'S ECONOMY AFTER SEP-
TEMBER 11TH: STRATEGIES FOR WORKFORCE
AND BUSINESS RECOVERY**

HEARING

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT, SAFETY, AND
TRAINING

OF THE

COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

ON

EXAMINING MINNESOTA'S ECONOMY AFTER SEPTEMBER 11TH:
STRATEGIES FOR WORKFORCE AND BUSINESS RECOVERY

OCTOBER 8, 2001 (BLOOMINGTON, MN)

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EXAMINING MINNESOTA'S ECONOMY AFTER SEPTEMBER 11TH: STRATEGIES FOR WORK- FORCE AND BUSINESS RECOVERY

MONDAY, OCTOBER 8, 2001

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT, SAFETY, AND TRAINING,
OF THE COMMITTEE ON HEALTH, EDUCATION, LABOR, AND
PENSIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:07 a.m., at the Thunderbird Hotel, 2201 East 78th Street, Bloomington, MN, Hon. Paul Wellstone presiding.

Present: Senator Wellstone and Dayton.

Senator WELLSTONE. The hearing will come to order. This formal field hearing will come to order, and we will all stand for the presentation of the Color Guard by the VFW Post 1350 from North St. Paul.

Let me first of all welcome all to this Senate Subcommittee on Employment Safety and Training. I want to welcome my colleagues, Senator Dayton and Congressman Ramstad and Congressman Sabo and Congressman Oberstar.

I would like to just do a little bit of housekeeping, and all of us are going to be very brief in our formal statements, because this is, I think for me, perhaps the most serious hearing I have ever had in our State of Minnesota, not only because of the challenges in Afghanistan and abroad, and not only because of some of the very important considerations of the security of our own country, but because of the whole question of economic security for Minnesotans and what we need to do for people in our State and our country to get this economy going.

Let me first of all introduce some elected officials that are here. I am just going to read some people's names off. Senator Jane Krentz, Senator Don Betzold. Senator Sheila Kiscaden. Senator John Hottinger. Representative Mark Gleason. Representative Karen Clark. Representative Joe Mullery, Representative Morris Walrick, Representative Betty Folliard, Representative Tony Sertich. Representative Wes Skoglund, Former State Rep Todd Otis, Minneapolis Council Member Barret Lane. Minneapolis Council Member Sandy Colvin Roy, and we are also joined by Ed Daum, who is District Director of SBA.

Now, I would say to colleagues, there may be other representatives and senators who are not here, and if you are, please make sure we get your name, so we can recognize you. Senator Twyla

Ring is here, as well. I am trying to read my—Senator Dayton’s writing. [Laughter.]

But could we please give a round of applause for all of the officials who have come a long way. [Applause.]

As I said, we will be brief, and each of us have important roles in this hearing. This is a hearing of the Senate Subcommittee on Employment, Safety, and Training, and I want to welcome my colleagues, and I want to thank all Minnesotans for being here.

I have to say this: It is with mixed emotions that I chair this hearing. On the one hand, the civic spirit and the sense of community that brings everybody here together—and I want to recognize that we have high school students from Burnsville Senior High, from Minneapolis South High, and from Bloomington Jefferson High, as well. It really moves me. This is the best of Minnesota. [Applause.] Why don’t the students please stand up. Thank you for being here.

On the other hand, this is beyond sad. This is really tragic to see the economic pain of so many working families, so many small business people in our State of Minnesota, and that is what brings us together, as well. I have said more than once that to me it is different now shaking hands with people. I find so often that the handshake now in Minnesota is people reaching out with their hand and saying, “Please help me.” That is why all of us are here, and I want to point out that we want to talk about recognition. We were talking among ourselves. This is a bipartisan hearing, we are committed to working together, and I think all of us as Democrats would like to give special acknowledgment to just an outstanding Congressman, Congressman Jim Ramstad. [Applause.]

We know about the 4,500 workers that have been laid off from Northwest Airlines. Let me just simply say that there is a ripple effect throughout our economy. As we all well know, Minnesota is also an important destination for the entire world, and there is the tourism industry, and we are really being hard hit, and we are going to hear about that, as well.

We cannot forget northern Minnesota, the timber industry and the taconite industry. We cannot forget the farm economy. We cannot forget Greater Minnesota, and there will be a strong emphasis on that, as well. We will focus on larger businesses, but we will focus on smaller businesses, and we cannot forget the smaller businesses that create a lot of the jobs. There will be testimony from business, and testimony from labor. We come together as Minnesotans very unified in our determination to find out all of the problems that we are faced with, and also to act. From Ada to Zumbrota, Minnesota is facing a huge economic challenge, and the whole focus of this hearing is to hear from Minnesota, a broad section of Minnesota, to do what is economically sound.

For my own part, I think it is critically important to put purchasing power back in the pockets of working families. I mean, I have been pushing hard on an economic stimulus package in the Senate. Senator Dayton has, my colleagues have. I will not spend a lot of time on that now because people will testify. I want simply to say that it is time for all of us to roll up our sleeves, and clearly, before this Congress adjourns, we must pass an economic stimulus package that will provide the help to people who are flat on their back,

and make sure that families are able to do all right, and make sure that working people are able to have the purchasing power, and make sure we give this economy the stimulus that it needs. That is the work that we must do, and that is what this hearing is about.

Thank you, and now I hand this over to Senator Dayton. Rebecca Yanisch is also here, who is Commissioner of Trade and Economic Development, and I want to give her special recognition. She came to Washington, DC, last week, testified before our full committee, said that conceivably Minnesota could see as many as 20,000 men and women unemployed. It was powerful testimony. I would like to acknowledge Rebecca Yanisch. Thank you. [Applause.]

Senator DAYTON. Thank you, Mr. Chairman. I am used to referring to the committee conveners as—or Madam Chairman at the Senate. But being hundredth in seniority, I am not used to sitting next to the chairman of the committee. I am usually down in the next time zone, down at the other end of the table. [Laughter.] But welcome to everybody here. I want to get on to hear from the panelists. It will be my privilege to introduce this first panel. We have really outstanding testimony for the time here.

I agree with everything Senator Wellstone said, and I want to especially thank him for convening this hearing and giving me a chance to participate. I look forward to the testimony.

Well, I am going to do them here in order of their remarks. And our first panelist is Kelly Doering, who is the president of E-Travel Experts. Kelly is the president of this very profitable and privately held start-up company, founded in 1997. E-Travel Experts provide a broad range of service and technical support functions to on-line airline web sites and on-line travel web sites, including NWA.Com and Orbitz.Com. The company has grown from five employees to over 200 in less than 4 years. Since September 11, 2001, however, their revenues are down 50 percent.

Ms. Doering, welcome.

STATEMENTS OF KELLY DOERING, PRESIDENT OF E-TRAVEL EXPERTS, EDEN PRAIRIE, MN; ROXANNE LEAKE, FORMER RESERVATION AGENT, NORTHWEST AIRLINES, MINNEAPOLIS, MN; GEORGE LOGAN III, CEO/PRESIDENT OF G. LOGAN & SONS HAULING, INC., ST. PAUL, MN; CHERYL DUSEK, IT PROJECT MANAGER, NORTHWEST AIRLINES, MINNEAPOLIS, MN; AND HYDRA JUHOR, FOOD PRODUCTION WORKER, LSG SKYCHEFS, MINNEAPOLIS, MN.

Ms. DOERING. Thank you. Thank you for allowing me to present today. I appreciate the opportunity to come and speak today. There are three things that I would really like to emphasize.

Senator WELLSTONE. Can you hear?

AUDIENCE. No.

Ms. DOERING. OK. There are three things I would like to emphasize today since the tragedy of September 11th. Our on-line sales, as the Senator has mentioned, have dropped 50 percent. Our revenues are tied to airline ticket volumes. We support the Northwest Airlines web site from a technical standpoint, and Orbitz, as well. So as the airline industry is impacted, so are we. But one of the important things about the airline industry is that the on-line sales

are a very cost-effective way for them to sell, service, and distribute tickets, and it is a growing area, as people become more Internet-savvy. And as part of that, when that is impacted, then we are impacted as well.

The other thing is that with our company having grown so much, we have brought jobs to Minnesota, and we intend to continue growing and creating jobs in Minnesota. For example, down in Mankato, southern Minnesota, we brought 130 jobs in just this year. And we intend to double or triple in size over the course of the next year.

However, since September 11th, the uncertainty in the industry makes us not sure about that growth, about our ability to grow. So with that, in trying to bring in new jobs, we have opted to participate in some of the programs, training programs that Minnesota has, the Minnesota Jobs Skills Partnership, and possibly looking at Operation Green-Thumb. We wanted to be able to train our people. However, if we cannot hire people, we certainly cannot train them. So that is really part of the risk that we are experiencing right now.

With that, our revenues, for example—I will give you an example of what is going on in the industry. In August, between Northwest and Orbitz, the on-line ticket sales were about half a million, and it has dropped dramatically since September. We have lost probably about half a million dollars in revenue. Our workload, however, is still high, and our costs are still at 100 percent, so it is a direct impact to our company. Fortunately, we have not had to lay off any people. However, the workload is high for our existing staff, so hiring may be a little slower.

So, in conclusion, I just want to say that we appreciate the support that you have given to the airline industry, and we hope that you can continue to provide some of the economic stimulus and support of the industry. And we need to get people back on the planes and flying again.

Thank you.

[The prepared statement of Ms. Doering may be found in additional material.]

Senator DAYTON. Thank you.

Our next presenter is Roxanne Leake, former reservations agent from Northwest Airlines. Welcome. Roxanne is the mother of four young boys, and joined Northwest Airlines 5 months ago, and was on probationary status as a new employee. On September 22nd, she was laid off. And then on September 24th, she, along with many other probationary reservations agents, was terminated as a result of the September 11th attacks. She was and still is very proud of working at Northwest Airlines. Roxanne just wants to go back to work.

We are glad you are here. Thank you.

Ms. LEAKE. Thank you. I am honored to be here today. I would like to tell the Burnsville students that I am very, very proud that they are here. I used to work at Burnsville High School and had other positions in the Burnsville School District, so I am really impressed and very proud that you are here.

As I was introduced, my name is Roxanne Leake, and I am married to my husband, Don, for almost 11 years. We have four won-

derful sons. The one thing I would like to share with you is that two of my four children are children with special needs, and so it is very important to us as a family to have a second income, which I don't consider a second income. I consider it a first with a first.

I would like to express to you today the commitment required to be a Northwest Airlines employee, the enjoyment of my job, my role during the crisis, and how Northwest Airlines terminated my employment. I would like to say that I am here as one voice speaking on behalf of many Northwest Airlines employees on the effects of the September 11th attack on the United States of America.

As with any company, qualifying for employment requires an interviewing, screening, and training process. Because of the unique employment position at Northwest, the process is more in-depth than for most other entry-level employees. Each individual must qualify for each level within the process.

Having successfully completed the interview process, I was subject to a criminal background check and drug screening. At this point, I was offered a position, which I accepted, and began my training. The training was 4 weeks, very intense, that placed a significant strain on my family's financial stability. Our wages for training were only 60 percent of the entry-level wage. Thus I was earning \$6.36 an hour. As a family, it was decided to commit our resources to support my training and the cost involved, because our family supports each person when an opportunity presents itself.

Upon completion of my training, I began my probationary employment as a reservation sales agent. The probationary period is 4 to 6 months, depending upon your status, whether full time or part time. I loved going to work every day at Northwest, something most people cannot say about their job. The people I worked with directly tipped the scales in regards to their service, enthusiasm, dedication to the company, each other, and the public at large. The reservation agents took great pride in the service we gave to our customers. It is a wonderful feeling helping a family get the best possible fare for a vacation or helping someone schedule a flight to get across the country to attend a funeral of a loved one.

The events of September 11th had a dramatic effect on the responsibilities of the probationary reservation agents at Northwest Airlines. Northwest declared an emergency and requested all reservation agents, including probationary agents, to report to work as soon as possible. I would like to say also that in this sort of emergency, the probation agents were requested to behave and act as if they were veteran agents, which is something that happens to a person after they have gone through probation. I reported for work 6 hours early that day and worked an 11-hour shift. I felt it was my responsibility as a citizen and employee to do everything that I could to help people through this crisis.

On September 22nd, I received a call from Northwest Airlines informing me I was being laid off. On September 24th, I, along with many other probationary agents, was informed that my employment was being terminated due to my probationary status. Later that day, I received a letter confirming that I was terminated due to the effects on the airlines in regards to the events of September 11th.

To say that I was shocked and disappointed is an understatement. The financial burden placed on my family and the stress of long hours I endured during training and probationary period only to be terminated through no fault of my own has left my family and me in a State of disarray. I am diligently working at maintaining a positive attitude through the chain of events. I came here to explain to you my commitment to my family, my job, and Northwest Airlines. It is my sincere hope that I have articulated this to you in this short time. All I want is the opportunity to return to Northwest Airlines as a reservation agent.

In conclusion, it is my goal to return to Northwest Airlines, as stated, and I am asking that you help me and the thousands of other displaced airline workers to get back to our jobs. And this is my one voice.

[The prepared statement of Ms. Leake may be found in additional material.]

Senator DAYTON. Very articulate and powerful voice. Thank you.

Ms. LEAKE. Thank you.

Senator DAYTON. Our next witness is Mr. George Logan, who is the owner of G. Logan & Sons Hauling, Inc. Mr. Logan is a Minnesota native who runs this hauling business. He is 35 years old with a wife and three boys. Mr. Logan had recently secured a \$99,000 contract with Penn Co Construction, is that correct?

Mr. LOGAN. Penn Co.

Senator DAYTON. Penn Co. Who was working for the Metropolitan Airports Commission. The contract was canceled on September 15th as a direct result of the events on September 11th. This has resulted in a loss of one-third of his company's revenue.

Mr. Logan, welcome. Thank you.

Mr. LOGAN. Mr. Chairman, and members of the committee, I am pleased to be here to discuss several important issues.

Senator WELLSTONE. Do you want to try and get that mike closer to you?

Mr. LOGAN. As I said, I am pleased to be here today to discuss with you several important issues, but first I would like to take the time to thank Senator Wellstone's staff for allowing me to testify before the committee today. I am George Logan III, as I was introduced, a small business owner here in Minnesota. I have a roll-off company of construction containers, and I have owned my business since 1994. I was able to purchase my first new roll-off with the assistance of an SBA loan in 1995. I have been very fortunate that my gross revenues in business have risen each and every year. My gross revenue last year was over \$300,000. Unfortunately, this year will be much different.

I started bidding on projects through the CERT program, and I was the successful bidder of the Penn Co construction bid at the airport. This contract would have generated almost \$100,000. The Penn Co contract was canceled 1 week after the signing. I was told to pick up my construction containers, that the job was canceled. And I would like to stress to the committee that it was canceled, not postponed or delayed. This project may or may not resume. They are not sure yet. They will check and see if they are going to do any more expansions to the airlines. And this cancellation of the Penn Co contract is going to place great financial burden on my

company, because in order to bid for this job, I had to get more equipment and make sure that I could handle the work that was set forth. And in doing that, it ran about a \$150,000. So now I have the equipment and everything to do the work, but no contract.

So while my business is struggling to meet increased expenses, I have less money for my family. This has directly affected my family's well-being. Recently, I won a trip to Jamaica from a school raffle at my youngest son's school, and I was planning on taking my family on a trip to Jamaica. Now, even if I had the money to go on a trip, I am not sure I would want to take my family on a vacation where I would have to fly to its destination.

The President said we should get back to doing things that we normally do. This is hard in my case, since almost a third of my income has been lost due to the direct effect of the terrorist activity.

I am not complaining about my losses. My losses have only been economic in nature. I have not lost family or friends to the terrorists, and my prayers and sympathy go out to those that have. I just have to work a little harder and make sure my business is successful, and any help the committee can give me is greatly appreciated.

[The prepared statement of Mr. Logan may be found in additional material.]

Senator DAYTON. Thank you, Mr. Logan.

Our next witness is Ms. Cheryl Dusek, former Northwest Airlines information technology project leader. Cheryl is 54 years old, a mother, a wife, a cancer survivor, and a marathon survivor, too, I am told. At Minneapolis Marathon yesterday, and sitting here today. You are more than a survivor, you are a thriver.

Ms. DUSEK. Thank you. Better sitting than standing.

Senator DAYTON. Cheryl and her family have lived in Eagan for the last 20 years. As an IT project manager, Cheryl was making a good wage with good benefits and was notified last week that she was being laid off. She has one daughter in college and has been able to finance all of her children's education, as well as provide financial support for aging parents, all without loan assistance. Cheryl is understandably quite concerned about being able to pay off their family's mortgage, health insurance, and educational costs as a result of her being laid off. Welcome.

Ms. DUSEK. Thank you. As he did just explain, I think I have led a very comfortable life in the last—in my working career. And when I was called and asked to testify here, I had actually commented that I was having a hard time not looking at my own good fortune when I had spent the last several weeks seeing really heartwrenching stories about people who had lost family members in the tragedy, businesses who had lost nearly all of their employees on September 11th. And to say that—are we still on?

AUDIENCE. No.

Ms. DUSEK. OK. As I was saying, it was hard to look past the sadness in other people's lives when looking at my own situation. We had lived a very comfortable life. We had two kids, we were able to pay for their education and expenses, and my 80-year-old mother was fortunate enough to have additional support from us. She is an 80-year-old person who lives strictly on a \$630-a-month Social Security check. She lived through the Depression and taught

me some very important lessons about hard work and making sure that you survive, and that you get through things, and you have other people.

As I thought about my own situation, though, I realized that among the people that I knew at Northwest, there were a lot of people who were not as fortunate as I am in the respect that I still had my family intact, I have another source of income, my husband is employed, I am not at risk of losing my health insurance. But there are people whose lives are much more impacted and much more disrupted than mine. So I set out to kind of interview a few of them to find out what exactly this meant to them. And lest I misstate anything, I am going to read the statements that they provided to me. One of the employees I talked to was in the aerospace engineering department. His only work experience since college has been with Northwest Airlines. He feels, he tells me, that in addition to losing all of his seniority, even if he were called back to Northwest, he has lost over a decade of seniority, he would be starting from scratch. He has lost his ability to have medical, dental, and life insurance. He has lost future pension contributions, all of his accrued sick pay. He is a sole provider for a family of five people. One of his children is in college, and his wife is a full-time student, as well. His degree is in a highly specialized field, which limits his opportunities for employment to basically airline industry-related companies. And most of those companies have not faring well, so he is not holding out a lot of hope that he is going to find something in the area that he is trained for. And even if he were, most of the companies that are an option to him are not located here in Minnesota. Relocation is something he really doesn't want to consider, but he may have to, and selling his home at this time is going to be difficult.

Another person that I spoke with is a 49-year-old project analyst with 6 years of employment with Northwest Airlines. He had told me that he had hoped to make Northwest his career home until his retirement. He also is a sole provider. His wife just enrolled this year in nursing school after many years as a stay-at-home mom. He has three children, including a child in college. And because of the education expenses that he was incurring, his budget was already stretched very thin. Now, unless he can find a job, a comparable position, he is faced with the possibility that either his wife will not be able to continue her college education or taking on a large amount of debt, which he doesn't want to do. He has lived very frugally in an effort to take care of his family and has done so very well.

I also talked with a 53-year-old single woman who has been with Northwest Airlines for 16 years. Her circumstances and her concerns are very different. How to start over at age 53 when you are competing with young, attractive people for jobs in a very fast-paced society, it sort of puts a premium on beauty. She has pension issues, which as a single person are very much a concern. She is not expecting to find a position with comparable pay, but she definitely needs to find a position that she can support herself with. When you have a spouse, you are able to fall back on someone else, someone else's income, perhaps, to help you through a time like this. She is not in that position, and I feel very strongly that she

is one of the many people that has been with Northwest for a long time for whom this has a really serious impact. And whatever help can be offered is going to be greatly appreciated by all of them.

Thank you.

[The prepared statement of Ms. Dusek may be found in additional material.]

Senator DAYTON. Thank you. We respect you taking the time to bring this to others, as well. Thank you.

Our next expert witness is Mrs. Hydra Juhor, former food service worker at LSG SkyChefs. Hydra is an Ethiopian refugee, has lived here since June of 2000. As a food production worker, she made \$8.70 an hour, plus medical and dental benefits. Her wages help support her husband and eight children. She lost her job shortly after September 11th.

Ms. Juhor, welcome.

Ms. JUHOR. Thank you, Senator Wellstone, for inviting me to speak to you and the whole Minnesota Congressional delegation. I feel privileged to be able to speak on the behalf of the tens of thousands of hospitality workers in Minnesota and across the Nation who have lost their jobs as a result of the devastating bombing that took place September 11, 2001, at the World Trade Center.

My name is Hydra Juhor. I emigrated to the U.S. in June of 2000 with my husband and my children. I am a refugee from Ethiopia, and I am here with refugee status.

I worked at LSG SkyChef at the Minneapolis-St. Paul International Airport as a food production worker. We supplied all of the in-flight food service for Northwest Airlines and KLM. After the attack on the World Trade Center, the in-flight food service was drastically cut back, and as a result, I was laid off from my job. Many co-workers have also been laid off.

As a food production worker, I was receiving \$8.70 per hour, plus medical and dental benefits, as well as life insurance. I have lost all my benefits that were provided to me through my union contract.

I am married and have eight children ranging from 39 years old to 8 years old. Two of my children are still in Ethiopia. I do not know what to do. My industry, the hospitality industry, has been devastated. There are no jobs to go to, especially jobs that provide the level of benefits that I had at LSG SkyChefs. My husband works, but in order to feed and clothe my children, pay our rent and other bills, my husband and I both need to work to bring income into our home.

Back home, I was an accountant, and I planned to go back to school to further my education and learn about computers. I am trying to better myself and attain a better job and lifestyle. Presently, my plans are on hold, as I do not know how I am going to go to school until I can get back on my feet.

The bombing on September 11, 2001, killed 6,000 people and put a lot of others out of work, but I feel confident that this Nation will pull itself together. One way of doing that is to make sure that people like me and my co-workers are not left forgotten.

Thank you again for the opportunity and privilege to speak to you this morning. Thank you.

