

LOCAL FALLOFF

Ripple Effect Could Leave Area Reeling

By Peter Behr
Washington Post Staff Writer

On a normal day, Duke Chung's Manhattan Bagel shop would serve more than 1,500 bagels to employees of the National Science Foundation and nearby contractors in Ballston. Now he feels like the hole, not the dough.

"Today, it was a little over 200," said Chung, who operates the bagel franchise on NSF's ground floor. The building, usually filled with 1,400 workers, is closed except for several dozen

supervisors, security and custodial workers, he said. "I used to have 13 employees. Now I have about three. Merry Christmas."

As the partial federal shutdown enters its third week, the economic damage has begun to spread into many corners of the Washington area, from people who run government computers to those who supply its desks and bake its morning bagels.

Hundreds of local companies whose federal contracts were frozen when the furlough began Dec. 16 have either sent employees home or may have to do so soon, officials said.

"In the local area there have to be thousands of [contractor] employees who aren't working. It's of that order," said Edward H. Bersoff, chairman of BTG Inc., a Vienna information technology company. Bersoff also chairs the

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Fairfax County Chamber of Commerce.

If it continues, the shutdown could soon threaten the entire region's economy, first through the direct impact of federal furloughs and private-sector layoffs and then through the secondary, ripple effects from loss of local wages, economists said. The shutdown may "feed on itself," said Russel C. Deemer, regional economist with Crestar Bank in Richmond.

Unlike furloughed federal workers, who expect to be reimbursed eventually for time off the job, most employees of federal contractors and vendors will not be paid retroactively.

Companies that avoided layoffs by requiring employees to use vacation and comp days over the period from Christmas to New Year's Day are running out of time, said Olga Grkavac, vice president of the International Technology Association of America in Arlington, which represents about 150 area technology

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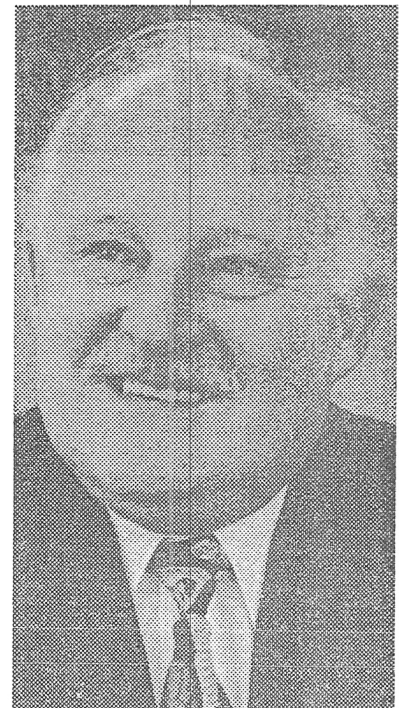


"There are second- and third-tier effects of all kinds."

—Edward H. Bersoff, left, chairman of Vienna's BTG Inc.

"It takes people to put ... out" federal contracts, which may be delayed.

—J.P. "Jack" London, right, chairman of Arlington's CACI International Inc.



companies.

"Unless something is resolved quickly, we'll see more layoffs," she said.

There are no estimates of how many contractors' employees have been sent home—federal departments and agencies whose budgets have not yet been approved provided about one-fourth of the nearly \$18 billion in contracts that went to area firms in 1994.

But "we are starting to see some pretty significant impacts," said John F. Dealy, a Washington attorney and business consultant who advises technology companies. The contractors "aren't able to continue working on projects so they have to lay people off. That's accelerating."

Bersoff said he knows of companies that are preparing to cut off or curtail medical coverage for laid-off workers. "There are second- and third-tier effects of all kinds," he said.

The blow already has fallen on hundreds of merchants and suppliers who depend on federal workers and contractors for their business.

Mark Herman, who manages the Au Bon Pain restaurant at Union Station, has seen a sharp falloff in breakfast and lunch business since the Bureau of Labor Statistics office across the street shut down two weeks ago.

Until Dec. 16, Christine Webb, a computer systems developer with a Labor Department contractor, worked at keeping the BLS computers going and bought her lunch at Herman's counter. Now she's home and preparing to file for unemployment benefits.

Soon, some of Herman's employees who have been using up vacation and sick leave will face layoffs too, he said. Moreover, he has no idea how many croissants and sandwich fillings to order for the days ahead. "It's just totally confusing. It's just nuts."

Others describe a chain reaction of disruption.

Richard A. Morsell, president of Office Furniture Concepts/Federal Supply Contracts Group Inc. in Chantilly, ships desks and chairs to federal offices around the nation. In the past week some of those shipments have gone into limbo because the federal doors are closed. "This stuff is floating all over the coun-



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Bernice Chandler, left, and other federal workers protest the shutdown outside the Social Security Administration office in Woodlawn, Md.

try," he said.

He said he is out several hundred thousand dollars in shipments on which the government has not made payment and he intends to see that the bills are paid, with interest. But who knows where the invoices are? Somewhere in the mountains of unprocessed paperwork in federal mailrooms, he said. "I'm going to have to wait a . . . long time while they work through that paperwork and get to us," he said.

Meantime, his staff has shrunk from 19 to 11 since government purchases began to slow last summer, he said. "It's utterly stupid."

The long-term consequences of the upheaval may hurt local federal contractors for months to come, according to executives such as J.P. "Jack" London, chairman of CACI International Inc., an Arlington-based information technology company.

The next batch of contracts his company would compete for may well be delayed by the shutdown. "It takes people to put those out," London said.