BIG, EASY MONEY

DISASTER PROFITEERING ON THE AMERICAN GULF COAST

A CORPWATCH REPORT

BY RITA J. KING

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A bloated body partially wrapped in a garbage bag bobs in flood waters in the Lakeview neighborhood of New Orleans. Photo by Andrew Stern.

INTRODUCTION

When bloated bodies floating down the streets of New Orleans were broadcast live on national television days after Hurricane Katrina, a frazzled federal government put the call into Kenyon International Emergency Services for help.

Kenyon is a wholly owned subsidiary of Service Corporation International (SCI), a funeral-services firm based in Texas helmed by Robert Waltrip, a close family friend of the Bush clan and a major donor to President George W. Bush's gubernatorial and presidential campaigns. SCI was at the center of "FuneralGate," one of the biggest scandals in Bush's gubernatorial career (See "Collecting Louisiana's Dead," page 12).

In the two months Kenyon worked in New Orleans, Kenyon recovered 535 bodies (about one third the total number of confirmed Katrina casualties in Louisiana) and billed the state of Louisiana well over $6 million for its services[1]; or about $12,500 per victim. In the months since, dozens of bodies that Kenyon missed continue to be found by local authorities and in some cases, family members. Meanwhile, local black morticians volunteered their services to help in recovery and processing of bodies, but were turned away by Federal Emergency Management Agency (FEMA).[2]

The no-bid, cost-plus contract awarded Kenyon is but one of dozens of examples of how the hurricane created a crisis ripe with opportunity for the well-placed corporation.

In the storm's devastating immediate aftermath, business as usual was suspended for understandable reasons. A hobbled FEMA struggled with the job of finding qualified companies to help with basic and pressing needs. There was no time to solicit and weigh bids; instead the lucrative contracts to clean up New Orleans and the Gulf Coast went to a bevy of familiar faces, some of the same corporations who have "cleaned up" — literally and figuratively — in Afghanistan and Iraq.

The lack of a competitive bidding system in the earliest days, the gutting of FEMA, and continued chaos on the Gulf Coast has also made it nearly impossible to impose any meaningful accountability on those companies staking claim to the billions in federal recovery dollars.

So far Congress has appropriated $85 billion for hurricane relief. Various foreign governments have contributed around $100 million to hurricane victims. FEMA's Disaster Relief Fund has received $36.5 billion for Katrina and $1.5 billion for Hurricanes Rita and Wilma.[3]

A chunk of that money, administered primarily by FEMA and the Army Corps of Engineers, has been divvied up into thousands of contracts large and small, to local, national, and multinational corporations.

As of March 31, 2006, FEMA had issued $7 billion in Hurricane Katrina-related funds to other federal agencies, such as the Army Corps of Engineers, the Environmental Protection Agency, the General Services Administration, and the Department of Housing and Urban Development. Congress has also assigned $28.6 billion to other federal agencies for hurricane-related recovery efforts.

A majority of the money set aside by Congress for hurricane relief has, a year later, yet to be designated for actual work, while the federal and local governments duke it out over a grand plan for rebuilding the region. The overwhelming majority of the contracted work thus far has been debris pickup, temporary housing, levee repair, stop-gap repairs such as the ubiquitous blue tarps on damaged roofs, and security for the devastated region. Structures will be torn down, rebuilt, moved and raised above 100-year-flood levels ... but many of these decisions, and the contracts to carry them out, are in limbo while bureaucrats bicker over flood maps and visions of more prosperous futures.

Meanwhile, the Gulf continues to stagger along, wounded, with mattresses still in trees, no reliable electricity, boats on the shoulders of highways, crushed houses slumped and moldering where they fell, and public school instruction still being held in portable classrooms or tents, if at all, while some hospitals remain understaffed and others are too damaged to ever reopen. The state and federal governments continue to bicker over whose responsibility the mounting bills are. But regardless of who is footing the bill, where are the millions in recovery funds going?

This report explores some of the corporate contractors to determine how, 12 months after the worst disaster on American soil, so little seems to have been accomplished despite billions having been pumped into the region. While the General Accounting Office (GAO) recently chose to focus on small-time individuals spending aid money on diamond rings and football tickets, the real drain on taxpayers seems to be the usual suspects — major corporations using political clout to win lucrative no-bid contracts, and then taking advantage of the lack of any system of accountability to profit handsomely.

A HIGH-STAKES GAME WITH ALMOST NO RULES

The Department of Homeland Security (DHS), the umbrella organization established in 2002 under which the Federal Emergency Management Agency now operates, spends federal money faster and with fewer controls than any other segment of the government, according to a report issued last month by the United States House of Representatives Committee on Government Reform. The report, prepared for Congressmen Tom Davis and Henry Waxman, found that half of all DHS contracts are awarded without full and open competition, and that the $34.3 billion DHS has spent on private contracts since its inception has been "plagued by waste, abuse or mismanagement." The committee noted that DHS does not require ethics training for its procurement officers. Between 2003 and 2005, DHS spending exploded from $3.5 billion to $10.5 billion (that's 11 times the rate of increase for the entire remainder of the government), and at the same time the agency actually slashed staff to oversee its contracts. The report concluded by saying "the cumulative costs to the taxpayer are enormous."[4]

Pam Dashiell, 58, a resident of the Ninth Ward who lost her home in Katrina, has watched the process unfold as she waits for her hometown to rise from the ashes. She says New Orleans has become a "free-for-all for corporations."

"The big money, as usual, is reserved for the big corporations," Dashiell said. "The usual suspects, including Halliburton and the Shaw Group, are getting the big contracts from FEMA and the Army Corps of Engineers."[5]

Kellogg Brown & Root has contracts from the Navy, Department of Defense, and the Army Corps of Engineers on the Gulf Coast. Photo by Jeff Moe.

IT'S WHO YOU KNOW

The revolving door between Capitol Hill and Wall Street has created a cozy club for major contractors and the politicians who love them. For example, Joseph Allbaugh was George W. Bush's presidential campaign manager, and later head of FEMA. Now a lobbyist, two of Allbaugh's clients were among the first to receive fat Katrina contracts. One, the Shaw Group, Inc. of Baton Rouge, won several no-bid contracts from FEMA, the Environmental Protection Agency, and the Army Corps of Engineers immediately following the storm, totaling $700 million (one $100 million contract has since been rescinded).[6]

Allbaugh's other client, Kellogg, Brown & Root (KBR is a subsidiary of Halliburton, where Vice President Dick Cheney was CEO), won a $30 million contract (now worth more than $60 million[7]) to work on devastated military bases in the Gulf Coast as part of a $500 million naval contract cemented pre-Katrina in July 2004.

The naval contract was issued by the Naval Facilities Engineering Command, and is the company's second; the first included money for constructing prisons in Guantanamo Bay. In addition, $126.8 million in Department of Defense contracts were awarded to KBR, along with $41 million from the Army Corps of Engineers.[8]

Allbaugh denies pulling strings to secure contracts for his clients. He told the *Washington Post*, "I tell them how to best craft their pitch, to craft their technical expertise so everybody knows exactly what they do."

Allbaugh's website also advertises that the company offers "assistance to companies engaging the U.S. Government process to develop post-war opportunities."

"This is a perfect example of someone cashing in on a cozy political relationship," said Scott Amey, general counsel at the Project on Government Oversight, a Washington watchdog group.[9]

Knowing the right people can also, apparently, make up for past indiscretions. Before the Iraq war began, Allbaugh's client KBR secured a $7 billion non-competitive contract to repair Iraq's oil fields.[10] An audit by the Department of Defense disclosed in August 2004 that KBR had not adequately accounted for $1.8 billion it was given for work in Iraq and Kuwait.[11] The Defense Department paid the bill anyway.

Some other examples of friends in high places:

ASHBRITT

Three days after Hurricane Katrina hit, AshBritt hired the former head of the Army Corps of Engineers, Mike Parker, specifically to help it maximize its contracts for Katrina clean-up. Among the company's other lobbyists were a former Louisiana legislator, and Barbour, Griffith & Rogers, a lobbying firm co-founded by former chairman of the Republican National Committee and current Mississippi governor, Haley Barbour. By mid-September, AshBritt had $500 million in debris-removal contracts, plus its guaranteed $56 million contingency fee from FEMA under a preexisting retainer for natural disaster recovery.[12]

AshBritt, a Florida-based firm, has close ties with Florida governor and presidential brother Jeb Bush, and lobbied hard for a state contract in Florida in 2004. Records show that AshBritt's CEO is a major donor to state and federal Republican candidates.[13] Local debris-removal firms in Mississippi have said AshBritt's cozy relationship with Washington essentially precluded competition for Katrina contracts.

AMERICOLD

Another former FEMA director, James Lee Witt, is also now a lobbyist. His firm, James Lee Witt Associates, is Louisiana's disaster consultant. Americold Logistics of Atlanta retained Witt's firm prior to the hurricane, for which it paid $40,000 in fees.[14]

Witt arranged a meeting between Americold executives and FEMA and, a result, Americold was on retainer with FEMA even prior to the 2005 hurricane season to provide ice and cold storage facilities in case of a major storm. Its Katrina contracts totaled over $1.7 billion. Taxpayers for Common Sense (TCS), which investigated the contract, criticized Witt for "acting like a gatekeeper." TCS's Keith Ashdown called Witt the "king of disaster lobbying."

"The message it sends," Ashdown says, "is that if you're not willing to pay his firm a retainer, you're not going to get a FEMA contract."[15]

Americold was the contractor at the center of controversy when a truck full of ice headed for the devastated region was turned away by disorganized FEMA officials and ended up traveling 1600 miles by truck before melting, unused. [16]

CARNIVAL CRUISE LINE

Florida-based Carnival won a $236 million no-bid contract to house hurricane victims, despite the fact that the nation of Greece offered the use of ships for free. Jeb Bush pushed for the

A contractor in Mississippi. Photo by cottergarage, under Creative Commons license.

contract, according to emails made public by Congressman Henry Waxman. Bush forwarded an email from the top Carnival executive directly to FEMA chief Mike Brown. Bush claimed simply to be "facilitating" communication between the parties.[17]

The cruise ships floated half-empty for six months, and the cost per person per week for those housed on the ships (many of them public employees such as police officers) worked out to more than twice the cost of a Caribbean cruise vacation for the same period. And that's minus most of the crew, entertainment, fancy banquets and the cost of actually sailing the ships.

Carnival said the cost of canceling booked cruises contributed to the price, and that food and other services were also provided.[18]

"Finding out after the fact that we're spending taxpayer money on no-bid contracts and sweetheart deals for cruise lines is no way to run a recovery effort," Senator Tom Coburn complained.[19]

Some of the contractors who have benefited from their familiarity with the powers that be say it's less about cronyism and more about expedience. Many of the contracts for cleanup and emergency services were actually negotiated long before Katrina, in anticipation of such an emergency. (Such an arrangement is known as putting a company on "active status.")

Firms like AshBritt and Americold are retained by FEMA and other federal agencies to be activated on short notice should an emergency strike (the same goes for private contractors in war zones, who often have agreements in place prior to hostilities). Negotiating when there *isn't* a crisis saves time and money when there is, they argue.

This might partially explain why the same names come up in Iraq and in New Orleans — AshBritt, Blackwater, Bechtel, Fluor, CH2M Hill and others — and why it is so difficult for small, local companies to get in on the action.

SMALL, LOCAL, AND LEFT OUT

A look at FEMA's records shows that about 60 percent of the $6 billion in contracts granted thus far has gone to "small businesses" in keeping with federal procurement law that requires at least 23 percent of such contracts benefit small business. But the number is deceiving: A large *number* of contracts went to small businesses, but their net worth was just 13 percent of the total amount granted by FEMA. The rest went to "other than small business."

Five percent of contracts are normally set aside for minority-owned business, but post-Katrina, only about 1.5 percent of the initial major federal contracts went such firms, in part because federal affirmative action regulations were suspended immediately following the storm. The Department of Labor said the relaxed rules were necessary to cut down on paperwork and get the job done quickly, usually by big firms already enjoying a familiar relationship with procurement agencies. "It was about saving lives, protecting property, and going to who you go to, to get what you need," said DHS spokesman Larry Orluskie.[20]

Local businesses fared even worse. In the initial aftermath of the storm, a surge of no-bid contracts emanated from FEMA, but only 10 percent (in dollar value) of those contracts went to businesses headquartered in the three worst-hit states. Now nearly a year later that percentage has grown to 16.6 percent, or $1.17 billion, of the total contracts awarded nationwide. Meanwhile, firms from Virginia alone have laid claim to more than 30 percent of FEMA's largesse (again, in dollar value).