[The prepared statement of Ms. Juhor may be found in additional material.]

Senator DAYTON. Thank you very much. I would like to ask each of the panelists just briefly, we have a State program—Commissioner Yanisch was in Washington last week asking the Federal Government for an additional \$23 million to provide additional assistance. Congress is considering an employee assistance package this week. What are either yourself directly or your own employees and your experience as an owner or worker, what is available now? Has anything kicked in for your benefit at this point, and what is missing?

Let me start at that end, Ms. Juhor, and moving back. Are there any benefits, State or Federal, that have been made available to you?

Ms. JUHOR. No, I do not know what will be next—I had all of these benefits: life insurance, medical and trust—

Senator DAYTON. So cut off entirely? Nothing is—no benefits, unemployment, or health or—nothing has come forward since you were—

Ms. JUHOR. I do not know about that.

Senator DAYTON. Thank you.

Ms. DUSEK. I think most of the management staff that I was part of—and that doesn't necessarily mean managers, but anyone who is noncontract or nonunion is considered management staff. Most of us got a certain level of severance package, which is going to tide us for just a very short time, for some of us. And obviously, we are eligible for unemployment benefits, but one of the things that I think everyone is concerned about is that it is not going to be as easy to find a job as it was a few years ago.

I have been laid off three times from technology companies since 1997, and in each case I was able to bounce back pretty quickly. But I know that there are going to be a lot more people with the number of people who are out of jobs who are looking for work, and it is not going to be as easy, and I am not sure that the benefits are going to tide people over long enough to find comparable kinds of employment, employment that will help them support their families. And the reality is, until people have money in their pockets, as you said, to spend on the goods and services that our companies manufacture and sell, the economy is not going to get better.

Senator DAYTON. Thank you.

Mr. Logan?

Mr. LOGAN. Like I stated before, when I got my first work, I had an SBA loan, so it was through the Government back then. But now I am not laid off or anything; my business is just slowing. Hopefully, coming up in the near future, there will be more contracts, bigger contracts, where I can get the trust going and pay for a new truck and containers and that.

Senator DAYTON. Thank you.

Ms. Leake?

Ms. LEAKE. For myself, I am just learning what is out there. I have never, ever had to seek unemployment. I just went out right away and started applying for jobs, but a lot of them are at or below the wage that I was making as a probationary agent, and so I am learning a lot about the programs that are out there.

If school is an option for me, I do have to look at the care for my kids and the schedules that will work and things like that, because my kids are going everywhere. They are 8, 6, 5, and 3, and at one point in the day or not, they are in school, so I have to work with that. But I am considering everything that is out there for me. There seems to be a lot.

Senator DAYTON. Good.

Ms. Doering?

Ms. DOERING. For us, our employees, we didn't have to lay off any because we were understaffed going into September 11th. But there really have not been programs or anything that we have been able to take advantage of, even though our revenues are down by 50 percent. We are hoping that things would start bouncing back relatively quickly, but our risk is more in the next several months as—if things do not bounce back, we could potentially have to lay people off, and we do not want to get to that point.

Mr. RAMSTAD. First I would like to thank everyone for being here today, and particularly I want to thank the teachers and students who are here today, because this is very much about your future, as well as about the immediate future of the witnesses and the other people here assembled. These are tough times, tough times for every Minnesotan and every American. We are in a State of war, and our economy is in recession.

And I want to also applaud my friend and colleague, Senator Wellstone, for convening this hearing, for reaching out in a bipartisan way, because certainly partisanship has no place with the—as far as the issues we are talking about today. We need to work in a bipartisan, common-sense, pragmatic way on these serious problems affecting people's lives, as we have just heard this very compelling testimony from these witnesses here.

I want to thank all of the witnesses for coming, as well. I would like to ask a more narrowly focused question of the three of you who have lost your jobs, Ms. Leake, Ms. Dusek, and Ms. Juhor—is it Juhor?

Ms. JUHOR. Yes, Juhor.

Mr. RAMSTAD. Juhor. I didn't know if the J was silent or not.

Well, first of all, everyone in this room, every American, as we have said, has experienced trying times. And I cannot imagine—with the problems associated with the war, I cannot imagine those trying times being so exacerbated by losing your job on top of everything else that is happening right now in the world and in this country. And I would like to ask you, as I said, a more narrowly focused question. Because certainly all of us and everyone in this room commiserates with you and the 195,000 other Americans who have lost their job in the last month. What form of relief—and again, I direct the question to the three ladies who have lost their jobs. What form of relief from the Federal Government would be most helpful to you or your family? Would it be for us to extend unemployment benefits, to extend health care benefits, tax relief, or something else? If you could just prioritize what form of relief from the Federal Government you see as being most helpful to you and your family.

Ms. JUHOR. I am a newcomer. I do not know what is.

Mr. RAMSTAD. OK. Ms. Dusek?

Ms. DUSEK. I think I know what the question is. Actually, I think what I heard from a lot of people that I have spoken with is that, for example, the airline industry is a pretty specific industry, and people who lost their jobs in the airline industry do not really have another company to turn to. In the work that I do, I can certainly do that. I can go to another technology department and probably do the same kind of work I have done. But for a lot of the airline employees, retraining is going to be critical.

But I have heard from many of them that you can give me money for retraining, but my first important job is to support my family. I cannot go back to school if I cannot support my family. And although the education expenses will be paid for, I still have to put food on the table and take care of those things. That is a really critical issue.

The other thing that I think people are concerned about is, although we have access to COBRA, COBRA is very expensive. I have been there, I know. It is a very expensive way to get your health insurance, and so people are very concerned about those two things for sure.

Mr. RAMSTAD. Thank you.

And, Ms. Leake?

Ms. LEAKE. Well, for myself, I agree with what Cheryl said in regards to the COBRA issues, things like that. For myself, I would like to say that we need the funding to be designated specifically for the employment of the airlines' employees, so that we can get back to our jobs, because we are the people that sell and reserve travel plans for people. We were the first contact that they were receiving in regards to flying. And convincing them that now is the safest time to fly. Things are just cooking out there in order to make things more safe. So for myself, I would like that funding for the people who are laid off or terminated, like myself, to be able to get back to work.

Senator WELLSTONE. If you want to applaud, you can. [Applause.]

Ms. LEAKE. What did I say?

Mr. RAMSTAD. Finally, I would like to ask the two business people here the same question. What form of relief, either on the economic or the small business assistance side, or the tax side, would you prioritize as the most important thing the Federal Government could do right now?

Mr. LOGAN. I would say, like, lowered interest rates on loans, or some type of Government loan relief would really help my situation.

Senator WELLSTONE. Can you hear in the back? You can. OK.

Mr. RAMSTAD. Thank you for that response.

Mr. LOGAN. Did you want me to repeat myself? I would say lower interest rates on loans, like business loans, small business loans or something.

Mr. RAMSTAD. Finally, same question of Ms. Doering, please.

Ms. DOERING. I would just like to echo what George said about the small business loans. I think that is something that is going to be critical for our growth over the course of the next year here in order for us to grow, and there is uncertainty about what our access to capital will be, and so some assistance that way. And I

know there is some proposal toward leisure tax credits out there that I have heard about, and that is another thing that may support the industry.

Mr. RAMSTAD. Thank you again to all of the witnesses.

That is all I have, Mr. Chairman.

Senator WELLSTONE. We are going to hand this over to Congressman Oberstar, and then our next panel. Just very quickly, I too want to thank the panelists. I want to thank each of you, and I want to mention just—I can do this, I think, in 2 minutes or less. When we were talking about the importance of the airline employees also getting the benefits, I want to point out that when Commissioner Yanisch was in DC doing such a superb job, she was joined by Berilyn Corcoran. Believe me, I want you people to know that she did one heck of a job of speaking up for Northwest employees. [Applause.]

And I also, just by way of very quick introduction, because I just always do it, and it has been a long time we have working together. I want to mention that Sheila—my wife Sheila is here, as well. It does seem to me, and I won't even ask—I just want to get this for the record. I won't ask you all to speak on it now, but when Mr. Logan was speaking, it was interesting to me that the contract was canceled, not postponed. I would like to talk to you more about that. That is an important distinction.

And then, Kelly, one of the things that you were saying, as I understood it, is that you are still functioning at 100 percent of cost and 50 percent of revenue, and so you are doing a yeoman job, but there is a question of how long you can continue to function that way. I could go on and on.

Obviously, we have got to extend the unemployment benefits and reform UI to make sure it works for people out of work. Obviously, COBRA came up. If there is one thing that we all hear from everybody, it is, please, Senators and Congressmen, Democrats and Republicans, the most terrifying thing next to losing your job is not having health care coverage. We are going to need the help to afford COBRA, we are going to need the help to afford health care coverage for our families.

That looms as a huge challenge before us. We have got to meet that, and I know all of our legislators would agree, as well. And I could go on to a lot of other things from workforce development funding for dislocated workers, you name it. I just want to, though, mention on the small business piece, it has come up twice, I think above and beyond rebuilding our economy and having the demand—as I mentioned earlier, Ed Daum is here somewhere, and he is an incredible director. Between the 7A and 504 programs, the SBA has leveraged about a billion and a half dollars in our State in the last 6 years or so, and I think, Ed, the Disaster Loan Program. Let me introduce Ed Daum. [Applause.] He is the best director in the country for the Disaster Loan Program. It doesn't need to be based on geography. I think we can help out in terms of Disaster Loan. I think we can get rid of fees on the 7A. I think there are ways to get more access to capital to small businesses, and more access to loan money just to keep you going, as well. And I think the small business—I have got to repeat it again. The small business sector is critical to our State. We cannot lose sight of it.

Congressman Oberstar—and one thing about this man over here. He is the dean of our delegation. He also probably speaks with as much authority as any single person in the United States House of Representatives and the Senate when it comes to airline safety. We are very proud that he is our Congressman for the 8th Congressional District of the State of Minnesota. Congressman Jim Oberstar. [Applause.]

Mr. OBERSTAR. Thank you very much, Senator. I appreciate your good words, and especially appreciate the hearing that you have called, and your deep sense of concern for our fellow citizens. I express also a great appreciation to our colleague, and my House colleague, Jim Ramstad, who serves on the very important House Ways and Means Committee, and who has already demonstrated his genuine concern and support not only by being here, but by comments he made at the news conference we had earlier.

I am afraid, unfortunately, the bad news is only beginning. The ripple effect of the terrorist attack throughout our economy is reaching into sectors people never really fully appreciated before. Aviation is a 10 percent segment of our \$10 trillion national economy. There are 1.2 million airline workers, or were on September 11. There are another 4 to 6 million people employed at the airports served by the U.S. airlines, the 530 commercial airports in the United States. They have experienced severe economic distress, layoffs, but cutbacks in sectors that we hadn't anticipated. The Metropolitan Airport Commission is a good example of it: \$400 million in construction work of improvements at the Metropolitan Airport Commission have been put on indefinite deferment. That means future jobs, future contracts for George Logan and others, are on the shelf, because they cannot look far enough into the future to see when and to what extent air travel will resume at the level that it enjoyed prior to September 11. Loss of that income and of that future growth potential hits in another way. Those are the good jobs. Those are the good-paying jobs: the construction workers, the electrical workers, cement finishers, the heavy equipment operators, to buy the homes, the cars, the household appliances, and keep our economy going. Those are not going to be fed into our economy, and as these projects are cut back, not just Minnesota, but elsewhere across the country, billions of dollars of investment will be pulled back, and that puts greater pressure on the commitment of the President and the Congress to address the needs of the people.

The President has submitted a proposal for temporary extension of 13 weeks' unemployment compensation, \$3 billion in emergency grants for training and to pay 75 percent of health care premiums, \$11 billion to States for low-income workers displaced from their jobs to help them receive health insurance, but additional funding for job training and placement. But we have to go beyond. We have to create the jobs.

This coming week, my colleagues and I on the House Transportation and Infrastructure Committee are going to be announcing comprehensive investment in infrastructure security for transportation—aviation, but also for rail, ports, inland waterways, highways, bridges, tunnels, all of which have security needs that have to be addressed.

In the immediate aftermath of the September 11th strike, the air strikes, and in the midst of the airline financial rescue legislation, Northwest Airlines took the initiative to urge the association for airlines, the Air Transport Association, to weigh in with the Congress on behalf of a package of legislation to help furlough airline employees. The Board of Directors of Northwest Airlines unanimously passed a resolution at our meeting this morning, September 27th, in endorsing and supporting such legislation. As a result, the Air Transport Association has weighed in on support of the package that the administration has announced.

But I would urge all airlines to go further. Northwest has announced it will extend health insurance to its workers, and other benefits through the end of this year. Delta Airlines has made similar announcements. I would urge the airlines not to contract out work that is being done in-house. And in exchange for the investment that we made and the financial health of the airlines to get them back on their feet, \$5 billion in grants, \$10 billion in guaranteed loans, that they should also make the highest priority to do all work in-house. Not contracting it out, not contracting it out overseas, either. [Applause.] And I look forward to their cooperation.

Senator WELLSTONE. We are joined by Congresswoman Betty McCollum. [Applause.]

Ms. MCCOLLUM. Thank you, Senator Wellstone. This is important that we all get together and speak as a community and family and State and that we hear from you. I apologize for not being able to be here for all of the first panel and having to leave shortly today, but I am out in the schools talking to school children and telling them that it is good to fly. And hopefully, that word gets back to their parents, and we can start bringing our economy together.

I worked in the retail sector. Boy, do I know about volatility. It is very scary for those of you who are out there when you hear what is going on. I have worked through several mini-recessions where my paycheck in commission sales was dependent upon consumer confidence. So you can count on me to do whatever I can, including spending money, to restore consumer confidence.

We have a strong country. We have plans put in place that we are working on, both in the House and Senate. Bipartisan. There will be some discussion, some different viewpoints, and some different tactics, but we need to hear from you for what you need to do.

When I leave here shortly, I am going out to some college campuses. Our college students are very concerned about the economy, having a job when they graduate, what is going on with their loans. Their parents are very concerned about the economy and being able to help with that. So I will continue meeting with small businesses, as I have. I am meeting with St. Paul companies talking about insurance later on. But we are all kind of dividing up the tasks around here, so everyone is heard from.

Thank you all very much for coming. And I notice a good friend of ours, Paul, in the back, Jerry Malpinski, and there is a person in the back with another hat on, I cannot tell if it is Legion or VFW here today. Our thoughts and prayers are with all of you for what

you have done in our country, and I know you will be there to support our servicemen and women in the future.

Thank you. [Applause.]

Senator WELLSTONE. Keep that applause for the veterans. Thank you so much to the veterans. [Applause.]

I would like to thank the panelists and hand this over to Congressman Ramstad, who will be introducing our next panel. Thank you so much for being here. [Applause.]

Mr. OBERSTAR. Mr. Chairman, while the next panel is taking its place, may I just add one footnote that Northwest Airlines has already taken the initiative in modifying flight deck doors. It was the first airline in the United States to do so, and that modification was done at the Duluth maintenance base of Northwest Airlines, and we hope that the whole modification—the full replacement of all doors will also be done in Minnesota by Northwest Airlines.

Mr. RAMSTAD. If we could have your attention again, please. Before I introduce this distinguished second panel, I would like to introduce a good friend; Hennepin County Commissioner Peter McLaughlin is here. Peter, thank you for being here. [Applause.]

I also do not think it is possible to overemphasize the importance of working in a bipartisan way, and again, I want to thank Paul Wellstone for not only convening this hearing and inviting all of you to be here today, but for reaching out to those of us on the other side of the aisle. Because as far as I am concerned there are no Republicans, there are no Democrats at this time when we are dealing with national security and economic security issues. We are all Americans. In this room, we are all Minnesotans and all Americans, and I do not see political labels. [Applause.]

In fact, I am very pleased that Speaker Denny Hastert and Democratic Leader Dick Gephardt are meeting in New York with labor leaders and corporate executives. As we meet here today, they are holding a similar meeting. And I also want to say that, just as the President and the Congress are focused on national security, we must also work very diligently on economic security, because I think it is obvious to all that our economy needs a stimulus, and our laid-off workers need assistance.

I am pleased that we worked in a bipartisan way in Congress to pass an airline stabilization and an emergency supplemental package to help New York City recover from the worst attack on United States in our history. Now we must pass an economic stimulus plan that puts people back to work and provides critical aid to laid-off workers, as well as tax relief.

Also, when we go back, we will be working on an anti-terrorism package and an airline security package, as Jim Oberstar mentioned. Here in Minnesota, believe me, we know all too well that Northwest Airlines was forced to eliminate 20 percent of its workforce, or 4,500 jobs. And Northwest Airlines happens to be the largest single employer of residents in the 3rd Congressional District, which I am privileged to represent. So these numbers, laying off 4,500 workers, 20 percent of the workforce, even those dramatic numbers do not tell the story as far as the layoffs and economic hardships that are placed on businesses that rely on the airlines, such as the hospitality industry, the travel agents across our State and country, food services, janitorial services, taxi services. So that

is why I strongly supported the airline stabilization package, and I am also a sponsor of Hart-Hastings, the Hart-Hastings bill, which will provide extended assistance to workers who were laid off during the terrorist attacks and the subsequent stoppage of airline travel. And I am glad to also report that our Speaker of the House, Denny Hastert, is also supportive of including such relief for laid-off workers.

Without further ado, let me introduce the first member of our second panel, Jaye Rykunyik—I hope I am pronouncing that right, Jaye—the principal officer of the Hotel Employees and Restaurant Employees Local Union 17. And Jane is also vice president of the international union. She represents 5,000 workers in the hospitality and food service industries in the Twin Cities area, and Jane will tell us about the members of the hospitality industry who have been significantly impacted as a result of the slowdown in these industries. Jaye?

STATEMENTS OF JAYE RYKUNYK, HOTEL EMPLOYEES AND RESTAURANT EMPLOYEES LOCAL UNION NO. 17; DAVID OLSON, PRESIDENT, MINNESOTA CHAMBER OF COMMERCE; RAY WALDRON, PRESIDENT, MINNESOTA AFL-CIO; BRAD ANDERSON, VICE CHAIRMAN, PRESIDENT AND CHIEF OPERATING OFFICER OF BEST BUY CO.; AND MARILYN CARLSON NELSON, CHAIR AND CHIEF EXECUTIVE OFFICER OF CARLSON COMPANIES, INC., MINNETONKA, MN

Ms. RYKUNYK. Mr. Chairman, and members of the committee, thank you for inviting me to testify and to address you today. My international union represents 300,000 workers in United States, Canada, Guam, Saipan, and the Virgin Islands. We cook the food, serve the drinks, make the beds, we sell the beer and popcorn at the ball games, we make 95 percent of every meal served on every airline flight originating in the United States and Canada. The 300,000 members that we represented were prior to the 11th of September. Our best estimate is that more than one-third of our workforce has been laid off since then.

The hospitality and food service industries are made up in large part of workers who are minorities, women, and immigrants. We have served as the gateway to the American workforce, and indeed to the American dream, with more immigrants than any other industry in the history of our Nation. Our workforce is the training ground for more welfare-to-work employees than any other industry. In our union, we have accepted the challenge of uplifting the standard of our industry so we too may earn a liveable wage, have medical coverage, own our own homes, send our children to college, and look forward to a pension which will allow us to enjoy our retirement.

As our society has changed from a manufacturing economy to a service-based economy, the hospitality and tourism business has been one of the fastest-growing segments of that new economy. More jobs have been created in the hospitality industry than any other single industry in our country in the last 10 years. Large public investment has been made in the building of hotels and convention centers. It has been done through TIF, through low-interest loans, and direct subsidy by brown field clean-up and other mecha-

nisms. Taxes on hotel rooms, food and beverage sales, sports tickets and parking surcharges have become a mainstay of the budget of the majority of all cities who seek to attract visitors. Beyond these direct tax revenues, there are revenues collected by local and State governments for licensing, taxi cab fares, etc. The list is long and diverse.

When a pebble falls in the pond, the hospitality industry is always in the first ripple. The attack of September 11th was not a pebble, it was a boulder, and the effect on our industry was not a ripple, it was a tidal wave. I have distributed to you an article from the New York Times. If a picture is a thousand words—and I have some extra copies of this available—then these pictures should let you clearly understand the devastation in the hospitality industry.

The immediate impact here locally has involved the layoff of thousands of hospitality workers in our metropolitan area. Our union represents 1,100 workers at the Minneapolis and St. Paul Airport. The majority of those workers were sent home immediately following the attack. At the SkyChef facility where the airline meals are made, the majority of the workforce is made up of immigrant workers, one of whom testified before you today. Most of these workers are paid below \$12 per hour, and most of them not only support their families, but they have an obligation to send money home to support their families overseas. HMS Host provides food and beverage and retail services inside the airport. Sales were down more than 50 percent in the first weeks and now have been slowly rebounding. We have permanently lost 130 jobs at SkyChef. At HMS Host, we have lost 150 jobs. We believe that those losses are permanent.

October is the catch-up month in our industry to recover from a slow summer. We generally expect to have close to full occupancy in our hotels in the Twin Cities. This occupancy has fallen to below 50 percent by the most current forecast. The Radisson Plaza Hotel has closed its white-tablecloth restaurant, as has the Minneapolis Hilton. These two restaurant closings alone will throw more than 50 workers out of their jobs.

Prior to September 11th, the workers in these restaurants would not have given a second thought to reemployment. Now there is literally nowhere for them to go. High-end dining has been adversely effected throughout the city, as well as throughout the Nation. The prospect of securing a job that provides benefits is nonexistent to workers who were at the high end of the income scale in our industry. There are simply no jobs for them to have, and these are the most highly skilled workers in the industry. A quick review of the want ads in the Sunday paper confirms the dire statistic. The jobs are simply gone.

By far, the large majority of the hospitality industry workers hold down two jobs to make ends meet. Even working more than 60 hours per week, they are barely able to make enough to cover their basic necessities. The main meal for most hotel and restaurant workers is the one that is provided by no charge to them by their employer as a benefit of working in that facility. In an area with one of the highest and most expensive and tightest housing markets in the country, many of our members are already making plans to move in with relatives, because they know they will

be unable to pay their rent or to make their mortgage payment. If you rent, then you look for a room with a family member. If you have a mortgage, then you ask your family to come in and live with you. As much as we would like not to believe these grim statistics, it is not uncommon now for many of our members to already live two or three families in a two-bedroom apartment. We have a number of members who were full time who live in homeless shelters or in their automobiles.

