

Restaurants in America During the COVID-19 Pandemic

Testimony Submitted by:

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"Restaurants in America During the COVID-19 Pandemic"
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Good morning Chairman Thompson, Ranking Member Smith, and members of the Committee:

My name is Melvin Rodrigue and I am President and CEO of Galatoire's Restaurant in New Orleans. I am proud to run what is a fifth-generation, James Beard Award-winning independent. I am also a longtime member of the National Restaurant Association, where I currently serve as Chair of its Board of Directors.

Thank you for the opportunity to spotlight the current state of our restaurant, our employees, the industry we support, and the community we serve.

Before the pandemic, restaurants and foodservice sites employed more than 15 million people, at one million locations—the nation's second-largest private sector employer. I am forever proud to work for an industry that represents a ladder of opportunity for employees and is a cornerstone in its community.

What we face at Galatoire's today is similar to challenges facing restaurants of every shape and size, every style and model, in every corner of the country.

You are well aware of the outsized impact that this pandemic has had on an industry as vulnerable as ours. According to a recent National Restaurant Association survey, one in six restaurants are currently closed. Forty percent of those still open say they are likely to close within six months without additional federal relief. The restaurant industry is on track to lose \$240 billion this year. Here in New Orleans, our industry here has lost more than 31,000 jobs -- half of our pre-pandemic workforce.

Equally important is the recognition that after six months of crippling disruption, virtually every kind of restaurant is suffering, from the corner diner to longtime independents like Galatoire's, and even to individual owners of full-service restaurant chains. Our industry needs a federal support plan that appreciates this, and doesn't pick winners and losers based on a business model.

The National Restaurant Association released its "Blueprint for Restaurant Revival" in July – a comprehensive plan of actions Congress can take to allow restaurants to keep their doors open, improve ways we can serve at-risk communities, and minimize disruption to the food supply chain for our country.

First and foremost is an economic support plan that reflects that the restaurant industry was the first to be shut down, and we will be the last to be reopened. The National Restaurant Association has endorsed the Senate version of the RESTAURANTS Act, which takes a balanced approach to provide support for independent and franchise restaurants – both of which are on the brink today.

The Paycheck Protection Program (PPP) was an important infusion of cash, but eight weeks of support for a pandemic that has crippled us for six months now is not going to be enough. If Congress leaves town without approving a second round of PPP, I promise you that more restaurants will close for good before you return in November.

Our Blueprint for Revival has components within the jurisdiction of this Committee. First, we appreciate this committee's support of legislation clarifying that business expenses paid with PPP can be deducted from federal taxes. Very few restaurants thought the IRS would restrict small business tax deductions while we are in the midst of a global pandemic. Regardless of size, virtually every restaurant operates on single-digit margins—fixing this looming tax liability will help all restaurants that have relied on PPP as a lifeline.

Second, restaurants have worked with state and local health officials and adapted to distancing, equipment and facility upgrades. But these upgrades have a cost, and we would ask that Congress enact a refundable tax credit to help restaurants sustain further investments in an era of dramatically decreased revenues. We appreciate the introduction of the Healthy Workplace Tax Credit and the Committee's support for this issue.

Finally, the Employee Retention Tax Credit (ERTC) has tremendous potential for our industry and we urge the Committee to take steps to enhance the amount, duration, and number of businesses that are eligible to use it.

Fifteen years ago, Hurricane Katrina struck the Gulf coast and devastated New Orleans. It took a full decade for the city to again see pre-Katrina visitor levels. One in four dollars of restaurant revenue is directly related to travel and tourism. As a lifelong resident, this is the only event to which I can compare how COVID has crippled our industry.

In March of this year, one of the longest-serving members of the Galatoire's team was diagnosed with COVID-19. Like so many people in New Orleans, he is an integral part of what makes our city and our industry so special. He has been a fixture for 50 years. After weeks in St. Bernard Hospital intensive care, he fought this awful disease and in June rejoined what he calls his "big family" of colleagues and customers at the restaurant.

Throughout the summer our employees and our restaurant foundation have supported our neighbors by raising and donating considerable funds to recover from Hurricane Laura. Mr. Chairman, we know you have led efforts to provide wildfire relief in the west, and Congressman Brady, you have guided relief after Hurricane Harvey. You know the challenges we face.

Restaurants represent more than just a meal: our industry is more diverse than any other in the economy, with more diversity in our employee ranks and more women and people of color in manager and ownership roles. The diverse faces and backgrounds of our industry are what create the special spirit of hospitality that make restaurants more than just a place—it's what make us cornerstones in every community.

As the COVID crisis continues, our industry and our employees are asking for your help. Thank you for the opportunity to testify today, and for your support.