The Army Corps of Engineers notoriously awarded a no-bid $39.5 million contract to Akima Site Operations, a firm based more than 3,500 miles from where Katrina made landfall, to provide 450 portable classrooms to Mississippi. Local businessman Paul Adams of Adams Home Center, said he submitted a bid at half the price but was rejected. Adams is suing the federal government and Akima.

Congressman Bernie Thompson of Mississippi demanded an investigation into the Akima deal. The Army Corps defended the contract, saying it was the fastest way to get the classrooms and restore normalcy, but the GAO released the results of its investigation in May 2006, and revealed that the Army Corps accepted Akima's proposed price "even with the information that the cost was significantly less."

"We believe that the Corps could have, but failed, to negotiate a lower price," the GAO concluded.

Thompson insists that the contract was cronyism, pure and simple.

Akima's parent company, Nana, hired lobbying firm Blank Rome, the CEO of which, David Girard-diCarlo, was former Homeland Security Secretary Tom Ridge's fundraiser when Ridge was the governor of Pennsylvania.

Blank Rome lobbyists, according to its website, also include Mark Holman, a former deputy presidential assistant at

KELLOGG, BROWN AND ROOT (KBR)/HALLIBURTON

Halliburton is primarily an oil fields services company with extensive contracts from offshore drilling and pipeline construction. In the last five years, however, the company has seen a boom in its work with the U.S. military's "global war on terrorism" — for which is has billed over $20 billion.[68] Most of which is derived from providing logistical support for the United States military in Iraq such as cooking meals and cleaning toilets. This work is conducted by its Kellogg, Brown and Root (KBR) subsidiary, whose history of work for the military dates back to the Second World War.[69] The company was part of the major consortium that built U.S. military bases in Vietnam and today is the main architect for new bases from Afghanistan to Guantanamo Bay.

Indeed Camp Delta in Guantanamo Bay was built by KBR in 2002 to host prisoners from Afghanistan, under a special open-ended contract with the U.S. Navy called Contingency Construction Capabilities (CONCAP) with low-paid imported Philippino labor.[70] When Hurricane Katrina struck, the Navy turned to KBR to help clean up its three bases in Mississippi under this very same special open-ended contract.[71] The frantic U.S. Army Corps of Engineers, which did not have a similar plan in place, used this "contract vehicle" to drain Plaquemines Parish.[72]

Yet Halliburton has the dubious distinction of being accused of using low-wage labor and presenting astronomical bills for work done for many military projects. During the Vietnam War, the GAO reported that the company lost accounting control of $120 million and that its security was so poor that millions of dollars worth of equipment had been stolen.[73]

At the time, Donald Rumsfeld — then a Republican member of the House of Representatives from Illinois — demanded to know about the "30-year association, personal and political, between Lyndon B. Johnson as congressman, senator, vice president and president" (who won on the Democratic party ticket) and the company's chairman, George R. Brown of Houston, who "had contributed $23,000 to the President's Club while the Congress was considering" whether to continue another multimillion-dollar Brown & Root project. "Why this huge contract has not been and is not now being adequately audited is beyond me. The potential for waste and profiteering under such a contract is substantial," Rumsfeld said in 1966.[74]

It is somewhat ironic, therefore, that the company now gives money to Rumsfeld's party, but perhaps understandable, because his party controls the purse-strings today. Between the years 1990-2002, KBR gave $2,379,792 in political contributions, almost exclusively to Republicans. In 2002, $120,784 was

Homeland Security, and Ashley Davis, who served as a Homeland Security assistant to Ridge.

"There are a lot of questions about waste, fraud and abuse," Thompson said. "...They're selling trailers for $88,000, but you can buy them off any lot for $42,000."

John Wood, CEO of Akima Management Services, which runs Akima Site Operations, said that Nana's lobbying and political operations played no role in the contract.

Thompson said he wasn't buying it, noting that "hundreds of companies from Mississippi" tried unsuccessfully to score contracts-or even hear back on their respective queries.[21]

Even if a contract *was* awarded to a small local business, it doesn't necessarily mean the company ever got paid.

Ron Kennedy of Coastal Environments, Inc. (CEI) told *CorpWatch* that the small Baton Rouge-based company was awarded a $3.1 million contract to begin restoring the coastline and wetlands for 16 affected parishes throughout Louisiana with an eye toward redeveloping the areas. CEI was to augment FEMA's Emergency Support Function (ESF) team.

Dr. Sherwood Gagliano, CEI's president, was the author of an ambitious 2003 plan to redivert the Mississippi river and restore coastal barrier islands and marshes along the southern Louisiana coast. Some experts contend that the plan, had it not been suddenly defunded by the federal government, might have prevented the worst of the flooding from Katrina. Post-Katrina, CEI was asked to come up with a recovery plan for the resurrection of St. Bernard Parish, where 65,000 properties had been destroyed and the community was crippled further by the loss of firefighters, hospitals and emergency care.

Almost as soon as CEI arrived, it was apparent that FEMA's team was unfocused. After only 45 days of ground work, the FEMA crew packed up, pulled out and left many wondering if contributed to various Republican causes. The same party enjoyed 96 percent of 2000's contribution of $168,277 while Democrats picked up four percent, according to figures from the Center for Responsive Politics, a non-partisan, non-profit research group based in Washington, D.C. that tracks money in politics and its effect on elections and public policy.[75]

The company also still has friends in the White House. Rumsfeld's colleague, Vice President Dick Cheney, was the CEO of Halliburton from 1995 to 2000, during which time the company, almost doubling the corporation's government contracts from $1.2 to $2.3 billion.[76] Indeed, Cheney continues to receive a large deferred salary from the company until this day, worth almost as much as his government salary. This deferred salary and the 433,333 stock options in the company that he owns was judged by the Congressional Research Service (CRS) to be a conflict of interest.[77]

Lest it be forgot, the company has also been accused of overcharging for cleaning up military bases as recently as the 1990s. In February 2002, Brown and Root paid out $2 million to settle a suit with the Justice Department that alleged the company defrauded the government during the mid-1990s closure of Fort Ord in Monterey, California.

The allegations in the case surfaced several years ago when Dammen Gant Campbell, a former contracts manager for Brown and Root turned whistle-blower, charged that between 1994 and 1998 the company fraudulently inflated project costs by misrepresenting the quantities, quality, and types of materials required for 224 projects. Campbell said the company submitted a detailed "contractors pricing proposal" from an army manual containing fixed prices for some 30,000 line items.

Once the proposal was approved, the company submitted a more general "statement of work," which did not contain a breakdown of items to be purchased. Campbell maintained the company intentionally did not deliver many items listed in the original proposal. The company defended this practice by claiming the statement of work was the legally binding document, not the original contractors pricing proposal.

"Whether you characterize it as fraud or sharp business practices, the bottom line is the same: the government was not getting what it paid for," says Michael Hirst, of the United States Attorney's Office in Sacramento, who litigated the suit on behalf of the government. "We alleged that they exploited the contracting process and increased their profits at the governments expense."[78]

Pratap Chatterjee

the protection of the wetlands-which might prevent massive damage from future storms-is a priority.

"We were paid $150,000 on a $3.1 million contract," said Kennedy, adding that the company has continued creating plans for St. Bernard Parish. "We're still working, but we're not getting paid. FEMA has offered no explanation. FEMA has hired people from all over the United States. They come to Louisiana and they don't even know where St. Bernard Parish is. We've been doing this for years. We've got historical data and information about what the situation is and how to correct it. Why not have small businesses on active status instead of big corporations?"

"FEMA says they are giving a certain amount of money to small businesses but then they pull it. How many times has this happened? What's the real number of payments made under small business and [other] set asides? I can assure you we're not the only ones." [22]

Two local (but hardly small) firms had more success — the Shaw Group of Baton Rouge (Allbaugh's client), and Boh Brothers of New Orleans. Boh Brothers received two no-bid, cost-plus contracts from the Army Corps two days after the hurricane to help repair the gash in the 17th Street levee. Their contract for the repair of the I-10 "Twin Span" bridge over Lake Pontchartrain was bid, reviewed, and signed in record time. On Sept. 9, bids were opened at 1 p.m., reviewed and approved by 3:30 p.m. and the contract was signed by 5:15 p.m.[23] Since then, the company has won $22 million in additional contracts, several competitively bid, to shore up levees and help pump water out of the city.[24]

QUESTIONABLE BILLING

Robert Boh of Boh Brothers says accounting was tricky in the early days following the storm. He says he didn't know how many people worked on those early projects or how much it

Hope springs eternal in Mississippi. Photo by Andrew Stern.

really cost, because his company's headquarters were under several feet of water. Everything was recorded on paper.

The urgency of the situation can explain away some discrepancies or vagueness in some of the bookkeeping, but not all.

In some cases the invoices just aren't adding up. On numerous FEMA spreadsheets, the description fields corresponding to many of the cost line-items are left blank. Other times, as in the case of Kenyon billing the state thousands for beef jerky, a DVD player, and model cars, it is perfectly clear *what* the tax dollars are going to, just not *why*. (Louisiana Department of Health and Hospitals spokesman Robert Johannessen says Kenyon's charges are being audited and only approved expenses will ultimately be reimbursed)[25].

In another case, FEMA awarded a 30-day contract to Emergency Disaster Services (EDS) of Lexington, Kentucky to provide three meals per day for 200 to 400 emergency personnel, at a cost of $3.6 million.[26] Dissecting the numbers reveals that, depending on how many people actually showed up to be fed, the meals cost between $100 and $279 apiece.

On Sept. 17, 2005, that contract was extended for another 30 days, although the price had dropped to $2.6 million for the same number of people and for the same timeframe. By the time the contract was extended for a third time for the same number of people, the price had dropped to $1.6 million. The FEMA spreadsheet enumerating the costs does not indicate whether lobster was replaced by meatloaf, or if the diminishing urgency forced the company to reduce its prices.

EDS also secured a $329,989 contract for renting six shower trailers for a month, and on March 15, 2006, another contract was granted for $86,536, although FEMA left the space reserved for describing the nature of the goods or services provided blank.[27]

And then there's Clearbrook, LLC, a Mobile, Alabama-based company. The firm won an $80 million contract to build seven camps for emergency personnel, and billed FEMA $5 million for food and lodging *before* the contract was even in effect. Auditors found another $3 million in "mathematically inaccurate" overcharges, and temporarily suspended payments to the company. Clearbrook has won more that $145 million in Katrina-related contracts, most of them competitively bid.[28]

A *Washington Post* analysis of existing Katrina contracts found that contractors inflated their actual costs from 40 percent to 1,700 percent when billing the government.

LAYERS AND LAYERS

Also making it difficult to follow the post-Katrina money is the labyrinthian layers of subcontractors on nearly every project. Most major contracts provide for the primary contractor to subcontract work to smaller firms. The layers can be so deep that the person on the ground actually sweeping up storm debris is making pennies on the dollar, if he or she gets paid at all. And because the Bush Administration suspended a number of federal labor and environmental laws in the immediate wake of the storm — ostensibly to speed up relief efforts — those doing the most back-breaking labor and those who live in the worst-hit areas are suffering the most, while out-of-town contractors reap the rich rewards of a profligate procurement system.

"Operation Blue Roof," is but one example. FEMA paid $6.6 million to All American Poly[29] to make the blue tarps that cover so many storm-damaged roofs in the worst-hit areas. FEMA then gave the tarps — free-of-charge — and the contracts to install them to the Shaw Group and Simon Roofing and Sheetmetal of Ohio.[30] Those companies then subcontracted much of the actual work, and those subcontractors further subcontracted. The final cost for each tarp installation averaged out to almost $2,500 per tarp — almost enough to pay for a new roof in many cases (and the tarps were only designed to last 3 months). The workers who actually tacked the tarp onto the roof (a two-hour job) were probably making closer to minimum wage.