The most vital pieces of information that we put in our union newspaper following the attack was about programs for heat share, food share and emergency assistance. Our industry is in free fall, and our members, who are among the poorest workers in Minnesota, are without a parachute. The reality of living on unemployment for our members is a reality of not enough to eat and no place to call home.

The waiting week for unemployment benefits represents 2 weeks without enough money to buy groceries. It represents standing in line at food banks or going through garbage cans behind grocery stores and restaurants for what the wealthy can afford to throw away.

While there are numerous mechanisms by which workers can be helped, I cannot stress to you enough the need for continuation of medical benefits for laid-off workers. Given the extremely low wage of many sectors of our industry, the large numbers of workers who would be eligible for public assistance for medical benefits, the loss of health insurance will be devastating not only to them but it will be devastating to the public health care system as well. Our public health care system is simply not equipped to handle the large number of workers and their children who will suddenly become eligible if immediate action is not taken to guarantee their benefits through COBRA supplements.

I brought a number of the members of my union with me who are laid off from their jobs, and I would like to introduce them to you. If I could have them stand up, please. [Applause.]

These workers represent the very best of our country. They are workers who have, many of them, immigrated here who have been willing to fill so many of our jobs which help make our cities and our country and our economy strong. They have worked long hours, and they have been willing to serve the public for very low wages. They cannot be overlooked in the discussion about how the recovery from this tragedy will help them. If you do not speak up for them, then no one else will. [Applause.]

[The prepared statement of Ms. Rykunya may be found in additional material.]

Mr. RAMSTAD. I want to thank you, Jaye, for your very compelling testimony. And all of you members from Local 17, thank you for being here today and giving us your input, as well.

The next witness is a long time friend, David Olson, who is president of the Minnesota Chamber of Commerce. He represents more than 3,200 Minnesota employers of all types and sizes. The Chamber is the voice for those members and their employees on State public policy, as well as regulatory issues. As president, David Olson also serves as co-chair of the Workers' Compensation Advisory Council, and vice chair of the Minnesota Chamber of Com-

merce executives. David is also on the National Board of the American Chamber of Commerce.

Mr. OLSON. Thank you, Congressman Ramstad, and thank you members of the committee. I appreciate your invitation to be here today, and I hope my comments will help you in developing some solution to the issues that Minnesota employers and their employees are facing. Solutions, in fact, focus on tax cuts and regulatory expense reductions in an effort to rebuild consumer confidence.

When I received this invitation to participate in this hearing, we asked our members to provide input for my testimony. I have about 500 or almost 600 surveys that were received back within 24 hours, which is little unusual for us. We asked them basically three questions. First is related to workforce. Specifically we asked them how their workforce numbers have or will change over the next few months based on the events of September 11: 11 percent of the respondents think their workforce will grow; 36 percent think their workforce will shrink, and 53 percent believe their workforce numbers will remain the same. Actually, better news than we expected.

Many manufacturing firms, unfortunately, were having a bad year before September 11th, so they had already trimmed their workforce. They are now hoping to hold their own. Other firms hope to reduce their workforce through attrition and retirements as opposed to layoffs, but some companies will not have that option.

The second question focused on their company's profitability in the year ahead: 19 percent of respondents foresee higher profits; 21 percent are expecting about the same; and, unfortunately, 60 percent are projecting lower profits. That is a huge number, especially when you consider, again, that many manufacturing companies had already had one tough year and are not seeing any improvement. A manufacturer reported that raw material costs were up, as well as labor and energy costs, yet their customers are not willing to pay more, putting even greater pressure on already thin profit margins. Yet another manufacturing company said they were just starting to see an uptick in August, and the events of September 11th eliminated the momentum toward an improved outlook.

Retailers are reporting slow or no sales of high-ticket items, but discount retailers believe they will hold their own.

Finally, we asked our members how they were responding to the economy and what actions they are taking to survive. Across the board, companies are cutting expenses. Some of the cuts include personnel, layoffs when necessary, and cutting hours of remaining personnel; going without raises and bonuses; delaying capital expenditures; cutting overhead, including travel; and asking employees to consider lower-cost health care options, and pay more of their monthly premiums.

A number of companies expressed frustration about costs they feel they cannot control, including energy, transportation, particularly rail for manufacturers, and insurance costs, namely, health care insurance. According to one business owner, "We are being forced to look at dropping our coverage or just go to major medical only. We would allow employees to upgrade family coverage at their cost, but the cost is so high that I am sure that many cannot afford it."

While the overall outlook of business people is one of uncertainty and lower profits, some companies do have positive outlook for the year ahead. In addition, firms are doing whatever possible to boost their sales and marketing efforts. In typical Midwestern fashion, many companies are stating they are working harder, smarter, longer, and leaner. Our members make it clear that Minnesota businesses do not need further burdens and costs from any source and, for your purposes, their prospects and those of their workers would greatly improve if Government would continue to do its part to reduce both tax and regulatory expenses.

Thank you. [Applause.]

[The prepared statement of Mr. Olson may be found in additional material.]

Mr. RAMSTAD. Thank you, David, for that excellent testimony.

The next witness is also a friend, Ray Waldron. Ray Waldron is president of Minnesota AFL-CIO. In that capacity, he represents thousands of Minnesota workers. Ray will address the impact of the economic slowdown on workers in the airline, hotel, restaurant, and janitorial services industries.

Ray, welcome.

Mr. WALDRON. Thank you and Chairman Wellstone and committee members. I thank you for the opportunity to speak on this issue this morning. You have my written testimony, and I would like to take some time to update that testimony that we provided for you earlier.

As you know, the impact of September 11th is changing faster than we keep track of. But there is only one constant to that, and that is, people are hurting, both emotionally and economically, from the results of these attacks.

Here in Minnesota, a lot of working people and family are hurting, and they are looking to you for help and relief. Congress responded well, very well, in fact, when the airlines corporations called for help. And we supported that. Working families now are calling for help, and we are here to ask for you to respond to them.

How many working families are we talking about? As we know now—and I am sure these numbers are changing. Congressman Oberstar spoke very well when he said we believe that this may be only the tip of a problem.

For Northwest Airlines, over 4,500 employees are being laid off alone, 400 airline employees at Mesaba Airlines just alone in Minnesota are being laid off. More than 20 percent of the workforce at our airport—that is, retail sales, parking attendants, restaurant employees and taxi cab drivers and cleaners who work in the seventh busiest airport in the United States—are being laid off. This does not include the construction workers. Our figures, last week we were told \$291 million in deferred construction will take place. We heard this morning from Congressman Oberstar that now over \$400 million in deferred construction for the year of 2002 alone will be deferred. These numbers add up pretty quickly, and it is a lot of hurt for a lot of families.

So we are appealing to you and asking you to extend the unemployment benefits for workers, to extend health care coverage for workers. We need the Government to insist that employers abide

by their collective bargaining agreements and contracts. [Applause.]

We need, when the economy rebounds and returns, provisions for hiring back these employees. We need job training allowances, and we know that the corporations have received public assistance, and we have supported that, but we also support the same accountability for businesses that these employees are required to have.

Finally, I would like to thank you again for holding this—[Applause]—hearing here, and I would like to particularly acknowledge the students, the high school students that are here, and in particular South High of Minneapolis, the school that I graduated from earlier on. [Applause.]

[The prepared statement of Mr. Waldron may be found in additional material.]

Mr. RAMSTAD. Thank you, Ray, for your compelling testimony and your wonderful example of the greatness of South High. The other two schools here today are also very great, I know, in the 3rd District, both Burnsville and Bloomington Jefferson. We are glad the students are here.

The next witness is president and chief operating officer of Best Buy Company, Best Buy, Incorporated, which is the Nation's largest volume specialty retailer of consumer electronics, personal computers, entertainment software and appliances. The company, Best Buy, Incorporated, is headquartered in Eden Prairie, I am happy to say, in the heart of the 3rd District. Best Buy currently operates retail stores in 41 of the 50 States and is on track to have more than 550 stores nationwide by 2004.

Brad Anderson will address consumer confidence, as well as how Best Buy is preparing to deal with the economic impact following the September 11th attacks. Brad has been with Best Buy since 1973 and has been president since 1991. It is a pleasure to welcome Brad Anderson.

Mr. ANDERSON. Thank you. We were very, very honored to be invited here. When the terrorist attacks of September 11th occurred, our first and immediate concern was for the safety of our employees. Sam Goody, which is part of the Musicland chain, which is part of Best Buy, had a store in the World Trade Center, and thankfully, the employees of that store were able to get out safely. We also had 300 employees in the air at the time of the attack, and all of those people were also safe.

But the tragedy has been personally visited to us because we have a lot of stores in the New York metropolitan area, and there are many employees of those stores who lost family members or friends, so it has been a very kind of personal tragedy that a number of people in Best Buy have felt very directly.

From the company's—just to give you a brief backdrop in terms of Best Buy, we are the fifth largest company in Minnesota, with sales this year of \$19 billion-plus. We also have 7,500 employees in the State of Minnesota. So, in addition to our headquarters, this is also our largest employee base. And the company has been going through a very rapid growth period over the course of the last several years. One of the things that I think is sort of an example of what happened here in terms of the travel industry is that immediately upon the attack, we basically removed the requirement for

travel for our employees for the 2 weeks immediately after. And so in a little small way, that is part of, I think, the dominoes that are falling here in terms of revenue for the whole travel industry. We have tried to move that back to a normal—we have moved that back to a normal stage, and this past weekend had a large convention for hundreds of our employees from around the country in Florida, and so we are trying to get back on to a normal basis.

In terms of our overall plans for the company, we are adding 45 new stores in the quarter that we are in, and we are continuing with that expansion plan, and we happen to be in an industry which has great good fortune of having a lot of—part of that growth is based on the amount of innovation that exists in the business. Lots of new kinds of product categories are continuing to come out in terms of digital products, etc, that have been growing very rapidly, while we have seen some offsets in terms of the slowdown of the computer business.

Just to give you a picture in terms of what we see going forward, the company announced this past week the opening of a new distribution center which we are building in the New York area. We are also going to open 60 to 65 new Best Buy stores next year, which was the initial plan, plus another 75 or more Musicland stores. So our intent is to try to keep as robust an expansion plan as we had before, and to try to keep the kind of energy and growth that the company had before the attacks of September 11th

Thank you. [Applause.]

[The prepared statement of Mr. Anderson may be found in additional material.]

Mr. RAMSTAD. Thank you very much, Brad.

The final witness on this distinguished panel is Marilyn Carlson Nelson. Marilyn is chair and chief executive officer of Carlson Companies, Incorporated. Carlson Companies, as I think most Minnesotans know, is one of the world's largest global travel and hospitality companies, headquartered in Minnetonka. Carlson Companies touches every facet of the travel, lodging, and dining industries. Carlson Companies and their franchisees employ over 9,000 people in our State, 124,000 people throughout the United States, and 192,000 employees worldwide.

Marilyn will address the recent loss of revenue in business as a direct result of the tragic terrorist attacks of September 11th, as well as the need for a short-term stimulus package to keep people employed and help dislocated workers.

Thank you very much, Marilyn, for being here today.

Ms. CARLSON NELSON. Thank you. Good morning, Mr. Chairman, and members of the Minnesota delegation and fellow Minnesotans. As was mentioned, I am Marilyn Carlson Nelson, chief executive officer of Carlson Companies. We do indeed employ nearly 10,000 people in Minnesota, 125,000 people throughout the United States, and over 190,000 people worldwide, forming one of the world's largest travel and hospitality companies. We embrace just about every aspect of travel, lodging, and dining industries, with the exception of air transportation and ground transportation services. As such, we are very proud that our businesses also fuel so many related businesses and help to provide jobs outside of those that we create. We are very proud that we are located right here in Minnetonka,

MN, and I think many of you know how seriously we take our corporate citizenship in this great State.

We have always been especially proud of the fact that since our inception, we create jobs. Indeed, my father used to say that the greatest kind of philanthropy is the creation of jobs. You cannot imagine how we feel at this moment. Suddenly we realize as never before the inner dependence that we all feel—the inner dependence with our employees and their lives, with our franchisees and their employees, and with the employees and owners of businesses that are dependent on us. Together we all sink or swim.

I think, Jaye, the tidal wave was a very interesting analogy. Right now, we, all of us together, are at a tremendous risk of drowning because of a result of what occurred on September 11th and the subsequent shutdown of air travel and resultant consumer inertia. Entire travel-based businesses are off 35 percent. The entire service industry has suffered similar, if not greater, declines. This industry is number one, two, or three largest employer in 28 States across the Nation. Statewide, as you heard, there are 170,000 jobs directly related to travel and tourism. In short, our travel-based economy is not unlike our agricultural economy here. It constitutes the lifeblood of our State.

We are confident that this disastrous 35 percent fallout is not going to continue. But unless some immediate stimulus is taken, and immediate action, travel and tourism businesses are projecting to suffer a decline of 20 percent, and if we do not act quickly, they will downsize now to accommodate that decline. That would put 34,000 Minnesotans and over 1.5 million Americans out of work. It would bankrupt up to half of 30,000 travel agencies, who, by the way, right now ticket 80 percent of the air travel. So that is the sales force. That could put 70,000 travel agents out of business, and, in fact, this has been estimated to potentially reduce the GDP by 3.6 percent. We have to all work together to avoid this.

So what we and our franchisees and our employees are suggesting is a short-term stimulus package to keep people employed, to help the industries' displaced workers and liquidity. I am going to take one second, because it is time for me to finish, but I do want to reference the stimulus, because it is the only discussion that hasn't been held here today, so if I may have permission just for a moment.

We are asking not for a bailout. It is not our company or Minnesota's style to ask for a bailout, but we are asking for a stimulus that will treat the problem, not just the symptoms. That will help us to anticipate a better time and to keep as many people employed as possible, to be a benefit to the consumers, to reduce costs for business, and enable travel agents, restaurants, hotels, resorts and all of the workers that we have referenced to survive.

Fortunately, Senators Jon Kyl and Zell Miller and Representatives John Shadegg, Neil Abercrombie, and Heather Wilson have introduced bipartisan legislation which would include three important tax proposals that would provide travelers with incentive to travel and would help provide liquidity to this industry at this absolutely crucial time. We urge all of you to co-sponsor, to work with those bills, to work with your colleagues and have them included in the economic stimulus package being written in Washington.

This legislation is interesting. It is unprecedented, but it provides a \$500 tax credit to people who travel or book travel by the end of this year. Economists are debating tax reduction versus the stimulus of Government spending. We know that each has its advantages, and each has its detractors, but this accomplishes both objectives. In this proposal, there is no relief unless there is the desired consumer spending. It works within the existing infrastructure, so it doesn't disrupt the generation of tax that we all heard is so important for the States across this country. It will release enormous market forces. If everyone in private industry knows that there is \$500 for every adult, \$1,000 a family that is going to be spent on travel, we will advertise a market like crazy. It will stimulate the economy, it will release those forces. It can be immediately effective, and it is so easily communicated.

Without this kind of legislation, I am convinced that a deep recession is a certainty, and that the Government costs will increase as tax revenues at Federal, State, and local levels decline by far more than the long-term or near-term costs of this stimulus.

Thank you for giving me the opportunity to discuss with you something that is so important to all of us. One of the things that Carlson has always done is to incentivize people. It began with a simple gold bond stamp, and it has created literally hundreds of thousands of jobs since. We believe that a stimulus to the consumer, consumer demand, consumer poll, in a very short, controllable time frame, can actually turn the mentality of the consumer around, help us to have more optimism about next year and retain some of those jobs.

At the same time, we couldn't support more strongly the extended COBRA and the unemployment benefits that are so critical to the people that inevitably have already had to be let go.

Thank you so much. [Applause.]

[The prepared statement of Ms. Carlson Nelson may be found in additional material.]

Mr. RAMSTAD. Thank you, Marilyn, for that excellent testimony. I know in my lifetime there has not been a better corporate citizen than Carlson Companies, and we appreciate all you do for our communities and our State, as well.

I am going to ask the first question, and Marilyn, you have already answered this. As I think everyone knows, the President has called on Congress to pass a \$75 billion stimulus package to get this economy going, grow the economy, and create jobs at this time. Because I am on the Ways and Means Committee and we have jurisdiction, original jurisdiction, over tax legislation, I would like to ask each witness which one of the various tax proposals on the table would be your priority. Again, Marilyn, you have answered the question. Would it be to provide the most stimulus to the economy and help create the most jobs? Would it be accelerated depreciation, would it be expensing, would it be capital gains reductions, payroll tax deduction, or something else? Why don't we start with you—start at that end this time. Brad, do you want to go first?

Mr. ANDERSON. No.

Mr. RAMSTAD. OK. Jaye, are you ready?

Ms. RYKUNYK. No.

Mr. RAMSTAD. Which tax equation, which would provide the most help for the people you represent, Jaye?

Ms. RYKUNYK. I think that a tax deduction or a 100 percent reduction for business travel is a stimulus for workers and for travelers in our industry. The largest amount of revenue spent in hotels is business travel. And when business travel was very soft prior to the 11th of September, and business travel has taken a very, very serious decline, and has been very, very damaging to the industry. Business supports our industry by travel during the week and also by high-end usage of hotels and convention facilities.

Mr. RAMSTAD. David?

Mr. OLSON. Congressman Ramstad, whatever tax cut you pick—I am not going to pick one, but we would look for the broadest tax cut. I think you have to keep in mind that prior to September 11th, as I mentioned, the manufacturers were hurting, the small businesses that support manufacturers were hurting, and so we would look to the broadest base tax cuts that would help all of these industries.

Mr. RAMSTAD. Ray?

Mr. WALDRON. Mr. Chairman, this is a—earlier it was told me to me, in a crisis, Congress works the best. And in a crisis, it appears that the chamber on labor is working well on that. So I would support the efforts of a broad-base tax cut on that.

Mr. ANDERSON. And I think—we do not have a formal plan as a company, but as an individual, I would also concur.

Ms. CARLSON NELSON. If I could just comment, please, do we have to choose? I know I heard—this is about choices.

Mr. RAMSTAD. Well, let me just ask, Marilyn, in addition to the—and certainly we are not going to limit the tax relief side of the stimulus package to one revision or one element of tax relief, but in addition to what you mentioned—by the way, I am a co-sponsor of that important legislation.

Ms. CARLSON NELSON. Oh, I am thrilled.

Mr. RAMSTAD. Which tax relief, one or several, would do the most to help your industry and your laid-off workers right now?

Ms. CARLSON NELSON. Well, I think it is really twofold, because in that package, there is both this sense of the corporate traveler—Jaye, I agree. We have to look for levers. How can we move the most people in the shortest amount of time? And getting corporations to move their business travelers is a huge piece of getting the economy going again. At the same time, I think that the employees are also citizens, and to the extent that in combination with an individualized tax credit would have all of us have the perception of moving again. And it has to do with freedom, it has to do with healing, as well as having to do with economics. So I think a broad-based package that said the Federal Government stepped in when necessary and did something that we never, ever contemplated, had to protect us all, stop business for some period of time, and now we just need to jump-start it, or prime the pump, however you want to describe it.

Mr. RAMSTAD. Thank you, Marilyn, and thank you to all of the witnesses on this panel.

Who has got the next question? I will yield back to our distinguished chairman.

Senator WELLSTONE. Thanks, Jim. I wanted to—there are a couple of things I need to do. First of all, I do not think—Mr. McLaughlin, who is here—Hennepin County Commissioner, we recognize you. I want to thank—you did already? Oh, okay.

Mr. RAMSTAD. He got a standing ovation. [Laughter.]

Senator WELLSTONE. And, others, we introduced you earlier, but thank you for being here. One thing that I was going to say, Mr. Anderson, is that—and I shared this note with Congressman Ramstad, that we are certainly absolutely impressed with your business decisions and what you are trying to do for the country. In some ways, your testimony makes it kind of clear how fluid the economy is. And actually,—there are a number of people here that represent workforce development—I think it also shows the importance of job training to enable people to move into those emerging sectors where there is going to be job creation. I think that has to be an important piece of what we do, and I may want to get your response. And then I guess I would ask—I am not going to ask all of you, but Marilyn, your testimony was very powerful.

Maybe, David, I would ask you to speak briefly to your priority for the small business sector. I have tried to make sure that that is a key focus of our hearing today. And then Jaye and Ray, if you do not mind, would you be willing to lay out, based upon what you are hearing from so many of the workers, employees and panelists, the priority in terms of things that need to be done. That is, here are the two or three top priorities, ASAP. If we could go that direction. And, Marilyn, any way you want to chime in, go ahead.

Let's start with Mr. Anderson.

Mr. ANDERSON. The first comment is that I agree thoroughly that since we are creating thousands of new jobs every year, and we probably have this kind of skill set that was talked about here, we will need a balance of the kind of skills that are also used in the travel industry, etc, for our organizations to grow. But I think that one of the things we appreciate in terms of what you are doing from a short-term basis is that a likely displacement in our own travel that existed, hopefully on a very temporary basis. In some of those places, we hope to see that part of the economy recover, because we certainly use travel—I spend most of my time traveling, and we certainly need the direct communication that we get by moving from place to place. So we would hope to create as many jobs as we possibly can, but we would also look for recovery in this portion of the business.

Ms. CARLSON NELSON. I know that many of you think of us as a large corporation, and we are. But what we forget sometimes is that because we started on some borrowed money and were entrepreneurs at heart, we have a huge franchise network. We own about half our restaurants, and the other half are owned by individuals, and many cases family. We do not—we own a very small number of our country's Embassy Suites hotels. They are owned by families. The travel agencies tend to be very small businesses, and in many cases, they only employ three or four people. There are 30,000 of them, and about half of them are very close to going under. So, Paul, I could not sit here if I didn't help to advocate, Senator Wellstone, some help for small business. And I understand that there is discussion of extending the definition of the disaster

loan in the Small Business Association to give some sort of very low-interest or no-interest loans to some of those small businesses for some short period of time. I think it is an extremely important piece of legislation, and Carlson also favors the concept of some kind of training incentive to retrain travel and hospitality workers. We think that that would be, again, very thoughtful and appreciated, and also have a lever in terms of both retraining them ourselves and helping to have others retrain them for other jobs that emerge in the economy.

