

Statement of Colleen Reinhard  
The Rising Costs of Energy Field Hearing  
05/28/08

### Perspective from the Northern Berkshire Region

The Taylor family joined the North Adams business community sixteen years ago when we purchased a failing restaurant at the Heritage State Park in North Adams. We relocated here from Boston, and since that time, my parents and all five of my siblings have moved to this beautiful area, purchasing homes and setting down roots here in the Berkshires. We have successfully operated The Freight Yard Pub, a “Cheers-style” pub and restaurant, since 1992. We are active participants in the community and have developed a faithful clientele through the years. In 2007, we purchased a shuttered fine dining restaurant in the center of North Adams and are currently trying to push through the period of instability that accompanies any new business venture. This economic turn may prove to be our greatest challenge.

Most of the residents in the Berkshires are being hit hard by the high prices at the pump. According to [www.city-data.com](http://www.city-data.com), 79% of Berkshire County residents drive alone in a car to work. It is easy to understand the immediate impact gas prices have on the average consumer. CNN tells us constantly that higher fuel prices will trickle up from the price at the pump to nearly every facet of our lives. Consumers will have less to spend and are tightening their belts.

We also know that the high price of energy (and the subsequent issues related to food production and distribution) is causing a trickle down effect that is costing more for utilities, transportation and food. Small businesses are squeezed by both of those forces. We need to raise prices to survive, but if we do so at the rate necessary, no one will be able to afford our goods and services.

### Prices at the Pump

Northern Berkshire County struggles with the same issues found in similar small old mill towns throughout New England. Until recently, as small business owners, our number one problem has been the limited labor force. With rising gas prices, people are being forced to quit jobs that are located two towns away.

For example: Pat Smith makes \$9.00 per hour and travels in a car that gets 20 mpg to a full-time job 15 miles away from home. Pat, who is single, brings home about \$265 in net pay each week, after taxes and health insurance costs. Pat is now spending \$30 per week on gas just for transportation to and from work, leaving only \$235 per week on which to live.

We have seen skilled people from Bennington and Adams turn down jobs in Williamstown because of the fuel costs. Driving from North Adams to a job in Pittsfield is now a hardship for the average wage earner. We are already in desperate need of skilled employees. The rise in fuel costs has just slashed the size of our labor pool.

### Revenues

By January of this year, we felt the powerful effects of “recession-talk” as the clamp tightened around people’s wallets. Of the restaurateurs and retailers I polled, those who cater to the “high end” consumer are down in sales by 12 to 15% over last year. These are the well-established businesses with histories of growth each year. My new restaurant, Taylor’s Fine Dining, is in the first year of business, with a very bleak future ahead.

Locally owned stores and restaurants that appeal to a broader range of income levels have experienced a slight increase in business. We know that people are more likely to grab a bite from Freight Yard Pub, the local deli or pizza place than they are to spend money at a fine dining venue. For a while, places like FYP see a bump in sales because people can still afford to go out for a burger once a week. We can predict the next step which is a downturn in business for the rest of the moderately priced locations and an increase for places like McDonald’s and Burger King. The profits leave the local economy and the health of our community suffers.

### Cost of Goods

For restaurants and retailers, who make up 26% of the businesses in the county, the increases in energy costs are already having a dramatic impact. Restaurants are seeing an increase in general food costs of 3 to 7%. That may not sound shocking, but when most of the local businesses are lucky to see 3 to 5% profitability each year, they have just gone from making a living to having a loss. Most of the food purveyors add fuel surcharges to their invoices. Some have simply increased their prices across the board.

We have all seen the cost of flour, corn, tomatoes, potatoes and other domestically farmed products skyrocketing. In April of 2008, according to the USDA, compared to the same period last year, poultry prices were up 4.6%, fresh fruit was up 5.9%, cereals and bakery products were up 8.9% and eggs were up a staggering 30.5%. For those of us who own restaurants, delis and coffee shops, those increases are absolutely devastating. In four local restaurants, we have seen wheat flour increase 50.5% since January and 133% since last April. Chicken is up 9.2% since January and eggs are up 50% since last April. We cannot raise our prices to meet these costs.

### Loss of Profitability

In Berkshire County, many of us make our livings providing goods and services that are paid for by the average resident’s discretionary income. When the middle class is spending most of their income on basic food, shelter and clothing they are not spending it with us. They shop at Wal-Mart, Home Depot, Stop & Shop, Sam’s Club, etc... We all do because we are pinching every penny and no small business can compete in an economic downturn. This is when we see the tragedy of the big box stores that dominate our communities.

Within my peer group of restaurateurs, we employ over 250 professional waiters, cooks and chefs who live and work here in Berkshire County. Reviewing the net profitability of those restaurants, net incomes are down over last year are between 12.8% and 118.7%. These losses are in the tens of thousands of dollars for many of us.

We can easily blame some of these losses on the visible increase in utility costs. We have seen increases between 17 and 44% for gas, electric and heating oil. Regardless of the percentages,

most owners are paying thousands more to heat their businesses, leaving less money to pay vendors and other local businesses for services.

Credit card fees are another example of hidden costs that hurt small businesses in a struggling economy. When consumers feel the pinch, we see more credit card use. Most of us pay an average of 2 to 3% in fees to accept credit cards. An increase in credit card use with a decrease in sales means even less going to our bottom lines.

In my community of small business owners, we often refer to what we call “The Berkshire Business Plan:” work as hard and fast as we can from now until the end of October, at which time we hunker down for a lean, cold, expensive winter. We squirrel away as much as possible and spend it carefully, hitting bottom in April and early May. We save what we can out of our summer sales, we nurture our local relationships to bring in winter business and retain year-round employment, and we work with local banks to put in place lines of credit.

This year, in general, we are all going into the summer with far more debt than we have had in recent years. That means that we all owe each other money because we have had to pay for gas, oil and electric first. Our small communities are inter-dependent in relation to the service industries, yet the essentials we must have come from outside our local economy. We are learning that we no longer have the ability to feed, clothe and shelter ourselves in a sustainable manner. We are at the mercy of the global marketplace.

### Opportunities

What I hope to see happen, as the community works through this together, is a shift in values. We must educate people about the importance of supporting our local economy. We need to have the masses understand that buying local foods and shopping at community-based, independently-owned stores is the patriotic thing to do.

Lastly, I have some ideas about different ways to support the American small business owner while stimulating growth across the country. I would be happy to share those ideas with the group today or at another convenient time.

A solution will require ingenuity and bold actions, both of which are what we expect from this great country. It is my expectation that as Americans, we will proudly and bravely band together to face this next challenge with optimism and hope.