AshBritt's $500 million contract for debris removal amounted to about $23 for every cubic yard of debris removed, according to an NBC television investigation. AshBritt in turn hired C&B Enterprises, which was paid $9 per cubic yard. That company hired Amlee Transportation, which was paid $8 per cubic yard. Amlee hired Chris Hessler Inc, for $7 per cubic yard. Hessler, in turn, hired Les Nirdlinger, a debris hauler from New Jersey, who was paid $3 per cubic yard.

"It's a pyramid," Nirdlinger told NBC. "And everybody is taking a piece of the pie as you work your way up, and we're at the bottom. We're doing the work."

Meanwhile, responsibility for ensuring adherence to labor laws and federal contracting standards is passed down the line as well, and accountability becomes next to impossible to enforce.

The lure of subcontracting was made even more tantalizing on Sept. 7, 2005, when President Bush suspended the Davis-Bacon Act in the region. The act dictates minimum wages for work on federal contracts; without it, primary contractors and

Local church volunteers install a blue tarp for free for a neighbor in Mississippi. Photo courtesy of FEMA.

their subcontractors could pay laborers lower wages and keep more of the profit.

Bush defended the action as necessary to enable the private sector to move quickly and get more done in a shorter timeframe. Unfortunately, it also meant local laborers — many of whom had lost everything and were working to rebuild their own communities — were getting their wages cut. Bush was forced to reinstate the law two months later after public outcry, but his reversal had a caveat: it wasn't retroactive. Any contracts signed during the suspension would still be exempt from the law.[31]

And the private contractors are hardly alone in their enthusiasm for having someone else do the dirty work. FEMA, short-staffed and under-funded, has actually contracted out the job of awarding contracts, both on the Gulf Coast and elsewhere. Acquisition Solutions Inc. handles the job, with dozens of former federal procurement officers on its staff to advise potential and existing contractors on technical and bureaucratic issues. It even sent employees to FEMA headquarters to fill in for federal personnel who were sent to the Gulf Coast.[32]

Government records show that FEMA paid the company $1.4 million in fiscal 2004. Records reviewed by *CorpWatch* found that the company has secured $2.4 million in post-Katrina contracts.[33]

An early Mardi Gras parade mocked FEMA. Photo by Billie A. Mizell.

FEMA ON THE DEFENSIVE

On Feb. 11, 2006, the Congressional Committee to Investigate the Preparation for and Response to Hurricane Katrina released a report entitled "A Failure of Initiative," which laid much of the blame for the poor federal response to Katrina, including the slap-dash system of awarding contracts, squarely at FEMA's doorstep.

While the report recognizes failures at "all levels of government," the culprit was attributable to "information gaps" — or at least problems with communication, and failures to act decisively.

The report also acknowledged that the Stafford Act, which requires prime contractors to give preference to local companies in subcontracting, might not have been followed.

The good news, according to the Select Committee, is that the (DHS) has "begun establishing a rigorous oversight process for each and every contract related to Katrina."

While the Gulf Coast was still soaking up Katrina and Rita's toxic aftermath, the Office of Management and Budget (OMB) and the DHS started "tracking key vulnerability areas for the federal Inspectors Generals (IG), as a means to stem hemorrhaging of funds, stop uncontrolled spending, and establish a strong anti-fraud message for companies that were awarded contracts in the first several weeks."[34]

Testifying before the Senate on April 21, 2006, the DHS's Inspector General Richard L. Skinner said the federal government is "obligated to ensure that immediate steps are taken to shelter and protect the lives of its citizens and it is obligated to take measures to mitigate further damage or harm to homes and dwellings."

A quick performance of such services can and should be provided, however, at reasonable cost, Skinner said.

"The federal government, and in particular FEMA, has received widespread criticism for a slow and ineffective response," he testified. "Unfortunately, much of the criticism is warranted."

Testifying about FEMA's failure, former agency director Michael Brown said that so much emphasis had been placed on terrorism that natural disasters just weren't a priority.

Skinner is in charge of the President's Council on Integrity and Efficiency (PCIE) Homeland Security roundtable, a body of 22 agencies responsible for reviewing the performance of FEMA. On April 30, 2006, the panel released a report on the thousands of contracts worth millions of dollars awarded thus far.

The report outlines recommended steps for FEMA to prepare for emergencies, such as establishing and publicizing communication techniques, seeking, promoting and sustaining competition during emergency operations, and identifying more prospective sources of supplies and/or services ahead of time.

"Because the above pre-disaster planning process did not take place prior to Hurricane Katrina," the report reveals, "FEMA found itself in an untenable position and hastily entered into contracts with little to no contract competition for disaster commodities."

It breaks down this way: in the aftermath of any disaster, a mad scramble to restore order might result in sole source contracts, but as soon as the dust settles, FEMA must ensure that the government gets a fair price on contracts, including the use of free and open competition. But the widespread destruction of Katrina greatly lengthened this period of pandemonium, and FEMA failed to keep tabs on the contracts it awarded early on.

In November 2005, FEMA tried to deflect some of the criticism over cronyism and profligacy by promising to re-bid four of the largest contracts awarded without competition to politically connected firms Bechtel, Fluor, Shaw, and CH2M Hill. But by March 2006, the contracts had been extended rather than re-bid, even after Congressional investigators discovered they had resulted in million of wasted taxpayer dollars.[35] By August they had ballooned to more than twice their initial worth.

The Congressional Committee on Government Reform reiterated the criticisms in a report on its investigation into Department of Homeland Security contracting. It, too, found widespread abuse and fraud, and blamed the DHS for failing to focus on efficient procurement.

"[M]uch like the Byzantine organizational structure of DHS itself, the department's diverse acquisition needs are supported by a disjointed acquisition management structure that stretches across various offices and lacks a single official responsible for managing, administering, and overseeing all DHS acquisition activities. The department also suffers from a lack of trained and skilled acquisition professionals," the report concluded.[36]

According to the Project on Government Oversight's (POGO) Communications Director, Jennifer Gore, the failure of DHS to track contractors is a "horrible loophole in an already egregious situation."

"No report paints the full picture," Gore told *CorpWatch*. She explained that sites with information about contracts are patched together piecemeal, which makes the data near-impossible to interpret meaningfully.

In Iraq, she said, layered contracts prevented auditors from protecting taxpayers from fraud.[37] Few expected the same on American soil.

"The Bush administration has learned nothing from its disastrous contract management in Iraq," said Congressman Henry Waxman following the release of the GAO report detailing waste among Katrina contractors. "The administration seems incapable of spending money in a way that actually meets the needs of Gulf Coast residents."[38]

Charlie Cray, executive director of the Center for Corporate Policy, said, "We've been hit over the head for decades with this mantra that the private sector knows best. We should have learned this lesson from Enron. Even after Katrina, they continued to press their message by manipulating reality."[39]

COLLECTING LOUISIANA'S DEAD

Immediately following Hurricane Katrina's landfall, it became morbidly clear that one of the more urgent and unpleasant jobs was collecting the 1,000-plus bodies floating in public streets and trapped in broiling attics in New Orleans. About a week after the hurricane, employees of Kenyon International Emergency Services were on the ground in the city — at the behest of the Federal Emergency Management Agency — collecting human remains and transporting them in refrigerated trucks to a temporary morgue in St. Gabriel, 70 miles west of New Orleans. Two months later, Kenyon had pulled up stakes, and billed the State of Louisiana more than $6 million for collecting 535 bodies.[79]

In its first days in New Orleans, Kenyon was recovering bodies while trying to hammer out a written contract with FEMA. For reasons that none of the parties will delve into, an agreement couldn't be met. Meanwhile, both FEMA's emergency mortuary personnel and Kenyon were bombarded with anger and criticism as television news crews seemed to find bodies more efficiently than the remains-recovery teams.

Frustrated by the slow pace of negotiations and the resulting slow recovery operation, Governor Kathleen Blanco blasted FEMA and moved to contract with Kenyon directly. "I could not bear to wait any longer," she said in a press release at the time. Louisiana Department of Health and Hospitals Robert Johannessen says the state didn't have time to shop around for a good deal. "They were here, they had experience, and they had the federal stamp of approval," he said of Kenyon. The contract was signed on Sept. 12, 2005, two weeks to the day after Katrina struck.[80]

Almost immediately, Kenyon began running up questionable bills, such as $1,400 worth of beef jerky, and hundreds of dollars for model cars and the glue to assemble them. The company also billed the state for a DVD player, a microwave oven, and table lamps.[81] Each of its "search and recovery specialists" cost the state $800 a day, according to the contract, and five senior managers each pulled down between $1,000 and $1,800 each day.[82]

And the questions lingered: why was it taking so long to recover bodies, why were they still being found weeks and months later, and why were so many going unidentified for so long? New Orleanians were pestering the DHH for answers and help, sometimes calling multiple times to tell the state that they believed there were bodies at specific addresses.[83] When Kenyon left in mid-November, follow-up on these calls fell again to the state, according to Johannessen. DHH works with the New Orleans Fire Department, and cadaver dogs brought in at great expense from around the country to search likely sites for remains. Dozens of bodies continue to be found in the attics where they have lingered for an entire year.

Cadaver dogs and their handlers still find bodies a year later. Photo by Jean Lasky.

So what did Louisiana and FEMA get for the millions they promised to Kenyon?

A SCANDALOUS PAST

Kenyon International Emergency Services is a wholly owned subsidiary of Service Corporation International (SCI), a funeral services firm based in Texas. SCI is helmed by Robert Waltrip, a close family friend of the Bush clan and a major donor to George W. Bush's gubernatorial and presidential campaigns.

SCI has been embroiled in a number of high-profile scandals in recent years, including one in which a subsidiary was discovered to be recycling crypts and dumping bodies in a wooded area behind a Jewish cemetery in Florida. The firm was also at the center of an influence peddling investigation in Texas in 1999, when the executive director of the Texas Funeral Service Commission was allegedly fired for launching an investigation into SCI's apparent practice of using unlicensed embalmers in the state. The commissioner, Eliza May, maintained that she was punished for targeting a top supporter of then-Governor Bush just before his first presidential election campaign.

Waltrip and a top attorney for SCI hand-delivered a message to Bush demanding that Bush step in to halt the investigation.[84] The attorney, Johnnie B. Rogers, told *Newsweek* magazine that he and Waltrip met with former FEMA chief and then-Bush campaign chairman Joseph Allbaugh the same day, and that Bush poked his head into the meeting to say to Waltrip, "Hey Bobby, are those people still messing with you?"[85] Bush has denied that he intervened on Waltrip's behalf. A judge spared Bush the embarrassment of testifying in May's suit, which he dismissed as "frivolous."[86] SCI ended up settling the complaint over the embalmers for $55,000 (the state of Texas settled May's whistleblower suit for $155,000).[87]

However, the *Newsweek* article prompted speculation that Bush had lied under oath in an affidavit in the May case, because he stated that he had never spoken to SCI executives with regard to the embalming investigation.

More recently, Kenyon has been the focus of fury in Australia, where a scandal has erupted over that country's first soldier to die in Iraq, and how his body was somehow misidentified and switched with a deceased Bosnian civilian contractor's. The wrong body was shipped to the soldier's family before the error was discovered. Kenyon, who has contracted with the Australian military to handle its war dead, has denied responsibility for the mix-up, and says the error was not committed by its personnel, implying it was the fault of Australian military personnel.[88]

BLACK MORTUARIES

In New Orleans as perhaps nowhere else, death is cause for celebration. Traditional jazz funerals are closely held rituals, originating among the city's African-American population. Until very recently, white-owned funeral homes refused to handle the black dead. Family-owned black funeral homes are institutions in the city, where some have buried multiple generations of local families.[89]

When Katrina struck, a number of black mortuary owners whose businesses were undamaged attempted to volunteer their services — from body recovery and identification to embalming at their establishments — to the state and to FEMA, but to no avail.[90] Federal and state authorities have told volunteers that their efforts might cause bureaucratic and liability headaches. None of the 14 black-owned funeral homes won any of the 300-odd subcontracts awarded local funeral homes to bury the bodies recovered and processed by Kenyon.[91]

But some local black morticians think they are being frozen out for another reason: SCI, which owns Kenyon, is the country's largest operator of funeral homes and cemeteries, and would like nothing more than to run the few remaining independents out of business. (SCI does not, however, own any mortuaries in the greater New Orleans region).