Mr. RAMSTAD. David?

Mr. OLSON. Senator, just two quick things. When we talk to small businesses, the number one issue they bring up is helping them reduce health care costs. So anything we could do on the health care front would be very important. And then overall, again, anything we can do to stimulate consumer confidence, we think that would help all different types and sizes in businesses.

Mr. WALDRON. Senator, that is a choice that a lot of families make between health care, which is unreachable in some cases to a lot of families in Minnesota. But I would have to say, in order to rank them, I would rank probably health care and then unemployment benefits very close to that, and then retraining, as in the Dislocated Worker Program.

Ms. RYKUNYK. Senator Wellstone, I would agree that I think that subsidizing COBRA payments for either unemployed or underemployed workers is a key piece. I think elimination of the waiting week for unemployment benefits, and I also think giving some consideration to looking at unemployment benefits, which are sort of a pass-through, using the Swedish model, so that employers can keep workers on the jobs, and allow a higher unemployment benefit if their wages are reduced below 50 percent, so that unemployed workers or underemployed workers are allowed to have a full salary by increasing the amount of wages that they are allowed to make. That way, employers can have their workforce working on shorter hours, and people who are working on short hours then can have enough subsidy coming from their unemployment benefit to allow them to really maintain the lifestyle that they have.

Senator WELLSTONE. Well, we are going to go to the final panel, and we are going to hear from two economists that the State of Minnesota has always relied on for their good judgment. I will tell you, along with the first panel, this was just powerful—Jim used the word “compelling”—testimony, not just for us, but for our State in terms of what you had to say, and we really thank each and every one of you for being here with us. Thank you so much. [Applause.]

Why don't we have everybody stand up for just a quick break. [Pause.]

OK. I am going to call everybody, if I could. I know some of the students—thank you for being here, you guys. And thank you so much. I am going to call the hearing back to order, if we could get everybody to sit down. OK. We are going to—if we could get everybody's attention, we are going to bring the hearing back to order. For those of you who are in conversation, it is fine, but if could you move out into the hall, that would help, or just come back in and join us.

Let me just say to all that are here, and I know that we have many Minnesota journalists, as well. I would like to thank the journalists for being here.

This is the last panel, but this is one of our most important panels. So we want to be very serious in purpose as we listen to Tom Stinson, who is Minnesota's State economist and a University of Minnesota professor, Associate Professor of the Department of Applied Economics at the University of Minnesota, and he served as our State's economist since 1987. Tom is widely regarded as an expert on Minnesota's economy, and he will address Minnesota's economic status and outlook, as well as the need for additional stimuli to boost the economy.

And Sung Won Sohn—who I will introduce now, but we will go to each one of you separately—is Wells Fargo Executive Vice President and Chief Economist. Dr. Sohn is a prominent economist from Minnesota, and he will address the corporate earnings growth in the coming quarters, investment spending, productivity and production growth. He will also highlight prospects for consumer spending, unemployment, as well as Minnesota's loosening labor market. Dr. Sohn will discuss the employment and consumer spending conditions he expects to see over the next 6 months, as well as the possibilities for recovery in the year 2002.

And we start out with Dr. Stinson. Thank you so much for being here, Tom.

STATEMENTS OF THOMAS F. STINSON, MINNESOTA'S STATE ECONOMIST, AND ASSOCIATE PROFESSOR, DEPARTMENT OF APPLIED ECONOMICS, UNIVERSITY OF MINNESOTA; AND SUNG WON SOHN, EXECUTIVE VICE PRESIDENT AND CHIEF ECONOMIST, WELLS FARGO CO., MINNEAPOLIS, MN

Mr. STINSON. Mr. Chairman, members of the committee, thank you for allowing me this privilege to speak with you here today. My name is Tom Stinson, as the Senator said. I am a professor at the University of Minnesota and also the State economist. I want to make sure that you understand that my opinions today are those of an economist, and not the University of Minnesota or the Ventura administration.

Economists face a problem when asked to submit remarks several days in advance. There is always the risk that intervening data releases will reshape their economic outlook. When that happens, our previously prepared remarks do not fully reflect our current perceptions of the economy's health. Friday's payroll employment numbers was such an event. U.S. jobs were shown to fall by 199,000 during September, and that measured only the decline in jobs prior to the attack on the Trade Center. The U.S. economy is now clearly weakening, was weakening in early September, and it was not stabilizing as some had projected. Looking forward, company announcements, some of which were reiterated for you today, make it likely that a further large decline in payroll employment can be expected in October. We may find that the U.S. has lost a total of more than a half a million in jobs on a seasonally adjusted basis in August, September, and October.

This is a serious problem for an economy which needs to add an average of more than 125,000 jobs each month just to keep up with

normal labor force growth. Any remaining doubt about the likelihood of a recession is gone. Now the only question is how deep and how long. The employment report didn't change my belief that the current recession is likely to extend beyond the first of the year, and that it could last a year or more, but it did strengthen my belief that substantial immediate fiscal stimulus is needed. Even though Minnesota's unemployment rate was a full 1.3 percent below the U.S. average in August, signs of softening were also visible in Minnesota prior to the attacks.

In recent months, our unemployment rate has hovered around 3.5 percent, but payroll employment has actually fallen about 9,000 jobs since May on a seasonally adjusted basis in Minnesota. The State withholding tax collections are falling below forecast. In 1998, Minnesota's unemployment rate was 2.5 percent, the lowest in the Nation, and in recent years, we have added an average of 10,000 jobs over the May-August period, and instead now we are declining. Since the start of the year, manufacturing employment in Minnesota has fallen by 12,000 jobs. That is a particularly disturbing statistic, since Minnesota has had the propensity to increase manufacturing employment counter to the national trends.

The problems facing certain sectors of the Minnesota economy, particularly the airline, transportation, and the tourism and hospitality sectors, have received considerable visibility and were demonstrated graphically for you this morning. There is no doubt that firms in those sectors and employees in those firms face difficult times in the weeks ahead. But this State's economic problems extend well beyond those sectors, important as they are. Increasing airport security, relieving cash flow problems of the airline industry, and increasing air travel and tourism will not be enough by themselves to turn the U.S. economy or the Minnesota economy around. This economic slowdown was already being widely felt across Minnesota prior to September 11th. The post-September 11th impacts will be even more widely spread.

Two forecasting services have attempted to forecast the State's economic impact of the terrorist attacks in recent weeks. One expects Minnesota's economy to be among the hardest hit, placing us in the bottom quartile of the States. The other ranks us just about average in growth after the shock, although they find that Minnesota's economy would be relatively less damaged by the reaction to September 11th than the U.S. average. It is really much too early to gauge the extent of the weakness brought on by September 11th attack in Minnesota, but my own preliminary analysis leads me to believe that the State's economy will perform at about the U.S. average over the next 12 to 18 months. Again, though, let me emphasize that this recession will be more severe in Minnesota than the last recession that we went through, and it is likely to be felt by all sectors of our economy.

Now, people who have worked in and around government for as long as I have know that proponents for a wide variety of spending programs and advocates of an equally wide set of tax cuts often argue their proposal will be good for the economy. And in the long-term, many of those claims can be justified. But this is a time when a short-term focus is important. What is needed is immediate stimulus. That means we need additional money in consumers'

pockets in January, February, and March. And if we are to limit the recession to two or three quarters, we need a significant amount of stimulus in 2002—in early 2002; 50 billion or perhaps even more. That need for immediate stimulus eliminates the use of most spending programs. Those programs, while they may be worthy on their own merit, simply cannot tool up fast enough so additional funds reach the household level of the first quarter of 2002. Most tax proposals also fail to provide the consumer with a quick infusion of buying power; \$50 billion in tax cuts spread over an entire year provides at best \$12.5 billion in stimulus in the first quarter, an amount well below what I believe is important to be provided at that time. Corporate tax cuts, changes in depreciation rules, may be a good idea in their own right, but they also fail to meet the test of giving the economy a jump-start 3 months from now.

Two tax changes which meet the immediate and substantial test are a cut in the payroll taxes effective only during the first quarter of 2002, or a second tax rebate, possibly one based on payroll taxes paid in the third quarter or the fourth quarter of 2001. Either of these actions would provide the needed fiscal stimulus on a timely basis. Congress will need to act quickly, though, for the administrative machinery needed to implement these changes will need to be up and ready by the end of the year if the stimulus is to arrive in time to affect the first quarter of 2002.

Let me conclude by encouraging you as you evaluate potential stimulus alternatives to draw a sharp distinction between tax cuts and spending programs which may be worthy on their own merit and those which will quickly stimulate the economy. Tax cuts or spending programs which dribble out a little money each week for a year or for more than a year are unlikely to provide sufficient boost to economic activity next January when the jump-start is needed. And let me remind you that a spending program which authorizes new money which will not actually be spent until late in 2002 or 2003, or tax cuts which largely have their impact in late 2002 or beyond, even have the possibility of being counter-productive, creating inflationary pressures by adding stimulus after the economy has already begun to recover. What the economy needs now is a quick, controlled injection of additional spending power into the economy, not the long-term infusion promised by most tax spending initiatives that I hear.

Thank you for the opportunity to appear here today. [Applause.]

[The prepared statement of Mr. Stinson may be found in additional material.]

Senator WELLSTONE. Tom, we are indebted to you for, I think, just extremely important testimony. Thank you.

Mr. Sohn?

Mr. SOHN. I am pleased to be here today to talk about the economic and financial conditions related to the economic stimulus program. Again, I am Sung Won Sohn, an Executive Vice President of Wells Fargo Banks. And as Tom pointed out, again, the opinion here is mine, not that of Wells Fargo & Company.

Minnesota is not immune to the national manufacturing and economic downturn. After enjoying a decade of above-average employment growth, many of Minnesota's top industries face tough times

ahead. As a result, employment has not grown in Minnesota compared to a year ago very much. The Iron Range of Northern Minnesota has seen a decline in demand for taconite pellets, as well as the auto parts industry sees a flat or weakening demand. Intense competition from foreign steel manufacturers is also behind much of the decline in demand for taconite. Employment in metal mining is down 24 percent, or 1,300 jobs from a year ago. Manufacturers in industries such as computers and telecommunications equipment, printing, publishing, paper, lumber and wood products, rubber and plastics have all seen significant employment declines. We also know that many of Minnesota's largest employers have announced massive layoffs, including Honeywell, Qwest Communications, Northwest Airlines, and the list goes on. As a result, Minnesota's labor market is beginning to lose.

Since the first of the year, Minnesota's employment rate has spiked 60 basis points to 3.6 percent, though still well under the national average. Unemployment is expected to become an even larger problem over the next two quarters, as Minnesota continues to enter the labor force, continues to—Minnesotans continue to enter the labor force, even as employment growth grinds to a halt. It is important to realize that the challenges facing the Minnesota economy over the next year are cyclical in nature and do not reflect any fundamental or structural defect in the State's economy. In fact, in the long run, Minnesota's economy is well positioned to continue to perform well. The State benefits from strong native migration from Wisconsin, California, North Dakota, Illinois, and Iowa in a notoriously slow-growth Midwest region. This positive migration drives State population growth and boosts demand for consumer goods, housing and services, while also allowing above-average employment growth. In addition, Minnesota has well-diversified industries that—industrial base that keeps economic employment volatility to a minimum.

During the last national recession in 1991, Minnesota's economy never really contracted, allowing economic growth to rebound more—much more quickly, and even with more—bigger than other regions of the country. Minnesota did not experience the real estate boom and bust that hit the rest of the country or experience the dislocations that the real estate bubble caused.

The current downturn is likely to hit closer to home, however. With many of Minnesota's major industries facing deteriorating business conditions, the economic decline is likely to be more abrupt and broadly based this time around. To date, the aggressive and rapid response of the Federal policy makers, including the Federal Reserve, provides a flow to Minnesota's economy, setting the stage for an economic rebound hopefully sometime around mid-year 2002.

Congress's swift action to make enact stimulatory tax cuts aimed at boosting consumer spending, as well as recent initiatives to provide additional spending on airlines, defense security, and disaster relief, should go a long way toward getting the national and Minnesota's economy back on track.

On balance, we believe that the next 6 months will entail worsening employment conditions and continued hesitance of consumers and businesses to commit to long-term purchases and investments.

However, we expect an economic recovery sometime in the year 2002, returning the State of Minnesota to its pre-slowdown expansion path.

I agree with Tom that at this point, the Nation needs an economic stimulus program. We want to make sure that this does not become a prolonged, deep economic recession. Consumers, businesses, the rest of the economy in the Nation—in Minnesota do need help, and to some extent we have seen Congress and the Federal Reserve act to support the economy of the United States.

But there also is a danger of overdoing it. The best place to see that is through the bond market. If you look at the bond yields, bond yields are today actually higher than it was on September 10th. We call the bond market a vigilante. They worry about inflation. They do not worry about overstimulation. They are saying that with all of the liquidity in the economy from the Federal Reserve and existing and additional economic stimulus coming from Congress, could we be setting the stage for more inflation later down the road? Of course, it has happened in the past, and that is one of the reasons why bond yields are higher. Not only have some of the long-term treasury bonds gone up, but if you are trying to borrow money in the corporate bond market, the yields are significantly higher, adversely affecting small, medium and large businesses. So I think that we need to again take into consideration as to what the market is saying. Not you, not me, but what the market tells you. The market is saying that we need a stimulus, but let's not overdo it.

To some extent also, the economy depends importantly on not only consumer spending, what the government does, but also I say to some extent right now, the chief economic policy makers are Donald Rumsfeld and Colin Powell.

Depending on how the war on terrorism unfolds, we may find that the economic contraction that we are probably experiencing is not as bad as we anticipated. In an optimistic scenario that I put together, let's say the war on terrorism goes pretty well, we can put some kind of a reasonable definitive end to that, and we can get our friends overseas to take care of their own terrorists, so we do not have to commit our ground troops. In that case, I could see the repetition of what happened during the Gulf War. Back on January 17th of 1991 when the U.S. entered Kuwait, consumer confidence jumped, the stock market went up. Why? Because uncertainties of the period, not knowing what to expect. That, to some extent, diminished and even ended. As a result, the economy performed quite well, and I think we should not rule out the possibility that something like that could happen again.

Thank you, Mr. Chairman, and members of the committee.

[The prepared statement of Mr. Sohn may be found in additional material.]

Senator WELLSTONE. Thank you Dr. Sohn. [Applause.]

We are going to start out questioning with Congressman Sabo. I want to recognize Jim Koppel, and the reason I want to do that is Jim is the director of the Children's Defense Fund in Minnesota. And frankly, I think this whole discussion today, which has been just incredible—all of the panelists, I think, have been very great. Some of the most important issues we face are those involving chil-

dren. I would like to thank you for your fine work and the Children's Defense Fund for their fine work. Thank you, Jim. And I—and let's do—[Applause.]

The truth of the matter is, if I mention names, so many people in our office have been working on this, and it would be about ten people, and so I won't do that. But I am really blessed to have a lot of good people to work with, and I want to thank everybody in our office for their work. Marge Baker came out from Washington, DC, and it is great that she is here. She is quite a pro, but we have just as good of pros at the Minnesota office, but they are ten people to recognize, with Connie Lewis directing the office, and I would like to thank you all for your help. Thanks so much. [Applause.]

Mr. SABO. Thank you, Paul, and thank you to the two panelists for their excellent testimony. I think you have good advice.

To Dr. Sohn, I think there is danger that we may for—if the impact of what we do raises long-term rates, that can be a negative for us. And all of the political pressures in the Congress to do something of what everyone wants in the package, somehow we need to maintain some discipline.

But I also agree very much with Mr. Stinson. We have to do something in a fashion that has immediate impact. And clearly, a rebate of some kind is a very appropriate response. My judgment has been that in our earlier action, we were probably too small in our immediate reaction, and too generous in the long-term tax cuts that would pass. So hopefully, we can find—and it is a little complicated administratively, I understand, to get benefits to the people who simply pay payroll taxes, and maybe not income taxes, but they clearly should be a major benefactor of our next tax bill.

But let me ask—but the other way we get money to people quickly is through the ongoing safety net. And from all I gather, we had more and more holes in it. And one of the things I am curious about as you look at Minnesota is the degree of the people who have moved from employed to unemployed are not eligible for unemployment compensation. Because nationally, there is a significant number of people today who, because they are in and out of the labor market, often are the first laid off. They become ineligible for benefits. And I am curious if that is our pattern in Minnesota.

And let me go beyond the concern I have in how we structure whatever additional benefits we may be able to do on health benefits. Much of the focus here are people impacted by September 11th and related to the airline industry. I, frankly, have concern that the political impetus may be to deal simply with those people. And I do not know how in equity we do not also deal with people who were unemployed earlier because of the slowdown in the economy. And it just strikes me, to be fair, whatever we do must have impact not only for people directly impacted by the events of September 11th, but people who were laid off because of the economic slowdown earlier. And, again, I am curious to what degree people in Minnesota fall out of the traditional safety net of unemployment compensation and some of the other benefits we have.

Mr. SOHN. Let me just—you can get into the details; you have got more data than I do, probably. But the labor participation rate in the State of Minnesota was and still is one of the highest in the Nation. It is not only because we like to work, good work ethic, but

also during the booming economic times, we were able to attract mothers, retirees, students, and others to join the labor force.

Now that the labor market is not as healthy as it used to be, many of those people work part-time. They were laid off, and they decided to just drop out of the labor force. They disappeared from the radar screen. And they are not probably eligible for the kind of benefits that we are talking about. And I believe in Minnesota, especially in Minnesota, because, again, so many people joined the labor force, given the very tight labor markets, the kind of people that you are talking about that were not eligible for benefits is probably pretty substantial. And so I will certainly, you know, support that argument. That is, we really need to look beyond what is on the radar screen and then see who has disappeared.

Mr. STINSON. Mr. Chairman, Representative Sabo, expanding the coverage of unemployment benefits, adding an additional 13 weeks, expanding into providing better health care subsidies and things like that, those all fall in the list of things to me that are important to do because they are good things to do. But in terms of having an actual impact at the time that we need to have an impact, which is January, February, March, I think an awful lot of the people that are affected by the current slowdown are not going to have exhausted their unemployment—

Mr. SABO. Excuse me. I guess my question does not relate to the persons who are initially eligible for benefits. It relates to the question of the people who, because of how we constructed unemployment comp, are ineligible for—not for extended, but for initial benefits. If we have any handle of that.

Mr. STINSON. OK. In terms of the number of people that are denied claims or out of the labor market, I don't think we have a good handle on that at all. I will say, though, that Minnesota, as Dr. Sohn has pointed out, has a very high labor force participation rate, and this high labor force participation rate—in fact, we had a very tight job market, really, up until the first of the year, and maybe beyond that, has given us some protection against a deterioration of a kind that you are talking about. Now, there are certainly people that are going to be affected, but in terms of a widespread impact on Minnesota, I just don't think that is going to occur.

Mr. SABO. OK. Thank you.

Mr. RAMSTAD. We are very fortunate. This is an excellent hearing, Senator Wellstone, and the staff deserves a great deal of credit. And also because we had three outstanding panels and we have two of our most distinguished economists here in Minnesota for many years before us, so I thank you both for your time.

And I guess my question goes back—I read, Dr. Stinson, before and you repeated the prediction here today that Minnesota's recession this time would be greater than it was the last time. What are the reason or reasons for that? And, Dr. Sohn, you too. Maybe you could each comment.

Mr. STINSON. Mr. Chairman, Senator Dayton, the 1990-91 recession really pretty much overflowed Minnesota. In the period 1989, 1990 and 1991, Minnesota added 100,000 jobs over that period, and that is the period that spans the recession. We were the—Minnesota ranked third in the number of jobs created during that pe-

riod. Texas created a couple hundred thousand, the State of Washington about a hundred thousand again, and then Minnesota. All of the rest of the States, the big States, California, New York, Pennsylvania, Ohio, something like that, all lost population during that time. They lost income during that time.

Now, the reason for that is a couple of things. One is that Minnesota is a well-diversified economy. We have a wide spread of jobs across a number of different industries. We aren't particularly reliant on one particular industry for employment, like the State of Washington is right now, and some things like that.

Two, we didn't have an overconcentration of defense industry in the State. Part of what contributed to the national economic slowdown was a coincident cutback in defense spending that was going on at the same time. And so we didn't have the problems of the defense cutbacks that California, for example, had, and some of the Southern States and so on like that.

Three, while Minnesota is a regional financial center, we didn't have the same kind of employment impact and economic impact from cutbacks of the financial industry, which went on again in the 1990-91 period. And so those three things helped us go through a little bit better.

The other thing that helped in Minnesota clearly is that Minnesota workers have a reputation as being a very productive group of workers. And so when you were going to cut back someplace, you did not choose to cut back the most productive plant that you had, you cut back a plant that was less productive. So that helped us.

Mr. SOHN. Back in the 1990-91 recession—some people call that the banking recession or the real estate recession—we had the savings and loan crisis across the country, and unfortunately many of those institutions had shoveled out money to the construction industry. And therefore, we had a crash, basically, in Texas, Arizona, and other parts of the country.

Well, fortunately, back in 1990 and 1991, that didn't happen in Minnesota, because we have much better banks here in Minnesota than they do in Texas and elsewhere. [Laughter.] And so that was one of the reasons.

Senator WELLSTONE. Much better than Texas. [Laughter.]

Mr. SOHN. And so that was one of the reasons. The other reason, as Tom pointed out, is we are a lot more diversified. In fact, you can measure diversity of a State. If 1 is most diversified and 0 is least diversified, our diversity quotient is a 0.75, which means we are much better than the average. And, in fact, our diversity has been improving.

And, again, I am not going to go into industries that Tom has already mentioned, but we are a lot more diversified than we have been and that can actually be measured. In addition, agriculture has been a source of economic stability. We recognize that prices are lousy, they are not good. But unfortunately, farmers are able to get help from the Federal Government, and that has been a very good, important economic stabilizer.