BODIES STILL UNIDENTIFIED

Search and rescue personnel note locations of remains in the Lower Ninth Ward. Photo by Billie Mizell.

Frank Minyard, coroner for Orleans Parish, said Kenyon failed to collect basic identifying information for the bodies it collected — addresses where the body was found, any nearby bills or other indicators of identity, or even details about the condition of the body when it was found which might help pinpoint time of death — all of which slowed the process of identifying victims. Dozens of bodies remain unidentified still.[92]

The failure of the identification system as a whole lead to more wrenching, unanswered questions. Bodies were returned to families with absurd death certificates listing incorrect addresses and causes of death such as "decomposition."[93]

Louisiana's State Medical Examiner, Louis Cataldie told *CorpWatch* that the state was happy with Kenyon's work. "I found Kenyon to be user friendly. They responded to the chain of command, always communicated promptly, addressed problems immediately and did not try to conceal any issues from me. I went into the field with them several times and was well pleased with their professionalism. ... I would strongly endorse utilizing them again should that unfortunate occasion arise."[94]

Louisiana is in ongoing negotiations with federal agencies to recoup expenses related to Katrina clean-up, and its hasty contract with Kenyon will likely be among them. It is unclear whether FEMA or the DHS will subject any costs passed on by the state to an additional audit before reimbursement.

Brooke Shelby Biggs

Downed trees are mulched by Ashbritt at a Mississippi dump site. Photo by cottergarage under Creative Commons license.

DEBRIS REMOVAL

Before reconstruction takes place in the Gulf Coast, demolition and debris removal must be completed. The bulk of the contracts granted to date have been for hauling away everything from bodies and felled trees to the remains of crumbled buildings and homes.

FEMA and the Army Corp of Engineers immediately called on the corporations they had dealt with before or who were on "active status"; local officials in some of the worst-hit parishes, on the other hand, were new to procurement, especially in the midst of a catastrophe.

St. Bernard Parish, where floodwaters raced through town at roof-level, put the call out immediately for contractors to help haul away the massive quantities of debris. The parish contracted directly with Unified Recovery Group (URG) five days after Katrina struck, without a competitive bid system. Rival firms were furious and cried foul; with FEMA, the parish then opened the contract for bids, but awarded it to URG again, for $369.7 million.[40] But was URG's the lowest bid?

Lamont "Whip" Murphy, owner of Murphy Construction, Inc., a local company that also bid on the job, filed a protest with the parish and later with the state claiming that URG's bid was over $137 million higher than Murphy's.

"It is criminal to allow FEMA and St. Bernard Parish to spend over $137 million more than is required to clean up the storm debris in St. Bernard Parish," Murphy wrote to Landrieu. "With money being so tight in Washington, these millions could be a windfall for the residents of St. Bernard."[41]

URG's work was stalled on March 11 when nearly $70 million in unpaid bills started piling up as FEMA quibbled about costs. The state of Louisiana jump-started the process by offering to pick up the tab on a portion of the work.

■

On a much larger scale, AshBritt's $500 million debris removal contract (which has since far exceeded that wishful number) has attracted attention from FEMA and Capitol Hill.

In May 2006, the House of Representatives' Committee on Government Reform took a special interest in AshBritt's contract and made it a centerpiece in its evaluation of the contracting system. AshBritt CEO Randall Perkins testified before the panel.

"They grilled AshBritt's president and he wasn't happy," said Bill Woods, a spokesman for the GAO.[42]

AshBritt has enjoyed meteoric growth since it won its first big debris removal subcontract from none other than Halliburton, to help clean up after Hurricane Andrew in 1992.[43] Its success in recent years may be, in part, thanks to having Mike Parker, former FEMA chief, as its top lobbyist.

AshBritt is an "active status," contractor, having won a competitively bid contract in 2002 through the Army Corps of Engineers to essentially remain "on call" in case of a natural disaster, terrorist attack, or other national emergency.

So far, over 20,000,000 cubic yards of debris have been removed, along with 19,000 tons of spoiled food by 1,230 subcontractors under AshBritt. But within weeks of AshBritt's arrival in Mississippi, the Corps was so disappointed in its performance it had issued a "cure notice" threatening to terminate the contract.[44] In his testimony before the House, Perkins testified that such letters are common when the magnitude of the work is so broad.

"Active status" contractors are scattered throughout the nation so that they can respond reliably to regions where local companies might be too incapacitated to get the job done. Perkins noted that the fact AshBritt won the contract was in part *because* it was a non-local company.

But it has also tried to take advantage of federal rules ("set-asides") that reserve a certain percentage of contracts for minority and women-owned businesses. As recently as October 2005, AshBritt described itself in the Small Business Association database in both categories, with Randall Perkins' wife, Cuban-American Saily Perkins, listed as the company president.[45] But on a list of campaign contributors compiled by the Federal Election Commission (FEC) for a 2004 donation, Saily Perkins' occupation is listed as "homemaker."[46] Randal Perkins has since claimed that the SBA listing was a "clerical error."[47]

DISPOSABLE COMMUNITIES

No matter who shovels the remains of lives into trucks, the saga of Katrina debris doesn't end there. It has to be hauled somewhere and dumped. This process has opened up new dramas in two New Orleans neighborhoods.

The Vietnamese neighborhood in New Orleans East once known as Versailles (for the nearby housing project) has struggled to its feet with little help from any government agencies. Of the community's 53 businesses, an estimated 45 have opened their doors. Ninety-five percent of the homes have been mucked and gutted. The remarkable transformation of the neighborhood was so astonishing that a group affected by the tsunami came from Thailand in June 2006 to find out how it was accomplished so they could put those skills to work at home.

News of a landfill placed between the industrious neighborhood and the largest urban wildlife refuge in the nation, Bayou Sauvage, was an unwelcome disruption-but not a complete shock.

"If you look around the country," said local pastor Vien thé Nguyen said, "every landfill is near minority people."

The Chef Menteur landfill was approved by New Orleans Mayor Ray Nagin who used his emergency authority to suspend zoning laws in February. Critics worry that the landfill does not meet basic safety standards for dumpsites, such as clay liners to prevent seepage of toxic chemicals into the groundwater. And the site is directly between Versailles and the levee that failed and flooded the neighborhood in the first place.

The landfill is owned and operated by Waste Management Inc. (WMI), the largest commercial and household trash service provider in the United States and the largest recycler in North America. WMI is based in Houston, Texas.

The subcontractor hauling the remains of gutted and bulldozed buildings may "tip" their debris into the landfill for $5 a cubic yard. With between 7,000 and 9,000 yards being hauled into the 87 acre facility each day, WMI is earning between $35,000 and $45,000 daily in tipping fees.

A volunteer helps clear the toxic mud from a home in Chalmette.
Courtesy of the Louisiana Bucket Brigade.

"Haulers wouldn't come here if it wasn't a good value," according to WMI spokesperson Lynn Brown.

The debris contains entire houses and their contents, meaning each cubic yard might contain asbestos, bleach, pesticides, paint or any number of other potentially dangerous substances. Regulations about what could be dumped in Chef Menteur under an emergency provision by the state were much loosened in September 2005 when the first truckloads of debris began arriving at dumps and landfills.[48]

Pastor Nguyen said the establishment of the landfill seems like a "deliberate effort" to keep people in the neighborhood from rebuilding.

"This is how a self-sufficient, self-reliant community is rewarded for their building efforts?" he said.

The Vietnamese community, Nguyen said, has fought numerous Superfund sites and two other attempts to install a dump near them. The first time was in 1990, when the plan was to actually put the landfill in the wildlife refuge, and then again in 1997 when the site was slated for the spot where it is now. The dump hasn't yet gone through a full environmental review, but Brown says it will. Pastor Nguyen fears that by the time that happens, the dump will already be full.

The New Orleans *Gambit Weekly* reported that Nagin issued a stop work order at the dump for the final week of the closely contested mayoral campaign but the dumping resumed the day after he won reelection, on May 23. A Nagin spokesman dismissed allegations about political motives associated with the landfill, which had been protested by hundreds of Vietnamese residents on the steps of City Hall preceding the election.

Brown said that the dump on Chef Menteur is one of hundreds that have sprung up across the South. WMI, she said, has "agreed to sampling beyond regulatory requirements," although Nguyen said the methods have been inconclusive and local experts have been rejected.

The Army Corps, Brown said, inspects the waste before it gets dumped, and the Louisiana Department of Environmental Quality (DEQ), along with Nagin's office, issued a statement on June 30 about environmental testing completed at the Severn Trent Laboratory in Kenner, Louisiana:

"The state, local and federal agencies involved in the clean-up of New Orleans have gone to great lengths to reassure the public that these disposal sites are safe for human health and the environment," said DEQ Assistant Secretary Chuck Brown. "The city's sampling effort and the results from an independent laboratory are further proof that these disposal facilities are not toxic. The department will continue to ensure debris removal is completed in a timely and environmentally sound manner."

There was some relief in Versailles that FEMA extended the deadline for debris removal from June 30 to December 31, 2006, and promised to continue funding clean-up until then. The deadline pressure had provided the dump's defenders with an excuse, that the debris had to be disposed of quickly, and that there was no time for research into safer alternatives.

Meanwhile, in the neighborhood known as "Old Gentilly," an old landfill was reopened to accept hurricane debris. The dump had been closed a quarter-century earlier after being identified as containing dangerous levels of hazardous waste. That it was being reopened over the objections of neighbors was also not entirely a surprise.

As in the case of the Chef Menteur landfill, federal and state regulations as to what could be dumped on the Gentilly site were suspended in the aftermath of the hurricane.

The Sierra Club of Louisiana calls Old Gentilly "a Superfund site waiting to happen."[49]

None of this is new. After Hurricane Betsy in 1965, New Orleans also opened an old landfill, resulting years later in federal fines for hazardous wastes and lawsuits from residents who lived in houses and whose children attended schools built on top of the site.[50]

UPDATE: Just as this report was going to press, Mayor Ray Nagin, with the Department of Environmental Quality, agreed to allow the emergency zoning order that permitted the Chef Menteur landfill to open in April to expire in mid-August. Local activist groups claim victory through long and persistent negotiation and political pressure. Waste Management Inc. is now suing the DEQ to prevent the site from closing.

Chalmette was inundated with toxic, oily mud from a leaking refinery operated by Murphy Oil. Photo by Jeff Moe.

TOXIC GUMBO IN CANCER ALLEY

Baton Rouge is connected to New Orleans by an industrial corridor known as "Cancer Alley," a strip along the Mississippi dotted with chemical plants notorious for their emissions and the elevated incidence of cancers in neighboring communities.

During and after Katrina and Rita, five Superfund sites in the area flooded. Elsewhere in southern Louisiana, an estimated seven million gallons of oil seeped out of gas stations, offshore rigs and coastal refineries; sewers burst and flooded, sending a stew of fossil fuels and putrid waste across the landscape.

In St. Bernard Parish, home to multiple oil refineries and power plants, an estimated million gallons of oil saturated the parish post-Katrina from 44 spills. The worst was Murphy Oil's Meraux refinery, a 100,000 barrel a day facility. Katrina lifted and dislodged a 250,000 gallon above-ground tank, sending an oily, muddy slick through the parish.

Soil samples from St. Bernard Parish taken by the Louisiana Bucket Brigade (LABB), the Natural Resources Defense Council (NRDC), several universities and other organizations indicated the presence of arsenic, heavy metals, pesticides, diesel, benzene and other toxic compounds. Wilma Subra, a technical analyst who reviewed the results for LABB, found benzene and toxic metals such as arsenic and chromium in 10 of 14 samples taken.

At FEMA's request the Federal Environmental Protection Agency (EPA) took soil samples in the area, particularly in and around at temporary housing areas. In some of the EPA samples, a melange of substances and chemicals-arsenic, benzene, the pesticide Dieldrin, diesel, organic chemicals and thallium, used in pesticides-was discovered in volumes exceeding state safety standards.

The EPA website reveals that exposure to each of the substances in such doses increases an individual's lifetime risk of getting cancer — but at rates which "the EPA has found acceptable in other contexts."

Anne Rolfes, executive director of LABB, told *CorpWatch*, "The first step in solving any problem is admitting that you have one, but the government is pretending there's no problem." The Bucket Brigade has been working since 2000 to help residents in the area collect soil and air samples to make sure local refineries and chemical plants adhere to emissions limits.

What had been an unhealthy place to live became far worse immediately after the hurricane. A Wackenhut security guard told *CorpWatch* that he lived in St. Bernard Parish for seven months post-Katrina and that he was sick for four months with flu-like symptoms, fevers, vomiting and coughing. It wasn't

TOXIC GUMBO, CONTINUED

until he left for Colorado at the end of his assignment that he began to recover. He claimed nearly all of the other 1,500 people in the contractor's temporary camp were also sickened.

"People need information to make decisions about their lives," said Rolfes. She says the EPA has failed to consolidate data in a user-friendly format, and she intends for the Bucket Brigade to step into the breach. She compared the EPA's conclusion that St. Bernard parish is *safe enough* considering the circumstances, to its post 9/11 declaration that the air quality in downtown Manhattan was safe.

Existing environmental regulations that might have prevented spills like those in St. Bernard Parish simply were not enforced, according to Hugh Kaufman, an EPA senior policy analyst.

"The mayor said New Orleans will 'breathe again.' Yeah, they'll breathe bacteria, viruses and volatizing toxic chemicals," Kaufman told *Newsweek*. "There is no environmental assessment. I mean, you can't even make a determination of the risk factor. But more important, we don't know what to tell the public in terms of what their risk is when they come back. The public thinks it's safe. It's one of the more reckless and irresponsible government decisions made in the last decade. Second only to [former EPA chief] Christie Todd Whitman after [the] World Trade towers came down [saying], 'We've tested the air and it's safe. So ya'll come back.' And now [some] of the people that came back are sick as dogs."

The failure to regulate made what would have been a bad situation anyway much worse.

St. Bernard, a low-lying, flood-prone area, is also home to some of the poorer communities in southern Louisiana. The marshy delta soil was already overburdened with development driven by its proximity to the coastal shipping lanes. That development, according to Kaufman, has stressed the soil and compromised its natural capacity to disperse chemicals.

"Folks down there were living on borrowed time and, unfortunately, time ran out with Katrina," Kaufman said.

One FEMA employee working in the area spoke with *CorpWatch* on the condition of anonymity. He said the agency has been firing workers for speaking on the record about the calamity.

"Poor people are getting screwed," he said.

It will cost Murphy $70 million to clean up the six miles of coastline sullied by the Meraux accident, according to Mindy West, Murphy Oil spokesperson. The company has already paid $80 million in settlements with homeowners not involved in the suit, averaging $30,000 per home. Critics say it is far too little for the scope of the devastation and the havoc that destroyed homes — and health.

Some 3,500 families affected by the spill who have not accepted settlements from Murphy Oil, have filed a class-action lawsuit that is expected to drag on for years and cost the company hundreds of millions. ■

A Latino day laborer at work in Mississippi. Photo by Rita J. King.

LABOR WARS

Immediately following Katrina, workers were lured to the Gulf Coast with promises of lodging, food and decent wages. Some 100,000 Latinos heeded the call. But when Bush suspended the Davis-Bacon wage act, many of the promises went up in smoke, according to Victoria Cintra, executive director of Mississippi Immigrant Rights Alliance (MIRA).

The suspension attracted immediate ire from unions, who fought for and won the protection 75 years ago. AFL-CIO President John Sweeney asked Congress to reverse the suspension: "Taking advantage of a national tragedy to get rid of a protection for workers the corporate backers of the White House have long wanted to remove is nothing less than profiteering."

In October, the Act was reinstated, but not retroactively. Contracts awarded during the suspension are still exempt.

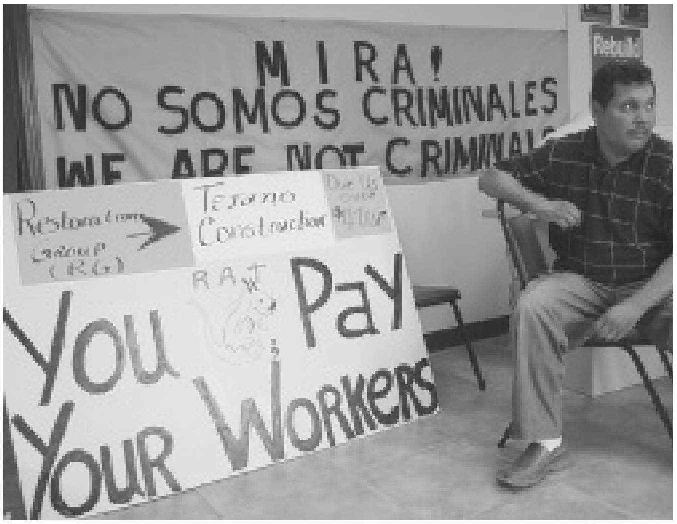
KBR was among the firms that took advantage of the exemption; it was discovered to be using undocumented immigrants to replace union electricians working on the Seabee Navy base in Louisiana.[51]

"While the practice by subcontractors of employing illegal aliens is damaging under normal circumstances, at this time it is devastating," said Louisiana Senator Mary Landrieu, noting that 478,000 Americans have lost their jobs following the devastation cause by Hurricanes Katrina and Rita, as well as the breach of the New Orleans levees.[52]

Local businesses say they are fighting for the crumbs at the bottom of the contracting ladder and that blame for the failures has to be passed up, not down.

Congresswoman Barbara Lee was equally infuriated: "The aftermath of Hurricane Katrina demonstrated the tragic consequences of having an administration where cronyism trumps competence. The fact that the President would cut wages for impacted workers, while handing out millions in no-bid contracts to well connected firms is a perfect snapshot to this administration's priorities."[53]

According to a report, "And Injustice for All," released in on July 6, 2006 by the Advancement Project, the National Immigration Law Center and the New Orleans Workers Justice Coalition, Black and Latino workers in Post-Katrina New Orleans are being exploited by a system of "structural racism," that has existed since the days when the city was a slave-trade hub. The report articulates a common fear that future reconstruction of the Gulf Coast will create a theme-park-like region with fewer opportunities for the underclass.



The offices of the Mississippi Immigrant Rights Alliance. Photo by Rita J. King.

Saket Soni of the New Orleans Worker Justice Coalition interviewed hundreds of workers while working on the report. Soni said the workers he spoke to reported having their wages stolen by employers who threatened to deport them if they complained. Others claimed to have been forced to work at gunpoint.

"What is happening in New Orleans post-Katrina has revealed a story of race and class that cannot be ignored," said Soni. "The city cannot be rebuilt off the backs of low-wage workers of color and then constructed to exclude them because they are too poor to live there."[54]

Rosana Cruz, Gulf Coast field coordinator for the National Immigration Law Center, said, "People across the rest of the country don't really know what's going on. The level of assault against workers feels like war. There's vulnerability in each successive layer of subcontracting. ... It's shocking that there aren't millions of people across the United States demanding accountability. This is a microcosm of what's happening around the world. If you're poor and you're brown, we can do whatever we want with you."[55]

■

Much has been made by right wing bloggers of immigrants coming to the Gulf to take jobs away from capable locals. But Victoria Cintra of MIRA says the anger is misdirected. "The contractors bring them here. They're looking for cheap labor."

Cintra's husband Elvis adds, "In my opinion, the rich white people should thank the Latinos because if not for them, we'd still be in the same place we were right after Katrina. It's the rich white corporations that want the Latinos here."

Tim Guidry, a house builder from Metairie, Louisiana, told *CorpWatch* that immigrant labor is "the only thing that saved our butts. Without them, we'd be dead in the water."

Cintra said that her small volunteer organization has successfully fought for over $300,000 in pay owed to workers, but the battle is ceaseless. The subcontracting layers are a major part of the problem, each can't pay the next until it gets paid, meaning the laborers on the bottom rung get paid last if at all. That was the case with a contract granted to KBR in Mississippi to rehabilitate the Seabee Naval Base.

KBR subcontracted with a company called Tipton Friendly Rollins that subbed the work to Kansas City Tree, who passed the duties on to Karen Tovar Construction. Tovar finally hired the workers, many of whom were immigrants, to do the job. She promised food and board, in rickety trailers "not fit for rats," according to Cintra. But after paying her employees for one week's work, Tovar claimed that she couldn't pay or feed the laborers until she was paid by Kansas City Tree.

In the dead of night, she allegedly entered the trailers and awakened the laborers and warned them that immigration agents were on their way. Many of the workers fled. MIRA traced the chain of contracts back to KBR and delivered its research to the U.S. Department of Labor (Mississippi does not have a state department of labor). Eventually MIRA won the $141,000 in back pay for Tovar's laborers, but many fear deportation or have no permanent addresses, and cannot be found.

Meanwhile, the Southern Poverty Law Center's (SPLC) Immigrant Justice Project filed two class actions in federal court in February charging that thousands of immigrant laborers involved in the reconstruction of New Orleans have been cheated of wages by major US companies.

"Lawsuits alone won't stop the widespread exploitation of workers that's going on in New Orleans," said J.J. Rosenbaum, an attorney with the Center's Immigrant Justice Project (IJP), which filed the lawsuits. "The people working in New Orleans to rebuild its schools, hospitals and university buildings need and deserve the protection of the federal government."

IJP attorneys reported that the overwhelming majority of workers have been cheated on hours, overtime or both.

Although a Department of Labor press release issued on Dec. 1, 2005 announced that five Spanish-speaking investigators had been dispatched to the Gulf region, none of the workers interviewed by the IJP report ever having met with or heard of the investigators in New Orleans.

The first case, *Xavier v. Belfor USA Group Inc.,* was brought on behalf of potentially thousands of workers who were employed by Belfor USA Group, Inc., a major natural disaster reconstruction firm, and its subcontractors. According to the lawsuit, workers often toiled seven days a week, 12 hours a day to remove mold, mud, and other toxic contamination from flooded buildings.

The lawsuit alleges that Belfor unlawfully used a subcontractor system to avoid paying any overtime wages to up to 1000 workers on its massive reconstruction projects. Federal law, according to IJC, says that employers like Belfor are jointly responsible for ensuring that their workers earn basic minimum wage and overtime.[56]

The second case, *Navarrete-Cruz v. LVI Environmental Services of New Orleans, Inc.*, alleges that another large contractor, LVI, may not have paid up to 700 migrant workers at all. One of the large subcontractors used by LVI, defendant D&L Environmental, Inc., allegedly failed to fully compensate many of its migrant workers.[57]

Belfor, like LVI, received no federal contracts. Belfor did win a mix of private and state contracts to clean and open 60 Wal-Marts, restore public records for Jackson County, Mississippi, rebuild a casino in Biloxi and clean up Tulane University, while LVI had a contract to clean public schools.

"When we weren't paid, we didn't even have money for food," said plaintiff Sergio de Leon, who worked during October cleaning toxic mud and mold from St. Bernard Parish schools. "These companies are robbing us of our money after we worked so hard."[58]

Belfor spokesman Robert Martin said that the suit will be settled soon, and that Belfor has "always followed the law."

"We've heard that employers are telling the workers that there is no law in New Orleans that they must follow," says Rosenbaum. "With the Center's help, workers in New Orleans are demanding that the city be built with equal justice for all who work and live there."

THE NEW GRAPES OF WRATH

It isn't just immigrants getting bilked. Squatter camps cropped up across the decimated Gulf Coast, filled not with refugees, but with people like Marty Reay, 57, and his 24 year-old-son, Chris Reay, who left their home in economically depressed Michigan hoping to find work hauling debris.

For nine years, the Reays owned an antique mall in Ionia, Michigan, but when the nearby Electrolux factory closed its doors, the local economy bottomed out and the business couldn't stay afloat.

"We weren't getting rich but we were earning a living as a lower middle class family," said the father of six and grandfather of 10. "We've had so many factories closing in Michigan. It's a real sad state of affairs, with the jobs being outsourced and CEOs and executives retiring with enormous packages while their workers don't have health insurance. This country is slowly eliminating the middle class."

Reay, who has recorded every detail of his ordeal in a series of notebooks, formed a company, Icorn Trucking, and drove with his son from Michigan through obliterated Mississippi on their way to New Orleans, where they say they hooked up with Michigan-based L&J Contracting and met a man named Joe Travis on Oct. 15, 2005.

"He told us they could definitely use us," Reay said. "Everywhere you looked, you could see that the work needed to be done."