We also have increasing emphasis on health, not only to hospitals, but also obviously the medical technologies such as Medtronic, etc.

Education has been another important growing source of our economic pie. And so I say, you know, these are some of the reasons why. I guess I am willing to say that we may actually end up being somewhat more stable than the U.S. economy. So I am probably a bit more optimistic than Tom is that I think if we do get into a recession—we could be in one already in the U.S.—Minnesota will probably come out a bit better because of the diversity that I have talked about.

Senator WELLSTONE. For everyone, what we are going to do is, Congressman Ramstad will go with questions, and then I will ask each of my colleagues just for a final minute conclusion on your part, okay?

Mr. RAMSTAD. Thank you, Mr. Chairman.

Thank you, Dr. Stinson, Dr. Sohn, for sharing your comments with us here. I will be very brief.

Chairman Greenspan has counseled us on the Ways and Means Committee that in order to provide a stimulative effect to a \$10 trillion economy, that any package we craft must be at least \$100 billion. Do you share that judgment? And he also said it should be compressed, which you testified to, to provide a true stimulus.

The first question is: Do you agree it should be \$100 billion to stimulate a \$10 trillion economy? And the second question is: What time frame would you recommend that we limit any tax relief to?

Mr. STINSON. Mr. Chairman, Congressman Ramstad, I think Chairman Greenspan is right on, and former Secretary Rubin has also made that point as well. I think that the \$100 billion amount that he is talking about includes some of the action that has already been passed by Congress.

Mr. RAMSTAD. The \$38 billion rebates. I think that is right.

Mr. STINSON. Yes. And so I think somewhere on the order of \$50 or \$60 or \$70 billion. It is, you know, just money, I guess is the way to put it. [Laughter.] But we do not really know. But \$50, \$60, \$70 billion. And for it to be quick—January, February, March. That is when we need it. And in order to do that, we need to do something very quickly.

One of the things that we learned in Minnesota, looking at changes in tax rates how it affects withholding, is that even though you change the withholding tax rate and publish new withholding tax schedules, all firms do not pick those up immediately. The big national accounting firms or big national payroll firms pick them up, but the smaller firms that buy their own accounting packages once a year wait until the start of the next year before they pick it up. Well, that limits the effectiveness of something if it is not in place so it is included in the accounting packages and the payroll packages at the start of the year. And so that is why I think we have a wonderful opportunity here to actually use the fiscal policy tool and in a quick and convenient manner.

Mr. RAMSTAD. Just so I am clear, any stimulus package we come up with should be limited to—all of the elements should be limited to the 3-month duration?

Mr. STINSON. Any additional stimulus should be limited to 3 months, I think.

Mr. RAMSTAD. Dr. Sohn?

Mr. SOHN. Well, I think we probably need a more longer-term horizon. I was looking at the Wall Street Journal last week, and it had a wish list of all of the amount of money that we can spend, and I added it up, and it was \$426 billion. And clearly, that is too much.

I look at it this way. We have a \$10 trillion economy, and let's assume that the economic decline will be about one full percentage point over the 1-year period. It could be one, it could be two, but to offset that, we do not need economic stimulus of \$100 billion because of the multiplying effect.

If we had about a \$40 billion economic stimulus program, and then we multiplied that by the multiplier effect that the economists talk about of, let's say, 2.5, then we are talking about a \$100 billion. That is assuming that economic decline is 1 percent.

When Chairman Greenspan talked about an economic stimulus program of at least \$100 billion, I assume that he is thinking that economic declines could be more than one full percentage point.

The point I am making, I guess, is that I think in these discussions, everyone wants to get help from, you know, airlines to bus drivers to probably banks. But we are approaching really to the outer limit of overdoing, what I talked about earlier. And so I think we really need to be much more cautious.

I also recognize that we need economic stimulus now to make sure that our economy does not slide into a prolonged economic recession, but also to present an opportunity to provide some incentives to make sure that cash flow is improving in the long run. And so I would not necessarily limit it to what would affect the economy in the next 3 months. I think, you know, there was room to improve productivity and economic growth in the long run, as well.

Mr. RAMSTAD. Let me pin you down. Would 1 year be adequate?

Mr. SOHN. No, I would actually go beyond that. For instance, investment tax credits could go beyond 1 year. You know, some people have talked about, for instance, COBRA tax cuts. And some might say, why would you need COBRA tax cuts? Well, today 85 percent of all businesses in America, they are service-related businesses, and they do not necessarily benefit from capital equipment, such as machines. And so one of the ways to help them produce more jobs in the future is to improve their cash flows. And we can improve cash flows by giving them, let's say, a corporate income tax cut.

You know, if I am going to hire people as a business person, it could be a small job share, it could be a computer software company, I have to have some understanding that, you know, cash flow will stay with me in the long run, not just the next 3 months. I am not going to hire people based on additional cash flow for the next 3 months.

Mr. RAMSTAD. Well, I have never heard Congress agree on a solution, so today is no exception. Thank you both for being here. You are great Minnesotans and great economists. Thank you both. [Applause.]

Senator WELLSTONE. We will just take 1 minute to conclude, and I also want to announce that the record is going to be kept open for an additional 10 days for additional testimony. Anybody here

that has anything you want to put in writing to the committee, please do so.

Congressman Sabo, we will start out with you.

Mr. SABO. Thank you, Mr. Chairman, for holding this hearing, and thank you to all of the panelists. I am sorry I missed some, but it was a good hearing. We have important work to do as we head back to Washington, and I hope we have some wisdom and some compassion in putting a package together in the next several weeks.

Thank you.

Senator WELLSTONE. Congressman Ramstad?

Mr. RAMSTAD. Thank you for sharing, once again, and I just want to say that being here today makes me both proud and grateful to be a Minnesotan. To see labor and business employees, management, educators, economists, all Minnesotans assembled here to provide us with input is very, very important and very special. And all of you here today certainly represent not only the greatness of Minnesota people, but also the goodness of Minnesota people, so I want to thank you again, Paul, all of the colleagues here today, thank all of the witnesses, all of the people, the audience, those of you who are here, the high school students, the teachers, public officials, and even the media. Thanks for covering this so we can educate and let more Minnesotans know about this important—

Senator WELLSTONE. Jim, and we are willing to give interviews to the media? [Laughter.] We will. Let's give a hand for the media. [Applause.]

Mr. RAMSTAD. I believe they all know, whenever they are hard up for an interview, they have got my phone number. [Laughter.]

But bottom line, I think Congress clearly needs to pass an economic stimulus package that not only provides tax relief, but also economic assistance for laid off workers. And believe me, I pledge to continue to work in a bipartisan, collaborative way with you, Paul and Marty all of the other colleagues, and with the Congress and with the President to do just that. So thank you very much. [Applause.]

Senator WELLSTONE. I think I pretty much ditto what Jim just said. You know, it is odd, but in an ironic way, but not in a bitterly ironic way, given all of the uncertainty in our world, and all of the uncertainty in our country, this has been some of the best time that I have spent with Minnesotans. I think all of the testimony was very substantive. It was very important to have all of you here representing I think a good part of the diversity and richness of Minnesota. I really feel good about this gathering. Because I don't think anybody is doing this for symbolic reasons. I think everybody that is here is very serious in purpose, and I think we all know what this means.

And just to summarize what I heard, which really went through all of the panelists, we are talking about an economic downturn, we are talking about a recession, we are talking about hard times. We do understand that this has cut across a broad section of the population. Whatever we do needs to be large enough to make a difference.

There are some key principles we must adhere to. We have to be prudent about how we do this, but large enough to make a dif-

ference. It has to be short-term. We need to get the money in the hands of consumers who will spend it. And I think that we also agree that the focus on the private sector is critically important in terms of how we rebuild this economy, and where the growth is and where the jobs are, and people being able to work and being able to consume.

And the other piece of it—and Congressman Oberstar did this earlier, but, you know, it is true that Mr. Anderson from Northwest Airlines, did come out with a strong statement saying the employees have to get the help, too. And we have to make sure that the working families in our State fit in and are a central part of this economic recovery package.

I would like to thank everybody for being here, and this hearing is adjourned. [Applause.]

[Additional material follows:]

ADDITIONAL MATERIAL

PREPARED STATEMENT OF KELLY DOERING

Thank you for inviting me to present today. My name is Kelly Doering. I am the President of E-Travel Experts. We provide services to online Airline websites and online travel websites. We provide a board range of service and technical support functions to the travel industry. We are a profitable and privately held start-up company founded in late 1997. We focus on operational excellence and offer high quality and low cost services. We operate as strategic partners with our clients and we share the risks. Our clients include Northwest Airlines and Orbitz. Between these two clients they issued over 500,000 Airline tickets in the month of August. This is a high growth area; we have grown from 5 employees to over 200 in less than four years. We have aggressive plans to grow our travel technology services to where we will double or triple in size over the next year.

There are three things I would like to emphasize today: First online travel sales offers a cost effective way to sell, service and distribution Airlines tickets. Second is that we are bringing new jobs to both metro and out-state Minnesota. Third since September 11th we have both short-term financial risks, and long-term uncertainty that will affect our access to capital and therefore affects our growth.

DISTRIBUTION

Why is E-Travel Expert's emergence important? Online sales offer the model for the Airlines to succeed. Distribution is usually the third highest cost of an Airline behind labor and fuel. Airline and travel websites are critical to the recovery and success of any Airline today because online sales offer a cost effective way to sell and service distribution channel. Travel websites and E-Tickets promote economies of scale that are critical to Airlines success. Internet ticket sales offer an ease of use and convenience for an increasingly technology savvy customer base. Travel websites also offer and promote many ancillary services such as Internet Check-in and Airport Electronic Services Centers.

JOBS

So what does E-Travel bring to the Minnesota economy? Through the services we provide we create the necessary bridge from service jobs to light technical and on-line functional expert positions that support the online sales process. We bring new jobs that provide alternative and expanded career options for new and experienced travel people and customer service representatives. These jobs offer experience in Internet technology and E-Commerce and what we call 'technology with a touch' as with e-commerce customer service agents. We have been able to bring these jobs to both the Eden Prairie and Mankato, Minnesota.

The Mankato community is very active in attracting and growing technical jobs. As part of bringing new jobs, training, has been and will continue to be a critical part of our growth. We are currently involved in a grant with MN Skills Partnership and Rasmussen Business College in Mankato to build our training program. We are also looking at the Operation Green-Thumb initiative along with the Technology Plus Center in Mankato. This program will promote technology training in Minnesota.

FINANCIAL IMPLICATIONS OF THE SEPT. 11TH TRAGEDY

The travel industry crisis creates both short and long-term implications for E-Travel Experts. We have a proven, profitable business model and we have not had to do layoffs. We take a strategic partner approach to our client relationship. However, our revenues are tied to Airline ticket volumes. In this way we share the risks with our clients so commensurate, with Airline revenues our revenues are down 50% from pre-911 revenues. However, our workload remains at high levels so we are functioning at 100% costs.

The long-term economic uncertainty puts us at risk in our ability to grow and meet the needs of our clients. In order for ETX to be competitive we need to be able to ramp up to accommodate our existing and potential clients. To date we funded our growth through retained earnings rather than through venture capital. While we realize that this would not always have been possible even without the September 11th tragedy we believe that now funding will be more difficult to obtain.

In conclusion, we have efficient and operationally excellent support to offer our clients as they expand their online sales as a cost effective distribution channel. We intend to continue to offer new Internet travel technology jobs to MN and we ask for your continued support of the travel industry, as well as support for retraining

displaced workers in Minnesota right now so we can continue to be there for our clients and to help build on their sales technology and distribution strengths.

PREPARED STATEMENT OF ROXANNE LEAKE

Mr. Chairman, and Members of the Committee:

I am here as one voice speaking on behalf of many Northwest Airlines employees on the effects of the September 11th attack on the United States of America. My name is Roxanne Leake. I am married and have four wonderful sons, Jacob(8), Joshua(6), Jarrod(5) and Jordan(3). We live in Lakeville, Minnesota, which is about ten miles south of here. I would like to express to you today the commitment required to be a Northwest Airlines employee, the enjoyment of my job, my role during the crisis, and how Northwest Airlines terminated my employment. As with any company, qualifying for employment requires interviewing, screening, and a training process. Because of the unique employment positions at Northwest, this process is more in depth than for most other entry-level positions. Each individual must qualify for each level within the process. Having successfully completed the interview process, I was subject to a criminal background check and drug screening. At this point, I was offered a position, which I accepted, and began my training. The training was four intense weeks that placed a significant strain on my family's financial stability. Our wages for training were only sixty percent of the entry-level wage; thus I was earning \$6.36 per hour. As a family, it was decided to commit our resources to support my training and the costs involved, because our family supports each person when an opportunity presents itself. Upon completion of my training, I began my probationary employment as a reservation/sales agent. The probationary period is four to six months, depending on the status as a full time or part time agent.

I loved going to work at Northwest everyday, something most people cannot say about their job. The people I worked with directly tipped the scales in regards to their service, enthusiasm, and dedication to the company, each other, and the public at large. The reservation agents took great pride in the service we gave to our customers. It is a wonderful feeling to help families get the best possible fare for a vacation or help someone to get across the country to attend the funeral of a loved one.

The events of September 11th had a dramatic effect on the responsibilities of the probationary reservation agents at Northwest Airlines. Northwest Airlines declared an emergency and requested all reservation agents, including probationary agents, to report to work as soon as possible. I reported for work six hours early that day and worked an eleven-hour shift. I felt it was my responsibility as a citizen and employee to do everything I could to help people through this crisis.

On September 22nd I received a call from Northwest Airlines informing me that I was being laid-off. On September 24th, I, along with many other probationary agents, was informed that my employment was being terminated due to my probationary status. Later that day, I received a letter confirming that I was terminated due to the effects on the airline by the events of September 11th. To say that I was shocked and disappointed is an understatement. The financial burden placed on my family and the stress of long hours I endured during the training and probationary period only to be terminated through no fault of my own has left my family and me in a state of disarray.

I am diligently working at maintaining a positive attitude through this chain of events. I came here to explain to you my commitment to my family, my job, and Northwest Airlines. It is my sincere hope that I have articulated this to you in this short time. All I want is the opportunity to return to Northwest Airlines as a reservation agent. Thank you for allowing me the time to share with you these words. In conclusion, it is my goal to return to Northwest Airlines and I am asking that you help me and the thousands of other displaced airline workers get back to our jobs.

PREPARED STATEMENT OF GEORGE A. LOGAN III

Mr. Chairman, and Members of the Committee:

I am pleased to be here today to discuss with you several important issues, but first I would like to take the time to thank Senator Wellstone's staff for allowing me the opportunity to testify before this committee today. I am a small business owner and the terrorist attack on the United States on September 11, 2001, has greatly affected my business, and my family's well being.

I have owned my own business since 1994. I was able to purchase my first new roll off truck with the assistance of the S.B.A. in 1995. I have been very fortunate that my gross revenues for the business have risen each and every year. My gross

revenues for last year were over \$300,000.00 dollars. Unfortunately, this year will be much different.

The economy was slowing down, and my construction roll off revenue was at it's lowest level in three years. I started bidding on projects through the CERT program, and I was the successful bidder on the Penn Co contract. This contract involved removing the construction waste from Minneapolis/St. Paul International Air Port. This contract would have generated almost \$100,000.00 dollars of new revenue for my business. Not only would I have had the increased revenue, but I feel that if I was able to successfully complete the contract this would have led to other new contracts, and contacts in the business. This was my first big contract, and if successfully completed, I believe that I would have had the experience that I had been lacking and would have been able to successfully bid on larger and more lucrative contracts.

The Penn Co contract was canceled one week after it was signed. I was told to come and pick up my roll off containers, and that the contract was canceled. I would like to stress to the committee that the contract was canceled, not just delayed or postponed. The project was placed on hold until the Airport Commission could figure out whether or not the new safety regulations would allow for the expansion project to continue. The project may or may not resume. It is my understanding that if and when the project ever resumes, that I would have to re-submit my bid for the project. I would not be guaranteed that I would be the successful bidder for the project. This cancellation of the Penn Co contract is going to place a great financial burden on my company.

In order to bid for the additional work that the contract would have generated I needed a second roll off truck. I had been saving up for the past three years so that I would be in a position to purchase a new truck if the business justified the second vehicle. I was finally able to add the second roll off truck, and purchased five new thirty yard containers. The cost for the new equipment was over \$150,000.00 dollars. I now have the equipment, but no contract to help defray the cost.

While my business is struggling to meet the increased expenses, I have less money for my family. This has directly affected my family's well being. I recently won a trip to Jamaica in a raffle at my son's school. I was planning on taking the family on the first vacation we have had since I started my own business. Now, even if I had the money to go on the trip, I am not sure I would want to take my family on a vacation where we would have to fly to the destination.

The President has said we should get back to doing things we would normally do. This is hard in my case since almost a third of my revenue for this year has been lost as a direct consequence of the terrorist activity. I am not complaining about my losses. My losses have only been economic in nature. I have not lost family or friends to the terrorists, and my prayers and sympathy go out to those that have suffered from the loss of family or friends. I just have to work a little harder to make sure my business is successful, and any help your committee can give, is greatly appreciated.

PREPARED STATEMENT CHERYL DUSEK

As one of the many people who lost their jobs with Northwest Airlines this past week, I became another statistic in an ever-growing population of people impacted by the terrorism of Sept. 11 and its affect on our nation's economy. I have counted myself fortunate as I watch the heartwrenching stories of people who lost family members and businesses that lost large numbers of their employees in this tragedy. I still have my family intact and a spouse who is employed. At first I did not think past the sadness I felt for those people to see the impact this would also have on my family and me. I have been through layoffs with three different technology companies since 1997 and thought I was doing the prudent thing by choosing a more traditional business when I last went through a job search. I had survived two bouts with cancer and with a child in college wanted stability in my life, so I took a position with NWA.

We were fortunate to be in the position of paying for a college education for our daughter from my income—avoiding the need for either her or us to take on student loan debt. We have lived in a comfortable home in Eagan for over 20 years, have been able to provide for our children's education and help provide support to aging parents whose only income is Social Security. Suddenly I am concerned about my ability to meet mortgage payments, pay for health insurance and most importantly continue to meet our daughter's education expenses. I know that we will find a way to survive—I learned long ago that you make of your life what you are willing to work to accomplish. My experience with cancer taught me to keep going. I took up

marathon running to celebrate my success over cancer at age 50 and know that the same determination that allows me to run 26.2 miles at my age, will also help me through this situation. But as a 54-year-old woman, I realize that while my age may not have been a limiting factor in recent employment searches, that is likely no longer true. My long working career will mean that I will be viewed differently in a market where companies will be looking to fill the positions they have available with the least expensive “resources” they can find.

I realized that while I am feeling very uncomfortable personally about my situation, there are a large number of people for whom the impact is much more severe than what I am experiencing. When NWA announced a reduction in its management staff of 1,000 people, they were not speaking strictly of “managers” and executives. Management staff at NWA refers to all positions that are not union/contract positions. These are people in the finance, computer services, sales and marketing, and administrative services areas of the company. Many of these people have spent much or all of their working career with NWA—a look at the term of service of those affected finds a lot of people with over a decade of employment with NWA and some with more than 20 years with the company.

I did a quick interview with a few of the people that I know who lost their jobs and found some stories that show just how this layoff will affect families (and futures).

An employee in the NWA Aerospace Engineering whose only work experience has been with NWA told me the impact to him is devastating:

Lost all seniority even if called back to NWA—over a decade of time with NWA

Lost medical, dental, disability and life insurance

Lost future pension contributions, 3 months accrued sick pay

Sole provider for family of five—one child and wife are full-time college students

Degree in highly specialized field limits his opportunities for employment to airline industry related companies most of which are not faring well with the current economic situation.

Large numbers of people are already in the job market for positions that his experience and education prepare him for—and the number of jobs is very limited.

Retraining for a new career takes a long time and with 2 family members in college even if he has funding to cover education costs, he still needs to support his family during that time.

Relocation would interrupt the college education for his wife and daughter.

Relocating means selling his home of 10 years—and the housing market and home sales prices are certain to be impacted by the talk of recession.

A 49-year-old Project Analyst with 6 years of employment with NWA told me that he had planned (hoped) to make this his career home until retirement. His story is also one of a sole provider: Wife just enrolled in nursing school after many years as a stay-at-home mom. Three children—one in college, one a senior in high school and a student in junior high. Because of the education expenses, his budget was already stretched thin prior to the layoffs. Now he knows that unless he can find a comparable position within the time frame of his severance he will either face a large amount of debt for education or his wife will have to put off her plans for a nursing degree.

A 53-year-old single woman with 16 years at NWA has a different set of concerns:

How to start over at age 53—when you are competing with young, attractive people for jobs in a very fast-paced society that places a premium on “beauty”.

Pension issues—current information from NWA following the layoff conflicts with what she was told previously about her pension. She is looking at almost \$200K that she had been told she could “take with her if she left the company” and now she may no longer be able to do so.

Not expecting to find a position with comparable pay.... takes a lot of time to build up to the level she had achieved. This loss of earning power impacts her ability to save for retirement via 401K and Social Security.

“Singles” have no one else’s financial support to turn to in a lay-off situation. They are on their own for insurance, etc.

Expresses concern about the number of long-time employees let go while many younger, newer (and less expensive) people are still employed.

Wants retraining.

Simply providing money to the airlines to strengthen their business position is not going to solve the problems facing these people. Their layoffs were permanent—they do not have the opportunity to be called back to work once the business position of NWA improves. All of the talk right now is about getting people back on planes with the thought that will improve things throughout the travel related business community. I think the reduction in travel has less to do with people’s fear of flying than with the economic situation of individuals and businesses. Business travel is

down—not because business travelers don’t want to fly, but rather because when times get tough the first budget that gets “whacked” is travel. Leisure travel is very low at this time of year anyway, but is further suppressed this year because so many people are either fearing loss of their jobs or have already been the victim of layoffs. These individuals are not going to spend money to travel when they know their future is uncertain. Until individual consumers have money in their pockets to spend on the products and services that businesses sell, those businesses will not be putting people back in the air. Travel is a convenient, but not essential, means of meeting with customers, vendors, and co-workers in our global economy. Teleconferencing and video conferencing options are available either on-site for large companies and through business services such as Kinkos....and is a much less expensive way to have meetings. I understand the need to help out the airlines with the losses they sustained during the 4 days of no flying, but the hotels, restaurants, entertainment, and travel related services are feeling the same pinch....the trickle down effect has not yet been totally quantified. The real solution is getting people the help they need to weather the layoffs and find employment. Only then will the economic situation for all types of businesses improve.