L&J Contracting was a subcontractor to Phillips & Jordan, a corporation that received five major contracts through the Army Corps of Engineers in the immediate aftermath of Katrina including a competitive $500 million contract (with an

Marty and Chris Reay. Photo by Connie Reay.

additional $500 million option) for debris removal, disposal and demolition.[59]

Phillips and Jordan, Inc. is a Knoxville, Tennessee-based general and specialty contractor established in 1952. Its past disaster recovery contracts have included “projects ranging from coal slurry clean-up to animal carcass incineration.” Involved with recovery after Hurricanes Andrew and Fran, Phillips & Jordan also received sizable contracts after the World Trade Center attack. The firm is also on active status for Army Corps of Engineers for disasters in the North Atlantic, South Atlantic and South Pacific regions.

The terms of Phillips & Jordan’s primary contract mandated that preference be given to subcontractors who were small, locally owned, operated by women, minorities, the disabled, and veterans. But when Reay spoke to Joe Travis of L&J, he didn’t mention this. Instead, Reay said he promised $6.50 a cubic yard for all the debris Reay could pick up, haul and dump.

Vickie Cintra, director of the Mississippi Immigrant Rights Alliance. Photo by WB King.

Reay says Travis told him to return to New Orleans with equipment, including a roll-off trailer, excavators, a front end loader and other costly pieces. “We went back to Michigan and invested our life savings,” Reay said.

“We were told that we’d [have work] for at least six months, but possibly up to three years,” Reay told *CorpWatch*. After grossing between half and three quarters of a million dollars per year and paying off the equipment, Reay figured he’d clear about $200,000.

On Nov. 13, 2005, the Reay caravan left Michigan. When they arrived in New Orleans, L&J said they had no work for them, perhaps because they didn’t qualify under the conditions of the subcontract. No one said why.

Devastated and desperate, Reay and his son tried to find other opportunities and ended up in Gautier, Mississippi, where they stayed in a camper at a squatter camp for five months, jumping at the slightest hint of available work.

“We beat the bushes,” Reay said. “Some of the private buildings said we could clean up their roofs that had blown off so we could have the steel.”

He said the atmosphere reminded him of John Steinbeck’s famous book, *The Grapes of Wrath,* in which word would get out that tomatoes needed to be picked, Reay said, and “a thousand men would show up for the job, not trying to get rich, but to make a living.”

“It was a huge rumor mill all the time,” Reay said. “The campsite became a little community. People were networking. We had campfires at night. Every once in a while, there would be a violent outburst, somebody had too much to drink and it would all just be too much for him. People came and went. We would hear about work. People would disappear and you’d never see them or hear from them again.”

When the men finally did get small jobs, Reay said they were “sixth- or seventh-level subcontractors” beneath AshBritt and other major corporations.

Looking for any advantage, the Reays registered with the Small Business Association and signed up for their Central Contractor Registry. Almost instantly, they were bombarded with email from National Association of Government Contractors, a lobbying group that donates millions to Congressional leaders who control federal procurement[60], and sells its services — advice and accelerated access — to prospective contractors. The implication, said Reay’s wife

Decontaminated gloves hang to dry at Common Ground's Upper Ninth Ward headquarters. Photo by Brooke Shelby Biggs.

Connie, was that winning even a bottom-tier subcontract was a pay-to-play proposition. The confusion of the process and the sinking suspicion they may be duped, the Reays said, has prevented them from pursuing it.

Reay suffered a heart attack in January, but kept working because he couldn't afford not to. He and his son started to install FEMA trailers, another multi-level subcontracting situation that did not last long. It took them over a month to get paid, and they said they gave up on seeing the money.

In March, Reay and his son started doing debris removal for AshBritt in Hancock County, Mississippi, without a written contract. The subcontractor who hired him, Bonnie Pottala, was the third-tier contractor on the job. Pottala offered $6.30 per cubic yard, but had to pay several crew members Pottala insisted they use. In the end, Reay says, they actually grossed closer to $4 per cubic yard. It wasn't enough to live on, so Reay is looking for another job. This is the first time in his life that he hasn't been able to find one, said Connie Reay.

Lower-tier subcontractors like Reay may be suffering as the result of new, tougher auditing standards that FEMA has introduced since drawing criticism for the initial no-bid, cost-plus contracts it awarded. Now FEMA holds up payment to primary contractors on some jobs until comprehensive audits can be performed. That means the primary contractor and-if the primary cannot or will not front the money-everyone on the tiers below is working out-of-pocket until the money begins trickling down. At the bottom, that can mean the difference between eating and going hungry.

Shaw Construction, for example, took a beating on Wall Street this spring when it overestimated its second-quarter results. It had expected a $480 million payment for work it has completed, but was still waiting. In a conference call with investors, Shaw's Executive Vice President and CEO Robert Belk said, "We've basically had to pay ourselves on a timely basis, even though we weren't paid on a timely basis."

MISSISSIPPI: MADE BY CHINA?

Even with available labor waiting in squatter camps to work for next to nothing, the task of rebuilding will require more and cheaper labor, according to some contractors. Two Chinese builders have an unorthodox plan to remedy the situation: import yet more foreign labor, this time from China.

Beijing Construction Engineering Co. Ltd.-which is building the 2008 Olympic stadium in Beijing-and Beijing Urban Construction International Co.-which is building the U.S. embassy in China-have made the proposal to the city of D'Iberville, Mississippi, and the mayor is anxious to try the plan.[61]

The only roadblock may be federal labor law. In order to import the number of laborers required to rebuild the casinos, hospitals, schools, and other infrastructure in the town, the companies would have to be granted a massive number of special work visas. Only 66,000 such visas can be granted per year nationwide to immigrant laborers from any country.

Tony Heflin, owner of Gulfco Construction, has partnered with the Chinese firms to push the plan, and is defensive about accusations that importing foreign workers takes jobs from Americans.

"People are mad because it's foreign labor," Heflin, who admitted he is overwhelmed by it all, said. "Well, it's 11 months after the hurricane and they had plenty of time to get down here and work if they wanted to." Heflin said he'll "fight tooth and nail" for the visas, since he is bothered by the use of illegal labor across the Gulf Coast and the way undocumented workers are treated.

"The Chinese workers will bring their own housing," he said. "Nothing permanent, strictly temporary. They're not coming to take jobs from Americans. This is not just happening in D'Iberville. It's going to be happening all over the coast. When they're done, they'll leave."[62]

A private security caravan patrols the Ninth Ward. Photo by Andrew Stern.

SECURITY

In the immediate aftermath of Katrina, dozens of police officers failed to report for duty, as they were fleeing with their families to safety like everyone else. Those who remained were in way over their heads.

The New Orleans Police Department has long been criticized for corruption and incompetence. It is reasonable to wonder if, fully staffed, it would have been up to the task of maintaining order in the city. Reports of looting lit up newscasts, revealing a security vacuum of epic proportions.

Into the breach came the National Guard, as well as several private security contractors better known for their work overseas in war zones in Afghanistan and Iraq.

Blackwater USA, one of the biggest private security contractors in the country and perhaps the most well-known, secured a contract on Sept. 1, 2005 with the Federal Protective Service — a division of Homeland Security — to provide protection to FEMA employees arriving in the flooded city at a cost of $950 per guard per day. The company confirmed that it also took contracts with private businesses and individuals.[63]

DynCorp International LLC, the Texas company that provided personal security to Afghan President Hamid Karzai and is one of the largest security contractors in Iraq, has been awarded over $14 million in post-Katrina contracts, including the creation of a temporary housing facility for the sheriff's department.[64]

The first private security contractors on the scene, operating under hasty federal contracts, helped to rescue stranded citizens and then shifted to protecting FEMA personnel and public buildings. As looting paranoia swept the city, some even signed contracts with private corporations and individuals to protect and guard businesses and private homes.

Seung Hong, affiliated with the Juvenile Justice Program of Louisiana and Safe Streets/Safe Communities, lived across the street from the Convention Center prior to Katrina and feared, while fleeing, that he would return to find his home ransacked.

"It was like watching people flee a war zone," he said. "I saw a truck with no tires, just rims, and pregnant women with kids walking."

But the gallons of water, food and electronics in his home were just as he left them when he returned.

"Rumors became news," he said. "It was totally surreal. With no communication, people started to believe that armed gangs were taking over the city."

Even state officials seemed frightened. Days after the hurricane had passed, Louisiana Governor Kathleen Blanco declared, "Three hundred of the Arkansas National Guard have landed in the city of New Orleans. These troops are fresh back from Iraq, well, trained, experienced, battle tested and under my orders to restore order in the streets. They have M-16s and they are locked and loaded. These troops know how to shoot to kill and they are more than willing to do so if necessary and I expect they will."

Even civilians wanted a piece of the action. Richard Bach, 46, an engineer at local television stations WGNO and WNOL, told *CorpWatch* that he shot a looter from his north Kenner home in Louisiana in the chaotic post-Katrina free for all.

"Crime is down because people like me shoot at looters," Bach said, adding that pre-Katrina, co-workers and acquaintances regarded him as a "right-wing gun-nut," but after the storm they lauded his foresight in stockpiling guns, toilet paper, water and other supplies.

"You live by the gun," Bach said. He doesn't know what became of the person he shot, aside from the trail of blood left behind. When asked what kind of guns he owns, he said, "You name it."

James J. Reiss, Jr., a wealthy New Orleans businessman, personally hired the Israeli firm Instinctive Shooting International (ISI) to protect the elite gated community of Audubon Place.

"Those who want to see this city rebuilt want to see it done in a completely different way: demographically, geographically and politically. The way we've been living is not going to happen again, or we're out," Reiss told the *Wall Street Journal*.

The atmosphere of race-fueled fear created a lucrative market for mercenary firms like ISI, DynCorp, Blackwater, and Wackenhut. But as they poured onto New Orleans streets, questions emerged: to whom were they accountable? What rules of engagement were they bound to? And was the massive militarization of an American city really necessary?

Jordan Flaherty, editor of *Left Turn Magazine* and an organizer with the New Orleans Network, told *CorpWatch* that the city was flooded with private security convoys. Hurricane Katrina, he said, was the "inevitable spark igniting the gasoline of cruelty and corruption."

"The sheer scope of the money spent on the militarization of relief is shocking," he said.

WACKENHUT

Before Katrina, the biggest event requiring large-scale security in New Orleans was Mardi Gras. Wackenhut, the second-largest private security company in the United States, has been one of the city's main providers of security.

The company's Security Services Division is one of two branches, along with Wackenhut Services Incorporated (WSI services government clients while the former handles corporate and property clients).

Robert Burns, senior-vice president of the Security Services Division, told *CorpWatch* that his division alone deployed roughly 500 security guards to the Gulf Coast, heavily concentrated in New Orleans through private clients that he preferred not to name.

The other division was awarded a contract with the Federal Protective Service.

"Many of the places we used to guard are no longer there or have changed dramatically," Burns said.

His division generated approximately $1 billion in revenue last year, he said. Since the merger two years ago with Group 4 Securicor, Wackenhut's mission has gone global.

Armed civilians rivaled private security for firepower.
Photo by Brooke Shelby Biggs.

Peter W. Singer, National Security Fellow in Foreign Policy Studies at the Brookings Institution, said, "The New Orleans Police Department is just broken. There's massive chaos, and all kinds of players taking advantage of that."[65]

The controversial question about what exactly constituted a looter in the days following the storm raised pointed questions about the shoot-to-kill mentality that was being institutionalized by the governor and other officials. One man who admitted to looting has since been hailed as a hero by the federal government.

The Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina's issued its report, "A Failure of Initiative," in February 2006, in which it hailed Dr. Gregory Henderson, a pathologist, for his "heroic" decision-making after Katrina:

Henderson "showed that not all looting implies lawlessness when...he raided pharmacies for needed medication and set up ad hoc clinics downtown before moving on to the Convention Center."

It is doubtful in the pandemonium that anyone would have stopped to check Dr. Henderson's credentials before taking aim.

A common sentiment in New Orleans suburbs. Photo by Andrew Stern.

In front of Common Ground's Lower Ninth headquarters. Photo by Brooke Shelby Biggs.

REBUILDING: AT WHAT COST AND IN WHOSE IMAGE?

Most of the debris is gone. Homeowners and renters, including those who lived in housing projects and other low-income housing, wonder when they can come back, if they can rebuild, or if there will be an affordable place to call home.

Some of those lucky enough to have FEMA trailers have settled in for the long haul, building fences around them, decks on them, and flower gardens beside them. Even those who have bulldozed their homes and readied the land for new building are forced to wait for the city and the state to determine where new construction can begin and to what specifications.

The Bring New Orleans Back Commission was charged with coming up with a master plan for that city. The Louisiana Recovery Authority is shaping a statewide plan to lure back the diaspora. Mississippi is crafting its own new approach.

The Bring Back New Orleans Commission's first stab at a comprehensive plan was vilified. It placed a building moratorium on 13 of the worst-hit areas in the greater metropolitan area, and justified the move by noting that many of the people in those neighborhoods died or fled the city altogether and have not come back. Would they, if the area was rebuilt?

Critics fumed that the plan was a thinly-veiled effort to fulfill the wishes of men like James J. Reiss, and drive the poor and minority populations out of the city for good under the guise of zoning laws, new flood maps, and stricter building specs. The plan was roundly rejected by the public.

With help at the state level and a $3.5 million grant from the Rockefeller Foundation, a new commission was formed. The Greater New Orleans Area Foundation, a board composed of members of the City Council, the mayor's office, the Louisiana Recovery Authority, regional planners and the Bring New Orleans Back Commission will administer a program geared at allowing community input to drive the planning process under "one united effort."

New Orleans Mayor Ray Nagin, who chartered the Bring New Orleans Back Commission, said it would be another six months before a "master planning document" is issued. The fate of the poorest neighborhoods has left some wondering what the future of New Orleans, and the Gulf Coast, will look like when the master plan is executed.

The US Department of Housing and Urban Development has announced plans to bulldoze half of New Orleans' notoriously crime-ridden housing projects and replace them with low-income housing mixed with other types of dwellings. Housing advocates say this is a not-so-subtle effort to permanently squeeze out the predominately poor, black New Orleanians who lived there.

It wasn't as if the sentiment hadn't been openly expressed before in Washington. US Congressman Richard Baker, a 10-term Republican from Baton Rouge, was overheard telling lobbyists on Sept. 9, 2005: "We finally cleaned up public housing in New Orleans. We couldn't do it, but God did."

The displaced say the government is acting in the interests of their corporate bedfellows, clearing out unprofitable dwellings and the decidedly poor demographic that filled them to make way for corporate mega-projects.

"Most people can't fathom that it's that intentional, but it is. This is economic warfare," said Catherine Austin Fitts, who ran the Federal Housing Authority under the first Bush administration. "You've got financial predators moving in, and Katrina will be extremely profitable for those who win."

TEMPORARY HOUSING

But before the developers come in, there's a buck to be made in temporary housing.

DHS notoriously spent almost a billion dollars on mobile homes and travel trailers, including 10,000 which have been left sitting in an Arkansas field unused so long that FEMA had to pay $6 million to have gravel spread beneath them to keep them from sinking into the soft ground. It seems DHS ordered the trailers from countless manufacturers without realizing that federal laws prohibits locating them in a known flood plain, which constitutes a huge swath of the Gulf Coast.[66]

According to the DHS, as of June 30, 2006, more than 102,500 people were still housed temporarily in 37,995 FEMA-provided travel trailers and mobile homes, including 3,242 units compliant with the Americans with Disabilities Act.

But some people were forced to leave the Gulf entirely when temporary housing just wasn't made available in time. That has led to sharp criticism of the corporations tasked with delivering trailers and mobile homes, often under exorbitant contracts. Louisiana in particular has suffered for the failure, losing more than half of its population (and tax base) in the weeks and months following the storm.

Democratic Congressman Barney Frank, ranking member of the Financial Services Committee and co-sponsor of the bill, said, "The failure of the federal government to respond adequately to people's housing needs was its own disaster."

CH2M Hill, Fluor, Shaw and Bechtel — all major donors to the Republican Party — were the first companies tapped to provide temporary housing in the region, and were awarded no-bid contracts initially worth about $400 million apiece.

FEMA determined the type of housing each victim would receive, and its contractors were to make sure they got it. (Next summer, 18 months after the trailers and mobile homes first reached thousands of Gulf Coast residents, FEMA has said it will reclaim the trailers. That job, too, will probably fall to the same contractors.)

But delivery was slow and unreliable, and criticism bloomed around the contracts that had been granted for what seemed, to many, to be poor work. FEMA promised to re-bid the four massive contracts after initial criticism of the process, but ended up extending and expanding them without new competition, despite a GAO audit found that millions had been wasted by the firms.

BOURGET'S OF THE SOUTH

The sudden demand for trailers and the seeming eagerness of the federal government to throw money at anyone who could provide them was an invitation to some very Louisiana-esque corruption. In one case, a custom motorcycle dealership called Bourget's of the South and owned by the uncle and father of a Louisiana state legislator miraculously won three no-bid FEMA contracts worth over $100 million to provide 6,400 trailers. The problem was, the dealership didn't sell trailers, and didn't even have a license to. It also didn't have a franchise agreement from the manufacturers, also required under state law. Complaints for legitimate trailer dealers prompted an investigation. The Louisiana Recreational and Used Vehicle Commission fined Bourget's $46,000, or $2,000 per day for 23 days of selling the trailers to FEMA without a license. The company may keep the proceeds from its FEMA contract.

In recent weeks the DHS Inspector General is once more investigating the four contracts, which have ballooned to a combined worth of $3.4 billion, or more than double their original value. Despite the ongoing controversy, FEMA on August 9 awarded the same four companies contingency contracts worth $250 million apiece to perform similar recovery work during future disasters. Those contracts were competitively bid, and last for two years.

CH2M HILL INC.

In January, the CH2M Hill was awarded a competitively bid contract from the City of New Orleans estimated to be worth $23 million to remove flooded cars from the city. It won despite the fact that the company's bid was significantly higher than many of the local firms who applied. A meeting of the New Orleans City Council boiled with resentment from some councilpersons.

"I'm just surprised that a national company that seems to be overwhelmed with trailers would get the job when so many local companies are looking for work," Councilwoman Renee Gill Pratt said, garnering a smattering of applause from the audience.

The company pulled out when criticism continued to mount, including from FEMA, who would have had to reimburse the city for the costs. Ultimately the state drew up a plan at a vastly reduced cost.

Like many of the corporations with the largest Gulf Coast contracts, CH2M Hill has enjoyed significant federal contract work in Iraq. This work includes a contract (a joint venture with Parsons, a major construction firm) worth $28.5 million-to oversee the construction of Iraq's public water and electrical utilities by four other contractors (between them the corporations were spending an estimated $1.7 billion in taxpayer funds), including Fluor, which has drawn accusations of conflict of interest.

Congressional Democrats have asked if CH2M Hill can effectively monitor work performed by Fluor when the two firms have made billions together collaborating on high-dollar federal contract work in the past.

FLUOR

Fluor Corp. won one of the other controversial Gulf Coast temporary housing contracts that had been promised for re-bidding but was instead ultimately extended and expanded sans competition. This, despite the fact the federal government fined the company $3.2 million in 1994 for "submitting heavily padded repair bills after Hurricane Hugo."

In 2005 it was determined that the company will also pay $12.5 million to settle allegations that it knowingly over-billed the Department of Energy and Defense from 1995 to 1998, according to the *Corporate Crime Reporter*.

Connections have helped Fluor score a landslide of deals, including $1.6 billion in reconstructive work in Iraq, according to the *Los Angeles Times*. Suzanne H. Woolsey, a "trustee of a little-known arms consulting group that had access to senior Pentagon leaders directing the Iraq war," joined the board of Fluor Corp in 2004, shortly before the corporation started cleaning up in Iraq.

Woolsey's husband, the former CIA director, R. James Woolsey, is a leading advocate for the war and also serves as a government policy adviser.

As recently as May and June of 2006, Fluor has continued to score seven-figure Katrina-related contracts, a *CorpWatch* review of FEMA records shows. From management and infrastructure support to hauling and installing, to time and materials, Fluor's share of the total federal budget for bringing the Gulf Coast back is massive-an estimated $1.3 billion.

One of the means by which Fluor has laid claim to such a large portion is by exploiting federal law intended to set-aside contracts for minority-owned business. Fluor used a wholly-owned subsidiary, Del-Jen Industries, to partner with a minority-owned firm called Project Resources, Inc. to win a $400 million contract to maintain and ultimately "deactivate" or remove travel trailers over the next 5 years.

"What I think when I see this going on is that someone has connections to someone in the right place," Moshiu Knox, who heads the Knox Group, an African-American company based in Mississippi that lost the bidding war with PRI/DJI.

"It seems like that's the only way a true small business is going to get in: hook up with a bigger company and then someone can pull strings and pull them on your behalf," Knox told the *Times-Picayune*.

FEMA's massive and expensive failures in its attempt to provide temporary housing prompted the White House to suggest designating the Department of Housing and Urban Development as the point agency for temporary shelters in future disasters.

Malik Rahim, founder of Common Ground. Photo by W.B. King.

COMMUNITY VS. CRONYISM

It is in places like the projects and the New Orleans neighborhoods of Algiers and the Ninth Ward where the contrast between what huge corporations can do and what intrepid bands of volunteers can accomplish for a tiny fraction of the cost is most apparent.

Malik Rahim, a former Black Panther now in his 60s, realized quickly after Katrina that waiting on the government was going to be futile and costly for the poorest people in the city. His surviving neighbors needed food, water, and medicine, so he put out a call around the country for volunteers with expertise in healthcare and organizing, and quickly set up a healthcare clinic.

A year later, Rahim has raised millions and hundreds of volunteers-mostly white, college-age kids-have donated their time and effort to his Common Ground Collective. The first health clinic has been joined by two more, and 15,000 patients have been served. A free legal clinic provides advice for residents on how to protect their property from bulldozers, a public canteen offers free food and water, and bands of volunteers in Tyvek suits systematically gut houses in the worst-hit areas. They'll tarp a house or perform mold-remediation for free.

Rahim's hodgepodge of people from around the country has come together to do what billion-dollar corporations under contract with the federal government could not or would not: clean up the mess and restore basic services to the poorest and most devastated neighborhoods.

Meanwhile, not a single public official with any responsibility for getting the Gulf Coast on its feet has visited Common Ground.

Mary K. "Bebe" Fitzpatrick, 51, told *CorpWatch* that she was the assistant manager of the HIV unit of the Medical Center of Louisiana, known as the Charity Hospital, and now she's a Common Ground Health Clinic volunteer.

"We have an amazing opportunity to turn this city around in a way we didn't have before the storm," she said.

ENTERGY: HOLDING NEW ORLEANS RANSOM

Some New Orleanians desperately want, and fear, their utility bills.

But Tom Morgan, a DJ at New Orleans' local radio station WWOZ, hasn't seen one in months. While many residents have been hobbled by the cost of having a certified electrician reestablish electric and gas connections to their homes, some-like Morgan-have been unable to find out how much they owe and fear a gigantic bill they won't be able to pay, meaning-to add insult to injury-they face having their power cut off.

"I haven't gotten a bill since October," Morgan told *CorpWatch*. "I've called Entergy, but it still hasn't come. You shouldn't have to chase after people to pay your bills. A lot of people are confused and afraid."

Others have told *CorpWatch* that when their staggering bills finally did arrive, the initial amounts were reduced due to "Hurricane Credit," meaning that the loss on paper and the actual cost to ratepayers might not match up.

CUTTING AND RUNNING

Entergy Corp. was the last Fortune 500 Company still based in New Orleans before Hurricane Katrina struck. Unless the federal government grants its wholly owned subsidiary, Entergy New Orleans, the $718 million it seeks to maintain and rebuild its gas and electricity infrastructure damaged in the storm, the utility might not be able to continue doing business in the city it currently supplies with gas and electric. It isn't that Entergy can't afford to rebuild; it's that it would rather keep its profits and let the federal government pick up the tab.

Entergy Corp. racked up $10 billion in revenues last year and has $29 billion in collective assets. This month the company reported earning $282 million on $2.63 billion in revenue for the most recent quarter. On paper, there is no question Entergy could comfortably cover its losses and rebuild the infrastructure of its utility business in New Orleans. On May 2, Entergy announced that its first-quarter profit rose nearly 13 percent, as higher energy prices offset disrupted sales following last year's hurricanes. Entergy CEO J. Wayne Leonard received a $1.1 million bonus at the end of 2005, according to SEC records, which coincidentally works out to one dollar per Entergy customer in the Gulf Coast left without power in the weeks following the hurricane.