PREPARED STATEMENT OF HYDRA JUHOR

Thank you Senator Wellstone for inviting me to speak to you and the whole Minnesota Congressional delegation. I feel privileged, to be able to speak on behalf of the tens of thousands of hospitality workers here in Minnesota and across the nation who have lost their jobs as a result of the devastating bombing that took place on September 11, 2001 at the World Trade Center.

My name is Hydra Juhor. I emigrated to the U.S. in June of 2000 with my husband and my children. I am a refugee from Ethiopia and am here with refugee status.

I worked at LSG SkyChefs at MPLS/St. Paul International Airport as a Food Production Worker—we supplied all of the in-flight food service for NW Airlines and KLM. After the attack on the World Trade Center the in-flight food service was drastically cut back and as a result I was laid off from my job. Many of my coworkers have also been laid off.

As a Food production worker I was receiving \$8.70 per hour plus medical and dental benefits as well as life insurance. I have lost all of my benefits that were provided to me through my union contract.

I am married and have eight children ranging from 30 years old to 8 years old, two of my children are still in Ethiopia. I do not know what to do, my industry, the hospitality industry, has been devastated, there are no jobs to go to especially jobs that provide the level of benefits that I had at LSG SkyChefs. My husband works, but in order to feed and clothe my children, pay our rent and other bills my husband and I both need to work to bring income into our home.

Back home I was an accountant, I planned to go back to school to further my education and learn about computers. I am trying to better myself and attain a better job and lifestyle. Presently my plans are on hold as I don’t know how I am going to go to school until I can get back on my feet.

The bombing on September 11, 2001 killed 6000 people and put a lot of others out of work, but I feel confident that this nation will pull itself together. One way of doing that is to make sure that people like me and my co-worker are not left forgotten. Thank you again for the opportunity and privilege to speak to you this morning.

PREPARED STATEMENT OF JAYE RYKUNYK

Mr. Chairman, Members of the Committee:

Thank you for inviting me to address you today. My name is Jaye Rykunyik. I am the principal officer of the Hotel Employees and Restaurant Employees Local Union No. 17. I am also a Vice President of my International Union based in Washington DC. My local union represents 5,000 workers here in the Metropolitan area. Internationally, my union represents 300,000 workers who are employed in hotels, casinos, restaurants, and airports and sports venues in the United States, Canada, Guam, Siapan and the Virgin Islands. We cook the food, we serve the drinks, we make the beds, we sell the beer and the peanuts at the ball games and we make 95% of the meals served on airplane flights originating in the United States and Canada.

The hospitality and food service industries are made up in large part of workers who are minorities, women and immigrants. We have served as the gateway to the American workforce and indeed to the American dream for more immigrants than any other industry in the history of our nation. Our workforce is the training ground

for more welfare to work employees than any other industry. In our union, we have accepted the challenge of uplifting the standard of our industry so we too may earn a livable wage, have medical coverage, own our own homes, send our children to college and look forward to a pension which will allow us to enjoy our retirement.

As our society has changed from a manufacturing economy to a service based economy, the hospitality and tourism business has been one of the fastest growing segments of the new economy. More jobs have been created in hospitality than in any other single industry. Large public investment has been made in building hotels and convention centers through TIF, low interest loans or direct subsidy by brown field clean up, building of infrastructure and other mechanisms. Tax on hotel rooms, food and beverage sales, sports tickets and parking surcharges have become a mainstay of the budget of the majority of all cities who seek to attract visitors. Beyond these direct taxes are the revenues collected by local and state governments for licensing, taxicab fares, etc., etc. The list is long and diverse.

When a pebble falls in the pond, the hospitality industry is always in the first ripple. The attack of September 11th was not a pebble, it was a boulder. The effect on our industry was not a ripple, it was a tidal wave.

The immediate impact here locally has involved the lay off of thousands of hospitality workers in the metropolitan area. Our union represents 1,100 workers at the MSP Airport. The majority of these workers were sent home immediately following the attack. At the SkyChef facility where the airline meals are made, the majority of the workforce is made up of immigrant workers. Most of these workers are paid below \$12.00 per hour and most of them not only support their families here but have an obligation to send money home to support their families overseas. HMS Host provides food and beverage and retail services inside the airport. Sales were down more than 50% in the first weeks, and now are slowly rebounding. We have permanently lost 130 jobs at SkyChef At HMS Host, we have lost 150 jobs.

October is the catchup month in our industry to recover from a slow summer. We generally expect to have close to full occupancy in our hotels. That occupancy has fallen to below 50% by the most current forecast. The Radisson Plaza closed its white tablecloth restaurant, as has the Minneapolis Hilton. These two restaurant closings alone will throw close to 50 workers out of jobs. Prior to September 11th, the workers in these restaurants would not give a second thought to re-employment. Now there is literally nowhere for them to go. High end dining has been adversely effected throughout the city. The prospect of securing a job that provides benefits is non-existent to workers who were at the high end of the income scale in our industry. There simply are no jobs available for workers who are the most highly skilled. A review of the want ads in the Sunday paper confirms this dire statistic. The jobs are simply gone.

By far the large majority of workers in the hospitality industry hold down two jobs to make ends meet. Even working more than 60 hours per week, they are barely able to make enough to cover the basic necessities. The main meal for most hotel and restaurant workers is the one that is provided at no charge to them by their employer as a benefit of working at the facility. In an area with one of the tightest housing markets in the country, many of our members are already making plans to move in with relatives because they know they will be unable to pay rent or make a mortgage payment. If you own a home, invite someone to share your space. If you rent, look for a room with a family member. As much as we would like not to believe these grim statistics, it is not uncommon now for many of our members to already live two or three families in two-bedroom apartment. We have a number of members who work full time who live in homeless shelters or in their cars.

The most vital pieces of information we put in our union newspaper following the attack was about programs for heat share, food share and emergency assistance. Our industry is in free fall and our members, who are among the poorest workers in Minnesota, are without a parachute. The reality of living on unemployment for our members is the reality of not enough to eat and no place to call home.

The waiting week for unemployment benefits represents two weeks without enough money to buy groceries. It represents standing in line at a food bank or going through garbage cans behind grocery stores and restaurants for what the wealthy can afford to throw away.

While there are numerous mechanisms by which workers can be helped, I cannot stress to you enough the need for continuation of medical benefits for laid off workers. Given the extremely low wages in many sectors of our industry, and the large number of workers who will be eligible for public assistance for medical benefits, the loss of health insurance will be devastating not only to those workers as individuals, but to the public health care system as well. Our public health care is simply not equipped to handle the large number of workers and their children who will

suddenly become eligible if immediate action is not taken to guarantee benefits through COBRA supplements.

I have brought a number of the laid off members of my union with me. Let me introduce you to them. These 10 workers represent the best of our industry and the best of our country. These are the workers who are willing to fill so many of the jobs, which have made our cities and our country and our economy strong. They work long hours serving the public for low wages. They cannot be overlooked in the discussion about recovery from the terrible tragedy that our country is now facing. If you do not speak up for them, who will.

PREPARED STATEMENT OF DAVID C. OLSON

My name is David Olson. I am president of the Minnesota Chamber of Commerce. The Minnesota Chamber represents more than 3,200 Minnesota companies of all types and sizes on state public policy and regulatory issues. We work closely with state legislators and state agencies. We do not focus on federal issues, and I am not here to offer specific suggestions on federal policy initiatives. However, we travel the state regularly to understand business conditions and our members' issues. I believe I am in a very good position to share with you what our members, and Minnesota businesses in general, are thinking, and quite frankly feeling, about today's economy. I appreciate your invitation to be here today and I hope my comments will help you in developing some solutions to the issues Minnesota employers and their employees are facing—solutions that focus on tax cuts and regulatory expense reductions.

When I received the invitation to participate in this hearing, we asked our members to provide input for my testimony. We sent a broadcast fax and email to our members. We received an immediate and impressive response.

While this is not a statistically valid survey, I believe it fairly represents the views of Minnesota Chamber members, and Minnesota businesses across the state.

The first question we asked our members was related to workforce. Specifically, we asked them how their workforce numbers have, or will change over the next few months based on the events of September 11.

- 11% of the respondents think their workforce will grow;
- 36% believe that their workforce will shrink; and
- 53% believe that their workforce numbers will remain the same.

In terms of workforce, perhaps this is better news than expected.

Many manufacturing firms were having a bad year before September 11 so they already had trimmed their workforce. They are now hoping to hold their own.

Other firms hope to reduce their workforce through attrition and retirements as opposed to layoffs, but some companies do not have this option.

A large Twin Cities area hotel reported that by year end, it will have a 20% reduction in management staff and several layoffs of hourly positions. A greater Minnesota travel agency with offices around the state also reported a 20% layoff.

The second question focused on their company's profitability in the year ahead.

- 19% of respondents foresee higher profits;
- 21 % are projecting about the same level; and unfortunately,
- 60% of those responding are projecting lower profits.

Sixty percent is a big number, especially when you consider that many companies, particularly manufacturing firms, already had one tough year and now are not seeing any improvement.

A metro area footwear company said that in the two weeks after September 11, business was down 35%.

One company stated that they had the worst September in 16 years and sales were double in September of this year than what they were 16 years ago.

A manufacturer reported that raw material costs are up, as well as labor and energy costs, yet customers are not willing to pay more, putting even greater pressure on already thin profit margins. Yet another manufacturing company said that they were just starting to see an uptick in August, and the events of September 11 eliminated the momentum towards an improved outlook.

Retailers are reporting slow or no sales of high ticket items, but discount retailers think they will hold their own.

A company that provides parts to the airline industry was forced to lay off 50 people since September 11. The owner commented that the business is 57 years old, and they will be lucky to survive and stay in business.

Those companies that support the housing industry, including a lumber company and a window manufacturing company, say they continue to remain strong, but expect a downturn later this year.

A florist actually reported that business is up since people are sending flowers to ease the pain.

Finally, we asked our members how they are responding to the economy and what actions they are taking to survive.

Across the board, companies are cutting expenses which include:

- Personnel—layoffs when necessary and cutting hours of remaining personnel.
- Going without raises and bonuses if necessary. One business owner reported that he is not taking a salary in order to cover his employee's salaries and other business costs.

- Delaying capital expenditures.
- Cutting overhead, including travel.
- Asking employees to consider lower cost health care options and pay more of their monthly premiums.

A number of companies expressed frustration about costs they feel they can not control including energy, transportation (particularly rail for manufacturers) and insurance costs, namely health care insurance. Just a couple of the comments on health care include:

- According to one business owner "Currently, one of our big concerns is health insurance. We had 60 employees a year ago and now we are down to 42. Our health insurance went up 40% in March of this year, and they are raising rates again in October by 15%. We are being forced to look at dropping our coverage or just go to major medical only. We would allow employees to upgrade to family coverage at their cost, but the cost is so high I am sure many can not afford it."

- "The main reason our profits are lower is due to huge increases in health insurance...every year it is up 20 to 30%," another stated.

And related to health care, several of our members took this opportunity to share their frustration with the state employee strike. While I know it is not a federal issue, it is like rubbing salt in the wound of business owners. As one business owner put it "As I fax this, a major union is out on strike due to wages and health insurance costs. Our health insurance renewal went up 29%. What is a small business to do?"

While the overall outlook of business people is one of uncertainty and lower profits, some companies do have a positive outlook for the year ahead. A company that sells office computers and copiers is projecting a 10 to 15% growth next year, for example.

In addition, firms are also doing whatever possible to boost their sales and marketing efforts. In typical midwestern fashion, many companies are stating they are working harder, smarter, longer and leaner...a couple even mentioned they are praying a little harder.

As I said in my opening remarks, I am not here to provide federal policy recommendations. I do hope that the comments provided by our members make it clear that Minnesota businesses do not need further burdens and costs from any source and, for your purposes, their prospects and those of their workers, would greatly improve if government would continue to do its part to reduce both tax and regulatory expenses.

PREPARED STATEMENT OF RAY WALDRON

Mr. Chairman and Members of the Committee,

Thank you for this opportunity to help with the Committee's examination of Minnesota's economy in the aftermath of September 11. I'm here today to speak on behalf of the working people in our state.

First let me say that we all recognize that the economic effects of those events cannot be compared to the unimaginable pain and suffering of the victims or the loss and sorrow of their families and friends.

But the economic consequences are real, and many working families in Minnesota and around the country are feeling them.

Airline employees and other workers in the air transportation industry have been affected most immediately.

By Oct. 1, District 143 of the Machinists Union (IAM) reports that 1,327 union members who work for Northwest Airlines in the Twin Cities, Rochester and Chislm had received layoff notices.

The Airline Pilots Association (ALPA) has informed the Minnesota AFL-CIO that 30 Northwest pilots were laid off, and 850 pilot layoffs are expected in the next eleven months.

Reports from Hotel Employees and Restaurant Employees (H.E.R.E.) Local 17, indicate that 20 percent (130) of Local 17 members who prepare airline meals at SkyChef are on layoff.

Twenty cleaners at the Twin Cities Metropolitan Airport who belong to Service Employees International Union (SEIU) Local 26 have been laid off. That represents 20 percent of the airport cleaning contractor's workforce. Union leaders report that airport officials are estimating a possible 20 percent drop in airport employment overall.

Cutbacks in air transportation are leading to layoffs in other industries also. State building and construction trades unions anticipate significant job losses due to the delay of dozens of airport-related construction projects necessitated by the sudden shortfall in Metropolitan Airport Commission revenues.

Hotel Employees and Restaurant Employees are bracing for a possible downturn in Minnesota's hospitality industry. Even workers who are not laid off could lose health insurance benefits or have to pay higher premiums or co-pays, if their hours are reduced. Health benefits are tied to the number of hours worked.

The sudden and unexpected job losses that have taken place since Sept. 11 magnify the effects of our state's economic slowdown. Minnesota workers have been hit hard by a surge of dislocations. To cite just a few examples, workers on the Iron Range are experiencing job loss at a pace not seen since the 1980's. Hundreds of workers in Albert Lea have been displaced by the terrible fire at a meat processing plant. And the technology hardware manufacturing industry is in a slump that began at least 6 months ago and could be extended by the contraction in air transportation.

These are just a few examples of the situation of workers here in Minnesota. Judging from news accounts and communications from the AFL-CIO, it is clear that working people and their families in our state and all around America are facing layoffs on a scale unprecedented in recent memory.

Our government must respond to this growing human need with the same kind of urgency, energy and resources it has already devoted to aiding airline corporations.

In September, when Congress was considering emergency funding for the airline industry, the Minnesota AFL-CIO urged our state's U.S. Senators and Representatives in Congress to include a benefits package for all affected workers. Senator Wellstone, Senator Dayton and a majority of Minnesota representatives advocated such measures and continue to do so. Minnesota's working families appreciate their support.

We urge the Senate Subcommittee on Employment Safety and Training to do all in your power to speed enactment of legislation to assist airline employees and all workers who lose their jobs, in whole or in part, due to the terror attacks and their aftermath.

This assistance should include income assistance and job re-training allowances, extended health coverage, assistance with child-care costs and hire-back provisions when employers return to a sound economic footing.

In addition, Congress must provide for diligent public oversight of how airline corporations use the \$15 billion of public assistance provided to them. Among other things, corporations that benefit from the bailout must be required to honor severance pay and other contractual obligations to laid off-workers.

As our government mobilizes in response to the immediate needs of laid-off workers and their families, it must also develop policies and enact legislation to assure the long-term economic security of all Americans.

The AFL-CIO is convening a Special Committee on Economic Security and drafting a comprehensive Economic Recovery Plan. I am sure that representatives of the national federation will be sharing that plan with the Committee in the near future. I urge the Members to give it your most serious consideration.

Our nation is in a struggle against global terrorism to protect and defend our democratic way of life. We have prevailed in previous struggles because we have been united as a people. That unity has derived, in no small measure, from every American's sense that each of us has a personal stake in the future of this great nation.

Mr. Chairman and Members of the Committee, Minnesota's working families have rolled up their sleeves and are pitching in to do our duty at this critical hour in history. We are all in this together, for as long as it takes. As we labor for liberty and justice, we count on your leadership to assure economic equity and security for all Americans.

PREPARED STATEMENT OF BRAD ANDERSON

Thank you Senator Wellstone, Sen. Dayton, Rep. Sabo, Rep. Ramstad, Rep. Oberstar and Rep. McCollum for inviting Best Buy to speak.

IMPACT OF SEPTEMBER 11 TERROIST ATTACKS

During this time of national crisis, our top priority has been the safety and well-being of all Best Buy employees and their families. For that reason, we closed 100 Best Buy stores and 700 Musicland stores September 11th. We lost a Sam Goody store in the World Trade Center, but are grateful that all company employees are accounted for nationwide.

The much more significant loss we have sustained is the missing family members and friends of many of our employees who live or work in the New York, Washington or Pittsburgh areas, or were on one of those ill-fated flights. All of our stores reopened, except for our World Trade Center location, and we are working to find jobs for those employees in our other stores in the area. Of utmost importance to me as we adjust to these events is that we continue to live our Company values, including respecting all employees and customers.

Approximately 150 of our employees have been called up for military service, and we salute their bravery and dedication.

Regarding travel, Best Buy told employees that no business travel would be required for the two weeks after the tragedy. Since that time we have resumed normal business travel. The majority of travel by Best Buy employees is related to store openings. Since we are on track to continue opening stores, this travel is expected to resume to near normal.

While it is still to be determined what the final impact will be of Sept. 11th's tragedies, in the week after the attack, our sales declined modestly, resuming to near normal levels by the end of that week.

As a public company, we only report our results quarterly, which we did on Sept. 18th. Our enthusiasm over our extraordinary 2nd quarter results was tempered by the tragic events of September 11.

While we won't comment further on sales, our outlook remains cautiously optimistic with positive comparable store sales for the third and fourth quarters.

ABOUT BEST BUY

Best Buy is the nation's number one specialty retailer of consumer electronics, personal computers, entertainment software and appliances. The Company operates retail stores and commercial Websites under the names: Best Buy, Magnolia Hi-Fi, Media Play, OnCue, Sam Goody, and Suncoast. The Company reaches consumers through more than 11,800 retail stores nationwide.

Best Buy strives to improve people's lives by making technology and entertainment products affordable and easy to use.

Best Buy achieved an overall rank of 156 on the Fortune 500 in 2001, has 75,000 employees nationwide and operates more than 450 retail stores in 41 states throughout the U.S.

Best Buy is Minnesota's 5th largest company. Today, there are approximately 7,500 employees at Best Buy corporate offices and stores in Minnesota.

MOVING FORWARD

In spite of the economy and the tragic events of September 11, we remain cautiously optimistic about the third quarter.

The principal drivers of our cautiously optimistic outlook are:

- Continued expansion of digital products, such as digital TVs, cameras and camcorders;
- New product introductions, including new game hardware and software such as Microsoft Xbox and Nintendo Gamecube, and new computer operating systems such as Microsoft XP;
- High caliber of employees;
- Experienced management team and a culture of excelling under adversity.

Some analysts predict that people will stay closer to home, and therefore, sales of televisions, DVD hardware and software may be strong. They anticipate that consumers will rely more heavily on mobile communications and portable technology to stay in touch.

Since Best Buy meets its customers at the intersection of technology and life, we are in the best position to provide the home entertainment products to make their time at home more enjoyable and more productive.

We will continue with plans to open 45 new Best Buy stores in the third quarter. We expect to hire more than 5,000 employees for those locations as well as begin our hiring for the holiday season. We estimate that we will increase our staff levels by approximately 30% with occasional seasonal employees, which equates to about 14,000 jobs.

Best Buy will continue its aggressive growth, opening more than 60 new stores per year and is on track to have more than 650 stores nationwide by 2004. We will continue the acquisition of Canada's Future Shop.

Best Buy will stick to our mission and our 75,000 employees will do it better than we've done it before. We will move forward, being prudent in managing our business given the economy and September 11th's events.

Best Buy will do its part to help the state and nation's economy by continuing to open stores, hire employees and offering products that improve consumers' lives and take advantage of the newest technologies for home and work.

Thank you. I will be happy to take any questions.

PREPARED STATEMENT OF MARILYN CARLSON NELSON

Mr. Chairman and Members of the Minnesota Delegation:

I am Marilyn Carlson Nelson, Chair and Chief Executive Officer of Carlson Companies, Inc.

I am proud to say that Carlson Companies, one of the world's largest global travel and hospitality companies, is headquartered right here in Minnetonka, Minnesota.

I am pleased to be here today to discuss with you our people, our industry and our country and what can be done to minimize the harm to all, as a result of the September 11th tragedy.

SUMMARY

Before the events of September 11, the US was already experiencing a 10 percent decline in the travel industry. By the end of September, Carlson businesses were off 35 percent. (If this were to continue and were to hold true across the nation's travel and tourism industry, it would represent a potential loss of 3.7 Million jobs nationwide.)

Under ordinary circumstances, only the efficient survive in these businesses affected by powerful market forces and fierce competition; however, these are far from ordinary circumstance—these are extraordinary times for all of us. The market simply cannot handle such a catastrophic, dislocating, externality.

We at Carlson are private and fiercely independent. We have never sought government assistance, but our employees, our franchisees and even we now have suffered or will suffer tremendous harm from this totally unforeseen calamity, without the short term, immediate assistance of the Federal Government.

Americans are not traveling. While safety was, initially, the primary reason, now it is concern about a possible recession, costs, their jobs and the perceived need to conserve.

Unchecked, this crisis has the potential to put 163,000 Minnesotans out of work in the next 60-90 days. If the tourism industry decreases by 20 percent:

- The US economy will lose 2.2 million jobs
- There will be 3.6 percent decrease in gross domestic product (GDP)

The pre-September 11 economic forecasts were predicting only a 1.6% increase in GDP. A 2% net decline would make consumers lack of confidence a self fulfilling prophesy.

We are not asking for a bail out for business. Nor are we asking for measures which would only treat the symptoms and not the cause.

We, our franchisees, our employees and Carlson desperately need 3 things, immediately:

1. A short term stimulus package that will keep people employed,
2. Help for Displaced Workers, and
3. Liquidity.

However, the most crucial is the stimulus.

We desperately need financial incentives to get Americans on planes, in hotels and dining and using our great entertainment facilities. This will keep people employed, be a benefit to consumers, reduce costs for business and enable travel agents, restaurants, hotels and resorts and entertainment providers to survive.

Without this a recession is a certainty and government cost will increase as tax revenues at the Federal, State and local levels decline by far more, long term than the near term costs of the package.

How do I know this?

CARLSON PEOPLE AND COMPANIES

We and our franchisees employ approximately 9,717 people here in Minnesota, 124,244 people throughout the United States and 192,000 people worldwide. We are a major employer in the state, supplying services that fuel hundreds of related busi-

nesses and provide many times the number of jobs we create, in our state and throughout the United States.

We recognize that we sink or swim together. Our fates and theirs are intertwined.

We operate and franchise travel agency businesses under the Carlson Wagonlit Travel, Results Travel and Cruise Holidays brands, here and throughout the United States and the World. Seventy agencies, with 90 locations, are located in Minnesota and 1,205 throughout the United States.

Our 506 owned, operated and franchised domestic Hotels include Radisson Hotels, Country Inns and Suites by Carlson, and the Regent, Park Plaza and Park Inn Hotels. Worldwide the total is 765, 50 of which are hotels located in Minnesota.

Our Carlson Marketing Group is one of the worlds largest marketing companies, providing incentive travel for over 200,000 people a year. The vast majority of our Carlson Marketing Group employees are located right here.

We own and franchise 15 restaurants here in Minnesota and a total of 749 restaurants in 47 states and 52 countries. These include 671 T.G.I. FRIDAYS, 53 PICK UP STIX, and 25 other restaurant concepts.

Our Radisson Seven Seas Cruise line, headquartered here in the U.S. is the worlds premiere cruise line operating 6, Five star cruise ships.

In short, we embrace every aspect of the travel, lodging and dining industry other than air and ground transportation services.

Notwithstanding the severity of what we have and are experiencing, I want to note with a great deal of pride that the owners and employees of our travel agencies worked night and day since the grounding of the airlines, assisting stranded travelers with lodging and rebooking travelers directly affected by this crisis. All of this was without charge to the traveler and in almost all cases, without any additional compensation, for this assistance over many weeks, while they were experiencing a 45% decline in business.

The stories of the extraordinary efforts of people at the our Regent Hotel in downtown Manhattan, our Carlson Wagonlit people, in the Pentagon, supporting our government travel, our airport Fridays people serving hungry passengers and our Hotel people in Canada and Europe, as well as here accommodating passengers, literally bring tears to my eyes.

IMPACT ON OUR PEOPLE AND CARLSON

Travel

Overall, our business travel in Minnesota and the U.S. is down an average of 35% since September 11.

Before September 11, all of our travel agency businesses were severely impacted by the airline commission cutbacks.

Most of our franchisees are small, family owned businesses, employing 3 to 4 people at each location. They rely heavily on small business travelers and leisure travelers. Due to the discretionary nature of leisure travel, that segment of the business, alone, is down more than 45%.

All of these businesses operate in tremendously competitive markets, operating on razor thin margins of 1-2%. A sustained sales decline of only a few percent over a few months doesn't just represent an operating loss, it often means closing their doors.

If nothing is done, quickly, I can predict with confidence that that many of our small Minnesota travel agent franchisees will be closing their doors, due to this unprecedented reduction in travel, stemming from this disaster.

Hotels

Our hotels which are primarily dependent on business air travel have experienced a similar 35% decline. Those which service the driving public have returned to past levels.

While the numbers of hotels are great, consider a single hotel and its value to people. Here is the break down at a typical 300 room Radisson hotel which employs on average 200 people:

- Management 15% (60% female)
- Food/Beverage 50% (50% women)
- Housekeeping 15 % (90% women)
- Front Office 10% (60% female)
- Maintenance 2% (1% female)
- Accounting/Purchasing/Store Room 7% (50% female)
- Sales (90% female)

There is a large immigrant population in housekeeping in particular, many also in food and beverage.

Most employees in those 2 groups (which represent 65% of total hotel workers) are female, at the lower end of the wage scale, some are sole wage earners, and some are single mothers. Many have had little opportunity to have prepared financially for a lay off situation.

Furthermore, our "Typical Hotel" writes 500-600 checks per month to outside suppliers monthly for various products and services. Among these are:

Transfer Suppliers (limo services/cab drivers)
 Food Suppliers
 Non and Alcoholic Beverage Suppliers
 Linen Suppliers
 Uniform Suppliers
 Laundry Suppliers
 Furniture Suppliers
 Carpets Suppliers
 Drapery Suppliers
 Fixture Suppliers (lamps/sinks/tubs/showers/toilets)
 Cable TV Supplier
 Movie Channel Supplier
 China/Glass/Silverware Suppliers
 Amenities Suppliers (soaps, lotions, shower caps, shoe shine mitts, ashtrays, matches, etc.)
 Office Supply Companies
 IT Suppliers
 Utility Companies (Electric/Gas/Water)
 Waste Removal Suppliers Chemical Suppliers
 Air Conditioning/Electrical/Plumbing Suppliers
 Pest Control Suppliers Gift Shops (and their suppliers—t-shirt vendors, candy bars, aspirin, magazines, books, souvenirs, etc.)

And the list goes on....especially when you factor in surrounding area economic damage to local restaurants, tourist attractions, gas stations, convention centers, and so on.

Restaurants and Cruise

If things do not rapidly change, our restaurants expect losses stemming directly from this crisis in excess of 10 million dollars by the end of the year and we estimate that our Cruise business will suffer in excess of 7 Million dollars in losses.

If these losses continue, the economic fall out to our employees, small business franchisees and their employees will be staggering.

Overall Impact on Minnesota

In Minnesota our travel based economy, like our agricultural economy, constitutes a life blood for our great state. The facts for Minnesota are—

- Travel Expenditures-\$7 Billion¹
- Travel & Tourism-generated Sales Tax Receipts-\$1.1 billion¹
- 170,000 jobs related to Travel & Tourism¹
- 2699 lodging properties in the state

Anecdotes

The convention bureaus for the Twin Cities Metro area estimate that, since September 11, the greater metro area has lost over 25 Million dollars in lodging and dining alone, as a direct result of this crisis. That is in excess of 1 Million dollars a day in lost lodging and dining sales, right here in the Twin Cities. (This does not include the impact on Northwest and Sun Country airlines nor the Minneapolis Saint Paul Airport, Mail of America and other retail outlets.)

Grandview Lodge on Gull Lake—Comments by General Manager Mark Ronnei

- Lodge usually employs 500 people during peak season; year-round average is 300.
- 20% of visitors are from out of state.
- Sept. decrease in revenue: 12%; October projection: 20%; November: "virtually gone".
- 35% of business usually comes from conferences—this has been "wiped out."

¹State of Minnesota figures from the Travel Industry Association of America, Tourism Industries/International Trade Administration. "Travel Expenditures" includes spending by U.S. resident and international travelers in the U.S. on travel related expenses (i.e., transportation, lodging, meals, entertainment & recreation, and incidental items), as well as international passenger fares on U.S. flag air carriers.

- Many of the conferences are held by MN-based corporations, who bring in employees from all over the country and world. They're now not coming.
- Have made seasonal adjustments only at this point in their workforce, but if there is no bounce back in November, a 15% reduction in workforce is expected.

Bloomington Convention and Visitors Bureau—Comments by Shaun Corwin

- There are 20,000 workers in the Bloomington Hospitality industry.
- There are 35 hotels in Bloomington that are reporting an estimated \$6 million lost in room revenue for September.
- She is seeing some creative ways to cut back on payroll expenses by hotels such as: part time employees giving up jobs so fulltime employees can keep their jobs; administrative staff is cutting back to 4 day work weeks; reduction in hours worked by hourly employees—the average goal is a 20% reduction in payroll.

Unchecked, this crisis has the potential to put 163,000 Minnesotans out of work in the next 60-90 days.²

Nationwide

In the United States Travel & Tourism is the number 2 industry.³

The estimated financial impact of travel (includes U.S. resident and International Travel) is:⁴

- Travel Expenditures—\$578.8 Billion
- Travel-Generated Payroll—\$171.5 Billion
- Travel-Generated Employment—7.8 Million Jobs (1 in 17)
- Travel-Generated Tax Revenue—\$99.5 Billion
- Trade Surplus with Other Countries—\$14.1 Billion

Before the events of September 11, the U.S. was already experiencing a 10 percent decline in the travel industry. In September, Carlson businesses were off 35 percent. (If this percentage were to hold true across the nation's travel and tourism industry, it would represent a loss of 3.7 Million jobs.)⁵

If the tourism industry decreases by only 20 percent:

- The US economy will lose 2.2 million jobs.
- There will be a 3.6 percent decrease in gross domestic product (GDP) will result.⁶

And I understand that It costs the government five times as much to maintain an unemployed individual than it does to support one with a job.

The Minnesota and the U.S. economy face an immediate crisis in its number two industry: Travel and Tourism. This crisis could easily:

- Put 2 million Americans out of work, many of them in the next 60-90 days. (Compared to the 100,000 airline workers who have already lost their jobs.)⁵
- Cause failure and foreclosure of many hotels, sending a shock wave through the banking sector.⁷
- Cause the loss of more than 100,000 U.S. travel agents (who write 80% of airline tickets) thus exacerbating the problem.⁸
- Compound the loss of U.S. restaurant worker jobs, already estimated to exceed 90,000 in September alone.⁹
- Cost Federal, state, and local governments more than \$20 billion in tax revenues: Minnesota could lose \$420 million in taxes alone.¹⁰
- Reduce the U.S. GDP by 3.6% (based on a 20% decline in Travel & Tourism business).⁶

²Based on a 20% decline in Minnesota jobs; using statistic that 6% of U.S. jobs are generated by T & T (Travel Industry Association of America research), the actual percentage of jobs in MN related to T & T could actually be higher.

³“Number two U. S. industry” per House Caucus on Travel and Tourism.

⁴Travel Industry Association of America, Tourism Industries/International Trade Administration. “Travel Expenditures” includes spending by U.S. resident and international travelers in the U.S. on travel related expenses (i.e., transportation, lodging, meals, entertainment & recreation, and incidental items), as well as international passenger fares on U.S. flag air carriers.

⁵Based on a 20% decline in U.S. jobs; using statistic that 6% of U.S. jobs are generated by T & T (Travel Industry Association of America research).

⁶World Travel and Tourism Council estimates.

⁷Statements by Bill Marriott, Chairman & CEO Marriott Hotels, Marilyn Carlson Nelson, Chairman & CEO, Carlson Companies, Jonathan Tisch, Chairman & CEO, Loews Hotels; Barry Stemlicht, Chairman & CEO, Starwood Lodging in Travel & Tourism CEO Summit meeting with U.S. Commerce Secretary Donald L. Evans, September 25, 2001.

⁸Estimates, American Society of Travel Agents.

⁹Estimates, National Restaurant Association.

¹⁰Based on a 20% decline of the \$100 billion in tax revenues currently generated by T & T (Travel Industry Association of America research).

WHAT ARE THE INDUSTRY AND OUR EMPLOYEES ASKING FOR?

A Stimulus package—Not a Bail out. A short term program that will keep people working and be good for all affected by this crisis. It has 3 essential components:

1. Stimulating Travel and Keeping People Employed,
2. Helping Displaced Workers, and
3. Liquidity

Stimulating Travel and Keeping People Employed

1. Provide for a \$500 tax credit (\$1000 for taxpayers filing jointly) for enumerated personal travel expenses for travel originating within North America (airplane, cruise, train and bus tickets, hotel and motel accommodations, and rental cars, but not meals) for the period 9/12/01–12/31/02.

2. Restore full deductibility for those business entertainment expenses, including meals, that are now subject to a 50% deduction for the period 9/12/01–12/31/02. (The average business meal is less than \$20 and does not include any alcoholic beverages at lunchtime.)

3. Restoration of the tax deduction for travel expenses of a spouse accompanying an employee on a business trip to 100%.

4. Provide a workforce tax credit for training, retention, and hiring of travel and tourism industry workers.

5. Provide substantial federal funding, with private-sector support and input, for advertising campaigns to encourage travel to and originating within the United States.

Helping Displaced Workers

1. Direct assistance by the Federal government to those states that may be overwhelmed with worker compensation and unemployment claims resulting from the September 11th attacks.

2. Assurance by the Federal government that health benefits will be continued for displaced workers.

Liquidity

1. Payroll tax relief for employers and employees.

2. Expand the SBA loan program to small businesses that would not otherwise qualify for the Economic Injury Disaster Loan Program, with loans to be available at the lowest possible loan rate; granting discretionary authority to the SBA Administrator to adjust size standards for eligibility to ensure that firms falling outside the SBA's definition of "small" are not inadvertently left behind.

3. Expand the allowance of carry back of net operating losses for taxpayers in the travel and tourism industry beyond the current two-year limit for losses attributable to the period 9/11/01–12/31/02.

We recognize that this will mean expenditures. However without these the economy and government revenues will suffer even more.

The most crucial is the stimulus. While significant, the remainder is a band aid for the wound.

We desperately need short term financial incentives to get Americans on planes, in hotels and dining and using our great entertainment facilities. This will keep people employed, be a benefit to consumers, reduce costs for business and enable travel agents, restaurants, hotels and resorts and entertainment providers to survive.

Without this we fear that a deep recession is a certainty and government cost will increase as tax revenues at the Federal, State and local levels decline by far more, long term than the near term costs of the package.

PREPARED STATEMENT OF THOMAS F. STINSON

Mr. Chairman and Members of the Committee:

My name is Thomas Stinson. I am an associate professor in the Department of Applied Economics at the University of Minnesota. Since 1987 I have also served as Minnesota's State Economist.

Thank you for the opportunity to discuss with you the impact of the September 11 terrorists' attacks on the outlook for Minnesota's economy.

Economists will likely debate for some time whether an economic downturn would have occurred in the absence of those attacks. There is no denying though that at best the U.S. economy was in a very precarious position in August, teetering on the edge of recession. In that month, unemployment rose by 0.4 percent, payroll employment fell by 113,000 jobs, and manufacturing output fell for the 11th consecutive month. Help was on the way from the Federal Reserve's interest rate cuts and the federal tax rebate, but there was widespread concern that consumer spending,

would turn down before that fiscal and monetary stimulus had time to take effect. Surveys of consumer confidence taken between September 1 and September 10 confirmed the legitimacy of those fears, showing an 8 point decline in consumer sentiment from August's readings.

Now, nearly three weeks after the attacks, nearly all forecasters believe that the longest economic expansion in U.S. history has come to an end. While no one really knows what will occur over the next few months, there is general agreement that the cutbacks in economic activity following September's shocking events were sufficient to cause a decline in real GDP in the third quarter of 2001. Growth during July and August had been anemic and September's disruption so substantial that even though just 20 days of third quarter economic activity were directly affected, forecasts of a decline in real GDP at an annual rate of between 0.5 percent and 1.0 percent are now common. For the current quarter, forecasters are even more pessimistic, calling for real GDP to decline at an annual rate of between 1 percent and 2.5 percent. The majority of forecasters currently believe the economy will begin to rebound after the start of 2002, although a significant minority expect the recession to continue for one or two additional quarters. Differences in estimates of how quickly the consumer sector bounces back are the key to both the depth and duration of the recovery.

While I hope that the current majority view is correct I currently assign a higher probability to a forecast in which the recession extends until at least late spring of 2002. I hasten to add, however, that because so much of the outlook for the next twelve months depends on consumer psychology, and because economists have no special expertise in anticipating a change in consumer sentiment, all forecasts—including my own—are little more than quasi-informed speculation. The econometric models we use to prepare our forecasts rely heavily on historical patterns and interactions in projecting the outlook for the U.S. economy, and the shocks to our economy which occurred on September 11 were without historical precedent.

The terrorist attacks also weakened Minnesota's near-term economic outlook. Our state's productive capacity remains intact and there was no physical damage to our office towers, plants and equipment as there was in New York. But, the national and international demand for Minnesota produced goods and services has certainly diminished, and until that demand recovers output and employment in Minnesota will shrink. Minnesota is part of the national economy, our manufacturers and service providers market their products throughout the country, and the current national economic slowdown will be felt in Minnesota. Our state's economy is well diversified. We are not overly reliant on a single industry and that diversification helps us avoid some of the booms and busts which occur in states with less diversified economies. But, in a time when demand for most goods and services is expected to slip, Minnesota's economy will not escape relatively unscathed as we did in the 1990-91 recession.

Even though Minnesota's unemployment rate was a full 1.3 percentage points below the U.S. average in August, signs of softening were already visible prior to the attacks. In recent months our state's unemployment rate has hovered around 3.5 percent, payroll employment has actually fallen by 9,000 jobs since May on a seasonally adjusted basis, and state withholding tax collections are failing below forecast. In 1998 Minnesota's unemployment rate was 2.5 percent, the lowest in the nation and in recent years we had added an average of 10,000 jobs over the May-August period. Since the start of this year manufacturing employment has fallen by 12,000 jobs, a particularly disturbing statistic, since Minnesota has until recently been notable for increasing manufacturing employment even though nationally manufacturing employment was failing. The accompanying chart showing initial unemployment claims and active unemployment claims for the past three and one-half years provides further evidence of the weakening in the Minnesota economy which had occurred during the past twelve months.

Two forecasting services have attempted to forecast state economic impacts of the terrorists' attacks in recent weeks. One expects Minnesota's economy to be among the hardest hit, placing us in the bottom quartile of states. The other, ranks us just about average in growth after the shock, although they find that Minnesota's economy would be relatively less damaged by reaction to September 11 than the U.S. average. While it truly is much too early to gauge the extent of the economic weakness brought on in Minnesota, my own preliminary analysis leads me to suspect that our state's economy will perform about as well as the national averages over the next twelve to eighteen months. Again though, let me emphasize that this recession will be more severe in Minnesota than the last recession, and it is likely to be felt by all sectors of the economy.

The problems facing certain sectors of the Minnesota economy, particularly the airline transportation and the tourism and hospitality related sectors, have received

considerable media attention during the last two weeks. There is no doubt that firms in those sectors and the employees of those firms face difficult times in the weeks ahead. But, this state's economic problems will extend well beyond those sectors, important as they are. Increasing airport security, relieving the cash flow problems of the airlines, and increasing air travel will not be enough to turn the U.S. economy or the Minnesota economy around. This economic slowdown was already being felt widely across the Minnesota economy prior to September 11. The post September 11 impacts will be even more widespread.

I believe that additional stimulus is required to ensure that the current decline in the U.S. economy does not extend beyond early 2002. Lower interest rates will help stimulate increased business investment, but at a time when capacity utilization rates are already as low as they were during the twin recessions of the early 1980s and real, inflation adjusted interest rates are near zero, monetary policy by itself will not be enough. The fiscal stimulus provided by the federal rebate certainly helped economic activity in the last quarter, but now that stimulus has been exhausted and additional stimulus timed to hit the economy in the crucial first quarter of 2002 is required.

Federal Reserve Chairman Greenspan and former Treasury Secretary Rubin have been reported to have advised Congress that a substantial and immediate stimulus package is needed. Their suggestion should be taken seriously. Immediate action by Congress is particularly important because to be effective the fiscal stimulus must be flowing to the economy by early January. A substantial cut in payroll taxes effective only during the first quarter of 2002, or a second tax rebate based on payroll taxes paid during the fourth quarter of 2001 are potential alternatives which would provide the fiscal stimulus needed on a timely basis. There are of course, a number of other potential options which also meet the immediate and substantial test.

I encourage you to draw a sharp distinction between tax cuts or spending programs which may be worthy on their own merits and those that are needed to quickly stimulate the economy. Tax cuts or spending programs which dribble out a little money each week for a year or more are unlikely to provide a sufficient boost to economic activity next January and February when the jump-start is needed. A spending program which authorizes new money which will not actually be spent until later in 2002 or even 2003, even has the possibility of being counter-productive, creating inflationary pressures by adding stimulus after the economy has already begun its recovery.

PREPARED STATEMENT OF SUNG WON SOHN

Mr. Chairman, and Members of the Committee:

I am pleased to be here today to discuss with you the important issue of the Minnesota economy in the wake of the terrorist attack of September 11th.

All indications are that the state of the U.S. economy was precarious even before the terrorist attack of September 11th. Private investment was contracting at an 11 percent annual rate in the second quarter of this year. In the outset, corporations slashed investment spending following the Y2K scare and a tighter monetary policy environment from the Fed. Since then, profit margins have been squeezed by higher energy costs and dwindling corporate demand. A lack of corporate earnings growth in the coming quarters is likely to keep investment spending below recent norms, threatening productivity and production growth.

The magnitude and duration of the economic malaise depends critically on consumer spending. Consumer spending, though moderating since last year, still remained at historically high levels in the second quarter. Leading to the widely held belief that consumption is the last pillar propping up the U.S. economy. Though a look at third quarter GDP and consumer spending will not occur until later this month, the deterioration of consumer sentiment surveys as well as lower retail sales reports, suggests significant weakening in consumption in the third quarter. This weakness in consumer spending is likely to carryover to at least the fourth quarter in our most optimistic scenario. The prospects for consumer spending clearly remain on the downside.

The impact on the U.S. labor market is beginning to take shape. The unemployment rate in the U.S. currently stands at 4.9%. A level that many economists had previously predicted as being the peak of the jobless rate during the current economic downturn. But in the wake of the terrorist attacks, these relatively mild projections have been revised. Private sector economists now expect the unemployment rate to rise as high as 5.5%, with the possibility of it going to an even higher 6.0%. Employers have reported a widespread hesitancy to make future investment and employment plans in the now uncertain economic environment,

Mass layoff announcements continue to mount from the airline, travel, hospitality, and financial services industries. The manufacturing industry, which comprises about 17% of employee compensation, remains squarely in recession for the fourteenth consecutive month according to the latest National Association of Purchasing Managers manufacturing survey. Industrial production growth has now been contracting for 14 consecutive months. Industrial machinery, auto and auto parts manufacturing, transportation equipment, electronics and electrical components, printing and publishing, and telecommunications equipment manufacturers have been hit the hardest by the slackening of corporate demand. Nationally, a net 940,000 jobs have disappeared in manufacturing in the past year.

Minnesota is not immune to the national manufacturing and economic downturn. After enjoying a decade of above average employment growth, many of Minnesota's top industries face tough times ahead. As a result, employment has not appreciably grown in Minnesota compared to a year ago. The Iron Range of Northern Minnesota is seeing a decline in demand for taconite pellets as the auto and auto parts industry sees flat or weakening demand. Intense competition from foreign steel manufacturers is also behind much of the decline. Employment in metals mining is down 24 percent or 1,300 jobs from a year ago. Manufacturers in industries such as computers and telecommunications equipment, printing and publishing, paper, lumber and wood products, rubber and plastics have all seen significant employment declines.

Many of Minnesota's largest employers have announced mass layoffs, such as Honeywell, Qwest Communications, Northwest Airlines, 3M, Allina Health Systems and American Express. Minnesota has seen a total of 23,128 mass layoffs through August 2001 versus 9,124 through the same period in 2000.

Honeywell has cut 700 jobs at its Electronics Materials Division and is expected to cut another 150 jobs this year in Minneapolis. At the same time, Honeywell employment should be supported by an expansion of the \$5 billion Home and Building Control Group into a new \$8 billion Automation and Control Group.

Qwest Communications is struggling with lack of demand and excess capacity in its fiber optics network. The Denver based company has announced it will cut 4,000 jobs nationwide or 6 percent of its total staff. It is unclear how many of those cuts will occur in Minnesota, but with 7,550 Qwest employees in the state, there are bound to be some job losses here.

The Minnesota airline industry is also being hit with a large number of layoffs. Northwest Airlines has announced 4,600 job cuts due to the diminished demand for travel. Mesaba Airlines is cutting 400 jobs, and Sun Country is eliminating 250 jobs. Also, 3M and Allina Health Systems have announced they will cut 1,000 jobs each in Minneapolis. In financial services, American Express Financial Advisors has announced it will cut 800 to 1,000 jobs in the state. In addition, the state's agricultural industry has seen limited growth due to subdued agricultural and commodity prices. Many of these industries, major exporters for the state, are engines of job growth and a driver of above-average Minnesota per capita incomes.

As a result, Minnesota's labor market is beginning to loosen. Since the first of the year, Minnesota's unemployment rate has spiked 50 basis points to 3.6%, though still well under the national average. Unemployment is expected to become an even larger problem over the next two quarters as Minnesotans continue to enter the labor force even as employment growth grinds to a halt.

It is important to realize that the challenges facing the Minnesota economy over the next year are cyclical in nature, and do not reflect any fundamental or structural defect in the state's economy. In fact in the long-run Minnesota's economy is well positioned to continue to perform on par with the nation. The state benefits from strong net in-migration from Wisconsin, California, North Dakota, Illinois, and Iowa, in a notoriously slow-growth Midwest region. This positive net immigration drives state population growth and boosts demand for consumer goods, housing, and services, while also allowing above-average employment growth.

In addition, Minnesota has a well-diversified industrial base that keeps economic and employment volatility to a minimum. During the last national recession in 1991, Minnesota's economy never really contracted, allowing economic growth to rebound much more quickly and with more vigor than other regions of the country. Minnesota did not experience the real estate boom and bust that hit the rest of the country, or experience the dislocations that the real estate bubble caused. The current downturn is likely to hit closer to home. With many of Minnesota's major industries facing deteriorating business conditions, the economic decline is likely to be more abrupt and broadly based this time around.

To date, the aggressive and rapid response of Federal policy makers provides a floor for the Minnesota economy. Congress's swift action to enact stimulatory tax cuts aimed at boosting consumer spending, as well as recent initiatives to provide

additional spending on airlines, defense, security, and disaster relief, should go a long way toward getting the national and Minnesota economies back on track.

Additional stimulus has come from the rapid loosening of monetary policy. Nine interest rate cuts so far this year by the Federal Reserve has brought the Fed funds rate down to a near zero real interest rate environment. The benefits from the cuts are only now starting to be realized, since the lag on monetary policy can take anywhere from six months to a year before any impact is felt in the overall economy. The massive amount of liquidity injected into the financial system by the Federal Reserve will keep the Minnesota economy from totally derailing.

On balance we believe that the next six months will entail modestly worsening employment conditions and continued hesitance of consumers and businesses to commit to long-term purchases and investments. However, we expect a robust economic recovery sometime in 2002, returning the State of Minnesota to its pre-slow-down expansion path.

Thank you Mr. Chairman and Members of the Committee.

STATEMENT OF MARK MCCLAIN

Mr. Chairman and Members of the Committee:

My name is Mark McClain, Chairman of the Northwest Airlines Master Executive Council at the Air Line Pilots Association (ALPA). Thank you for affording me this opportunity, speaking on behalf of all Northwest pilots, to inform you of the negative economic impact to their careers following the September 11 attacks against the United States.

As a result of these attacks, Northwest Airlines was forced to reduce its system capacity by 20 percent. This has resulted in the planned layoff of 850 pilots, approximately 15 percent of Northwest's pilot workforce. Additionally, 153 pilots who are scheduled to retire over the next six months will not be replaced, yielding another two percent in pilot workforce, for a total planned reduction of 17 percent.

The reduction in pilot jobs will be taking place over the next several months. Due to the stringent training requirements of pilots, layoffs were implemented immediately to allow employed pilots necessary training time on aircraft formerly held by the laid-off pilots. To date, 40 pilots have been laid off, 260 are scheduled to be laid off January 1, 2002, followed by 100 pilots per month until the planned total of 850 pilot layoffs is achieved.

Obviously, the loss of these jobs is devastating to the affected individuals and their families. However, this present situation is unique and unprecedented as compared to other "turbulent times" in past years within the industry in that competing carriers are experiencing similar reductions in system capacity. Therefore, Northwest pilots will be unable to gain employment at other airlines as these carriers are implementing similar pilot layoff plans.

While being highly skilled and educated, the scope of a pilot's specific training does not easily transfer to other career classifications. Many pilots who find themselves laid off will have to be retrained or will require further education in order to establish a career outside of the airline industry. In many cases, a new career will result in diminished earning potential as compared to average income capacity within the piloting profession.

In addition to pilots who have been laid off or will be in the near future due to the September 11 attacks, the remaining employed pilots at Northwest and at other carriers will also suffer economic hardship. For example, pilots select their jobs on a strict seniority system and as junior members are laid off, more senior members are forced to fill the lower-paying positions that have been vacated. Furthermore, many employed pilots will also face a reduction in flying hours. As a response to a weakened demand for air travel due to the attacks against the United States, airlines were forced to reduce the frequencies of flights. Since pilots are paid per flight hour, the pilots who survive the implementation of layoffs and remain employed, will experience further wage losses due to a reduction in flying hours available for scheduling. Because of these two factors—displacements to lower-paying positions and fewer flying hours on pilot monthly schedules—many pilots will realize a 30 percent reduction in actual W2 earnings.

Although this testimony is primarily about the negative economic impact to the pilots of Northwest Airlines, it is important to mention that pilot layoffs at Northwest and at other airlines have caused a negative impact to ALPA. The harsh economic reality faced by ALPA's members has had a ripple effect on the union both as an institution and an employer. With a reduction in membership caused by pilot layoffs and further reduced earnings of remaining members, a dramatic decrease in dues revenue has resulted.

Very similar to the airlines, ALPA is forced by necessity to take significant cost-saving measures to deal with the huge loss in revenue. ALPA has already imposed a hiring freeze and will be forced to deal with reduced budgets at the very time representational demands of its membership are at historically high levels.

In conclusion, the attacks on September 11 have had devastating effects to the pilots of Northwest Airlines, pilots at other airlines and to ALPA's membership and staff including many who reside in Minnesota.

Thank you again for allowing me to share my views.

STATEMENT OF CARLSON WAGONLIT TRAVEL

The travel and tourism industry in our country is suffering as a result of the attacks on America last month. As one of your constituents who works in travel and tourism, I'm particularly concerned about the severe ripple effect that the federal government shutdown of last month continues to have on our state. We're not asking for a handout instead we're asking you to provide your support and sponsorship to S. 1500, H.R. 3011 and H.R. 3401 to help once again stimulate demand for and confidence in travel and provide necessary loans to keep the industry moving.

Ours remains the only industry shut down by the federal government for the safety of citizens. The shutting down of airlines, and subsequent fear of travel, created a ripple effect which has resulted in an ongoing "travel drought." In addition to the devastating impact we've felt in the travel agent segment of the industry, millions of jobs are in danger of disappearing in the next few months in hotels, restaurants, car rental firms, airlines and other related businesses.

One in 17 American jobs is directly related to travel and tourism, and the industry creates \$100 billion in tax revenues. With stakes so huge, it should come as no surprise that I'm just one of thousands of your constituents who are reeling from the long-term impact of the shutdown. I ask you to help give our industry tools that can help us to get back on track.

The attack on September 11 was against our country's infrastructure AND economy. Therefore, it is right that swift action be taken at the federal level to prevent terrorists from seeing both elements of their plan come to fruition. I urge you to lend your voice to those you are trying to protect, American jobs and businesses, especially those of the significant numbers of constituents who are in danger of losing theirs. Please sign on as a cosponsor today.

Thank you for your consideration.

STATEMENT OF CARLSON LEISURE GROUP

The travel and tourism industry in our country is suffering as a result of the attacks on America last month. As one of your constituents who works in travel and tourism, I'm particularly concerned about the severe ripple effect that the Federal Government shutdown of last month continues to have on our state. We're not asking for a handout instead we're asking you to provide your support and sponsorship to S. 1500 and H.R. 3041 to help once again stimulate demand for and confidence in travel.

Ours remains the only industry shut down by the Federal Government for the safety of citizens. The shutting down of the airlines, and subsequent fear of travel, created a ripple effect which has resulted in an ongoing "travel drought." In addition to the devastating impact we've felt in the travel agent segment of the industry, millions of jobs are in danger of disappearing in the next few months in hotels, restaurants, car rental firms, airlines and other related businesses.

One in 17 American jobs is directly related to travel and tourism, and the industry creates \$100 billion in tax revenues. With stakes so huge, it should come as no surprise that I'm just one of thousands of your constituents who are reeling from the long-term impact of the shutdown. I ask you to help give our industry tools that can help us to get us back on track.

The "Travel America Now" legislation introduced in the Senate by Senators Jon Kyl (R-AZ) and Zell Miller (D-GA) and in the House by Representatives John Shadegg (R-AZ) and Neil Abercrombie (D-HI) will go a long way toward doing just that. These bills offer a strong alternative to a bailout. Instead, they provide Americans with a tax credit that will encourage them to travel now, and in turn, immediately stimulate the economy.

The attack on September 11 was against our country's infrastructure AND economy. Therefore, it is right that swift action be taken at the Federal level to prevent the terrorists from seeing both elements of their plan come to fruition. I urge you to lend your voice to those who are trying to protect American jobs and businesses, especially those of the significant numbers of constituents who are in danger of losing theirs. Please sign on as a cosponsor today.

My wife and I are both in the Travel business and she has been laid off and my job is in jeopardy. We have two kids in college and this is a scary time for our whole family. We aren't going to get anything from the airline bailout. (They actually needed help before the disaster.) We don't want or need that kind of help. We just want Americans to get back on airplanes. You (the government) have done a great job of insuring the public's safety. People just need an offer they can't refuse to get them back in the air so they can see for themselves that things are safe. I have been on five flights since the disaster and see people a little, worried each time. This bill would be just the method to say the government will back up the safety issue with a tax break. Please help our industry and the traveling public.

Thank you for your help and consideration.

STATEMENT OF JIM CALLAGHAN

The travel and tourism industry in our country is suffering, and because of that, our economy is too. Ours is the only industry shutdown by the Federal Government as result of the September 11 disasters and therefore, it is fair to ask for your help. Our industry creates \$100 billion in tax revenues. One in 17 American jobs (20 million!) is directly related to travel and tourism. Industry experts predict that, overall, hotels could lose \$2 billion in room revenue and other associated income. Moreover, a projection by PricewaterhouseCoopers shows revenue per available room declining between 3.5 percent and 5 percent this year—the largest decrease in room revenue in 33 years.

Because I am involved in the lodging industry, it should come as no surprise that I'm just one of thousands of your constituents who is reeling from the long-term impact of September 11, 2001.

Millions of jobs are in danger of disappearing in the next few months in hotels, restaurants, travel agencies, car-rental firms, airlines and other related businesses. I ask for your help to keep this from happening.

Our industry isn't asking for a bailout, we're asking for a temporary Federal stimulus package to help the travel and tourism industry. We're asking you to provide your support and sponsorship of the "Travel America Now" act embodied in Senate file 1500 and House file 3041.

A key element of this legislation is the personal tax credit for travel by Americans. Without this element, the stimulating effect of the legislation will be slowed—perhaps to the point that it is too late.

The attack on September 11 was against our country's infrastructure, economy and way of life. Therefore, it is right that swift action be taken at the Federal level to prevent the terrorists from seeing their plan come to fruition. I urge you to lend your voice to those who are trying to protect the jobs and businesses of America. In doing so, you'll be protecting the jobs and businesses of your own constituents, like me.

Please support the "Travel America Now" act with the personal tax credit included.

Thank you for your consideration.

STATEMENT OF GORDON AANERUD

RESPONSE OF THE WORKFORCE DEVELOPMENT SYSTEM

The long standing commitment of Congress in supporting employment and training has allowed state and local officials the ability to maintain a system that can step up and effectively respond during this time of turmoil. The mechanisms currently in place under Workforce Investment Act (WIA) provides a nationwide structure that can be utilized to respond quickly as layoffs occur.

Congress can help by increasing the funding available through the Workforce Investment Act programs (specifically, WIA Title I adult and dislocated worker).

In Minnesota, the One Stop WorkForce Center System is well positioned to respond to the layoffs resulting from the crisis in the airline and related industries as well as the overall economic slowdown. Under the Workforce Investment Act (WIA) Minnesota has established a network of 53 one stop WorkForce Centers that are strategically positioned across the state to deliver employment and training services wherever the need arises.

Currently, the State is requesting an emergency grant of \$24 million to respond to the layoffs in the airline and related industries. If appropriated these funds will be used to serve laid off workers through a coordinate response that engages the entire employment and training system. In the Twin Cities Metro area all of the Workforce Service Areas (WSAs) and other non-profit service providers are uniting to provide services to the laid off worker in the airline and related industries. Also,

beyond the Twin Cities Area other Workforce Service Areas are willing to lend staffing support to those areas experiencing a high demand for services. In addition, the response effort will be closely coordinated with efforts of the State's Higher Education Institutions (MnSCU).

Through the active involvement of business leaders on the local Workforce Investment Boards and local Elected Officials, Minnesota's One Stop WorkForce Centers are able to effectively coordinate resources and services to meet the needs of both individual job seekers and employers. The Workforce Development System is actively responding to the sudden and dramatic change in the economic situation. Now is the time to invest in Minnesota Workers!

During these extraordinary times, it seems that everybody has a job to do to react to the employment crisis. Congress must provide resources, states must administer programs and local partners must deliver services to meet the needs of unemployed workers.

Representing the local partners, we are willing do our part.

Thank you for your time and attention to these important matters.

STATEMENT OF THOMAS E. PARROW JR.

Mr. Chairman, and Members of the Committee:

I am pleased to share with you my views about the number of laid off employees at Northwest Airlines. I, a 25 year veteran of the airline industry, have for quite some time been concerned about the practice of farming out aircraft maintenance to foreign soils. First, it obviously takes good paying jobs from our shores. Second, it also provides a perfect opportunity for terrorist groups to do whatever mischief they please to American aircraft while in foreign maintenance facilities. FAR. 145, the governing structure that allows these practices.

Maybe it is time to resend or greatly scrutinize these practices. The Airlines will of course howl about cost savings, but in reality if they would learn that we, their workforce are not an adversary but a highly skilled and if treated with respect, motivated entity would jump at the opportunity to come to their aid.

I understand that in this situation layoffs have to occur, this is and always will be a reality of this business, but the methods and the personnel that Northwest has laid off are disturbing to me. I hope that the upper management of NWA would never stoop to the depths of taking advantage of a horrific national tragedy to circumvent contractual commitments and use it as an excuse to put more United States citizens, Minnesota working families out of work. I realize this may seem a rash statement but remember I am the 25 year veteran whom has worked for four different carriers. I have seen how these management structures will expend vast resources to accomplish ridiculous goals, when all they had to do was just be up front and honest with their workforce.

Thank you for your time.

STATEMENT OF BARBARA J. MUESING

Mr. Chairman, and Members of the Committee:

I am pleased to share with you my views about strategies for workforce and business recovery after the horrific events of September 11. This I do as an advocate for training and development as an effective tool to complement other recovery initiatives.

Certainly, there is urgent need to help people with urgent problems. Layoffs and the recession economy demand a swift response. But, there also is urgent need for resources to support workforce education, career and lifework planning, and employee retraining programs during this unusually challenging time in our nation's history.

Minnesota's higher education community is well positioned as a potential partner with business and industry to design and deliver quality educational products to meet this need. At the University of Minnesota, the College of Continuing Education, just this month, has launched a new Career and LifeWork Center to help individuals in transition.

Here's the point. Whether the laid-off individual is a professional in a high-tech company or a food service worker at the airport, the need is greater than "finding a job." It's counseling and advising to connect the employee to better employment opportunity. At the October 8 hearing, when Hydra Juhor was asked what she needed, she didn't respond, because she didn't know about the range of services and support that would easily move her along to a better paying job and a better life for her and her family. It's those connections that can help all the Hydras find and realize new aspirations during this time of trouble.

Legislation to support LifeWork counseling, career advising, training and education, are all important to this agenda. Plus, it gives the term “relief” a more forward direction of hope.

Thank you.

STATEMENT OF LARA PRIEVE

At the end of January 19, 2001 I was told by NWA (Information Systems Consulting Project Manager) that my services were no longer needed because the major project I was working on lost its funding. I went on unemployment until my consulting firm, Alternative Resources Corporation (ARC) found me project work at the end of April. I worked intermittently until the September 11, 2001. My wages were augmented with unemployment money. I was continuing to pursue full-time employment elsewhere.

Before the attack my firm was negotiating with a company in Des Moines for additional work. After the attack all negotiations are on pause. The client is not returning our calls. My manager has told me that he will call me with any work, although he's encouraged me to look elsewhere because after the attack all projects in the pipeline are stalled.

As of this date (October 12, 2001) I have \$876.00 left in my unemployment account. I am interviewing for full-time work, but the least I need is an immediate extension of unemployment benefits along with extension of COBRA. Currently, my employer is paying my benefits.

Also, a disciplined stimulus package from the Federal government is urgently needed. This should include, but not be limited to:

- Tax incentives for corporate spending
- Lowered rates for corporate income tax
- Lowered rates for personal income tax
- Lowering of capital gains tax

I thank you in advance for your prompt attention to this matter.

STATEMENT OF JOSEPH WELLCOME

Mr. Chairman, and Members of the Committee:

I am honored to share with you a brief timeline of events that lead up to my current economic situation. I have been employed—with a 2 year degree in moldmaking—in the machine trades for over two decades. The first fifteen years I have been able to live the American dream. However, the last five years has been a struggle that is unimaginable, not only for myself but for most of the machine trades, with many machine shops going out of business.

As the American economic system shifts from a manufacturing based economy to a more service oriented one—which I believe in part was due to the NAFTA agreement—I saw the need to return to school. I am a firm believer of the achievement ideology, therefore I have been returning to school for approximately the last four years to obtain a degree in manufacturing Management through the First College at Metropolitan State University in St. Paul Minnesota. I am optimistic that I will be able to bring to business new paradigms to level the playing field with our neighboring countries, and help bring the manufacturing sector in America back into competition in this global economy.

Due to economic forces I have been unemployed as of July 24, 2001, furthermore my spouse has been unemployed since May 9, 2001, she was a travel consultant for Carlson Companies in Minnetonka, Minnesota. We are both members of the dislocated workers program and are returning students seeking lasting employment in this new economy. Due to the tragic events of September 11th, the economy appears to have gone from bad to worse, and has fallen into a recession. My family and I have been without employment and health insurance since July 29, 2001, and our unemployment benefits will soon be exhausted and we will be forced to return to a workforce that is crumbling.

It is my understanding that the economic stimulus package that is currently proposed focuses primarily on the individuals and businesses that are immediately affected by the September 11th incident. In a crisis such as this, how can our elected officials forget anyone who builds this nation? Why do certain groups of individuals receive extended unemployment benefits under the stimulus package whereas others do not? Are we Americans not worthy of these tools to aid in our returning to the workforce? Is The President empathetic only to those that he can see grieving? Isn't this America, the united? I believe that the September 11th events exacerbated the effect on the economy as a whole, and there is a ripple effect for all businesses in this country, therefore all the unemployed should be treated as equals! Isn't that the basis of our constitution, equality?

As the ethnographic study by Jay Macleod—"Ain't no Makin' it"—clearly displays the inequalities in America today, Jay exposes the social barriers to success for two groups of individuals. I believe these barriers do not only affect people in low income projects (which his book focuses on) but are spread on a broader scale that attack all income classes below the wealthy. Furthermore, I believe the current economic stimulus package is introducing even more barriers to success by discriminating against people already in the unemployment line by not considering them as needy recipients of the extended benefits of unemployment compensation.

Mr. Chairman and members of the committee, I ask that the "Congress of the United States" include every American suffering in this lagging economy by extending a helping hand to all the unemployed across this great nation. How can we unite if policy makers are not including every American in the current economic stimulus package?

[Whereupon, at 12:40 p.m., the committee was adjourned.]