But the company's executives feel that if anyone should pay the cost of its getting back into business, it should be ratepayers and taxpayers, and not its own shareholders. And indeed, the government may have little choice but to give in to what critics characterize as blackmail or extortion-or leave a major American metropolis powerless.

Gordon Howald, utilities analyst with New York-based Natexis Bleichroeder, said he hasn't warned clients to sell off their Entergy stock. When Entergy first announced the possibility of bankruptcy, he says he thought the claim was a bluff.

"Entergy is a pretty successful company making a lot of money and here you have all these people who have lost their homes," he said. "Months later, they're still bickering. As time goes on, it becomes more difficult to get recovery, and ratepayers will have to pick up the rest."

USING THE FEDERAL GOVERNMENT AS INSURANCE

The story of Entergy in New Orleans is a cautionary tale, critics say, of privatizing utilities as critical as gas and electricity in major population centers. Although Entergy is regulated by the New Orleans City Council, and its customer base is the local citizenry, as a publicly held company it ultimately answers first to its shareholders who want to maximize their profits.

To that end Entergy has made broad use of limited liability laws to structure the company and its subsidiaries in a way that insulates shareholders from liabilities such as storms. The result is a system whereby the company's own customers and taxpayers nationwide foot the bill when something goes wrong.

Entergy has estimated its losses post-Katrina at just over $1

ENTERGY, CONTINUED

billion, including lost customers (many residents who fled may not come back), and miles of gas pipeline corroded by the saltwater that poured over the levees. The insurance the company carried covered $250 million in damages. The rest will likely come from inflated rates for those customers who remain in New Orleans, and from federal funds.

The Federal Energy Regulatory Commission (FERC), which has minimal oversight of Entergy, does not require companies like Entergy to carry insurance to cover losses from catastrophic events such as a hurricane, even though conventional wisdom has long considered a Katrina-sized storm and flood inevitable. The cost of the insurance it does carry may be passed on to ratepayers, according to FERC spokesman Bryan Lee.

Citing a "precedent" set by bailouts of ConEdison and the airline industry after 9/11, Entergy New Orleans is seeking a Community Development Block Grant (CDBG) to make up the difference. Without CDBG aid, Entergy New Orleans estimates that the average ratepayer's share of the losses comes to $8,943, which would be exacted in the form of a rate increase of at least 140 percent, or a proposed $45-a-month increase per household.

NO COST OF DOING BUSINESS IN HURRICANE ALLEY

In the days after the storm, all public comments focused solely on restoration, as if the effort to rebuild New Orleans could be accomplished with nothing more than elbow grease and well-wishing. President George W. Bush cut an iconic pose in New Orleans' Jackson Square on Sept. 15, 2005, with his sleeves rolled up for a prime-time television appearance as he stood in front of a statue of Andrew Jackson and vowed "one of the largest reconstruction efforts the world has ever seen."

"Throughout the area hit by the hurricane," Bush pledged, "we will do what it takes, we will stay as long as it takes, to help citizens rebuild their communities and their lives." Two weeks later, on October 4 in the Rose Garden at the White House, Bush had a new philosophy: cut non-security spending to fund the recovery effort-when necessary.

"As the federal government meets its responsibilities, the people of the Gulf Coast must also recognize its limitations," Bush said. "The engine that drives growth and job creation in America is the private sector, and the private sector will be the engine that drives the recovery of the Gulf Coast."

Entergy New Orleans heard the siren call of a bailout.

In November of 2005, according to a Reuters report, Entergy unveiled a $3 billion plan that it said would "ensure liquidity" while it "awaits recovery." During a conference call with analysts at that time, Leonard said the company intended to be "relentless in recovery of storm costs."

"New Orleans is Entergy's home and we are absolutely dedicated to the city's reconstruction and resurrection," said Leonard immediately after the storm. "We are hopeful that we will be able to return home soon. Our ability to do that depends, of course, on a number of factors over which we do not have complete control."

"We are heartsick at the losses our communities and employees have suffered," said Curt L. Hebert, executive vice president, external affairs at Entergy Corp. in a public statement. "Even as we launch the largest power restoration in our country's history, we are equally concerned about reaching out to help our co-workers, families and neighbors restore their lives. Together we can and will rebuild and put this storm behind us."

Hebert is a product of the corporate-political revolving door. He was appointed chairman of FERC in 2001 by Bush, but stepped down months later, in September 2001, to take his position at Entergy Corp. He was in charge of lobbying the federal government for aid money after Katrina. That put him at odds with the chairman of the Gulf Coast Recovery and Rebuilding Council, Allan B. Hubbard, whose job it was to explain to Entergy that the feds would not be underwriting the company's New Orleans reconstruction effort.

In a letter dated Nov. 16, 2005, Hebert noted he was "gravely disappointed," that the people of New Orleans would "suffer significantly" as a result of the Bush Administration's "fundamentally flawed" perspective. This stance, he charged, "repudiates the promise" made by Bush in Jackson Square.

"I also want to state clearly," Hebert wrote, "that [Entergy's shareholders and bondholders] have invested in a regulatory agency with the knowledge that the government regulates and protects their opportunity to earn a return."

With those words, Hebert inadvertently laid out the billion-dollar question: where do the boundaries of corporate welfare start and end?

In a response dated Nov. 18, Hubbard pointed out Entergy's healthy bottom line while musing about the "inappropriate" nature of asking the federal government a handout while clasping a fistful of dollars.

"You told us that the ... board of the parent has a fiduciary duty not to take funds from other subsidiaries and use them to subsidize New Orleans," Hubbard wrote. "We respect the right of your board to decide how to allocate financial resources, such as last year's $909 million in earnings among various parts of Entergy Corp. We in turn believe it is inappropriate to transfer taxpayer resources to those investors after the fact for a risk they chose to take."

Prudent investors, he added, consider the risks inherent in any investment they make, including the risks of a natural disaster.

Ten days later, in a seven-page letter that smacked of one-upmanship, Hebert threatened that without "immediate federal assistance, it is unlikely that Entergy New Orleans can continue as a viable commercial entity." The threat was on the table: pay up or we pull up stakes.

Hebert also took exception to Hubbard's analysis, arguing that investment risk in a private company might be one thing, but risk in a publicly regulated utility quite another. He insisted that such public-private companies are by nature "entitled the opportunity to recover ... storm restoration costs."

Hebert says the obvious parallel and precedent was September 11. In the aftermath of that disaster, Congress passed the 2002 Supplemental Appropriation Act for Further Recovery From and Response to Terrorist Attacks on the United States. The $783 million in resulting CDBG funding included restoration of utility infrastructure for ConEdison, which, like Entergy New Orleans, is a publicly regulated utility and a subsidiary of a vast holding company. The airline industry, also, was offered a $5 billion bailout after 9/11 and a guarantee of up to $10 billion.

WHAT CAN BE PREDICTED CAN BE INSURED AGAINST

But is a terrorist attack really a precedent for a natural disaster?

Not at all, said Professor Howard Kunreuther, Co-Director of the Wharton Risk Management and Decision Processes Center at the University of Pennsylvania's Wharton School. Kunreuther has studied and written about the issue of insurance extensively, including an August 2005 report on "Terrorism Risk Financing in the United States," which outlines the many ways in which terrorism is a unique threat, and a January 2006 University of Pennsylvania Press publication, "Has the Time Come for Comprehensive Natural Disaster Insurance?" This work includes a chapter, "On Risk and Disaster: Lessons Learned from Hurricane Katrina."

"9/11 is not a fair precedent for a natural disaster at all," Kunreuther told *CorpWatch*. "They're both very different in how they've been treated by the insurance industry. With a terrorist attack, you have less control. With a natural disaster, you can protect yourself to some degree."

Those who claim that Katrina was a completely unpredictable event may not have seen the many articles in publications ranging from *National Geographic* to a five-part series published pre-Katrina in the *New Orleans Times-Picayune* detailing the potential ramifications of just such a storm.

And then there was Eric Berger's article in the *Houston Chronicle* on Dec. 1, 2001, months after the Bush Administration's announcement of intent to downsize FEMA, in which it was reported that FEMA had declared the top three likeliest devastating emergencies in the United States to be a terrorist attack in New York City, a hurricane hitting New Orleans and a massive earthquake on the San Andreas fault.

DEREGULATION COMES BACK TO ROOST

According to a May 2004 report from the United States General Accounting Office (GAO), limited liability companies such as Entergy Corp resulted from the deregulation of the electricity industry in the 1990s. "Like a partnership," the report said, "the profits are passed through and taxable to the owners ... like a corporation, it is a separate and distinct legal entity and the owners are insulated from personal liability for its debts and liabilities."

Such structures are made of loopholes the way some castles are made of sand-both, it turns out, can crumble under the sheer force of water.

"Entergy is a great example of how a company can shift liabilities to maximize profits while limiting liability," said Phillip Musegaas, senior policy analyst for the environmental watchdog group Riverkeeper, which is fighting to shut down the Entergy-owned and operated Indian Point nuclear power plants in Buchanan, New York. "Corporate restructuring is very sophisticated. They know their way out of regulation. They are way ahead of us."

ALL PROFIT, NO RISK

It isn't "fair," said Entergy spokesman Stewart, to pass the cost of reconstructing Entergy New Orleans, the smallest subsidiary under the Entergy Corp umbrella, along to shareholders when the future fate of the company is still uncertain. Stewart

ENTERGY, CONTINUED

explained that each subsidiary is a "separate business," and that each company is "protected from the burden" of picking up unexpected costs from the others.

"It would be irresponsible," Stewart told us. "It would not be prudent to invest shareholder money into the utility if there's no chance of recouping the money."

The corporation also has a "moral responsibility," he added, not to "risk the retirement funds of employees when we don't know if customers are returning."

Utility investors rely on a "business model," he said, that allows for the utility to pass the costs of reconstruction and damage from natural events along to ratepayers. With the exception of totally decimated areas of New Orleans, power has been returned to "anyone who can take it." He likened the devastation in the region to that suffered by orange juice producers when frost nips the growing season short.

"The price of juice goes up," he said, "and that's the models investors have invested in here."

Elizabeth Raley, spokesperson for Entergy New Orleans, acknowledged that customers are "very upset."

"We're faced with many customers who have extremely high bills because the natural gas wells in the Gulf of Mexico were damaged," she said. "The market rate for gas is passed on to our customers. ... We're working with customers to help them find a way to pay their bills. It's challenging to serve our customers, but that's what we're doing."

New Orleanians are wary and suspicious of what Entergy may do next. "Our customers have been through life-altering situations," Raley said. "I wouldn't be surprised if some of them feel hostility simply because they are having a rough time."

It turns out that the hostility dates from long before the storm, evidenced by a series of local and federal lawsuits. In an Securities Exchange Commission filing, Entergy Corp describes its relationship with the state of Louisiana as "particularly litigious."

Some 480 class action lawsuits including 10,000 claims have been filed against Entergy's various Gulf Coast subsidiaries, including Entergy New Orleans, for damages allegedly caused by disposal of hazardous waste and "asbestos-related disease" by contractor employees who worked between the years 1950 and 1980 and claim to have been exposed to hazardous materials during that time.

In March 2004, endangered brown pelicans were found dead near Entergy New Orleans' Michoud power plant intake structure and return trough. And then there were the ratepayer lawsuits brought on by the City Council, during which it was alleged in testimony filed over a period of years that customers had been overcharged by upwards of $100 million. When the matter was settled in April 2003, ratepayers were reimbursed $11.3 million when it was found that Entergy had been incorrectly calculating the cost of fuel and passing the error along to customers.

This had all been sorted out since, according to Clinton A. Vince, managing partner of Sullivan & Worcester's Washington DC office, which represents the New Orleans City Council, the regulatory agency responsible for oversight of Entergy New Orleans. Vince supports the idea of a CDBG bailout.

"I won't second-guess them on their system. Nobody ever could have anticipated a flood of this magnitude," he said when asked why pipes that were susceptible to corrosion salt water were buried underground in a city that lies below sea-level. "This was not a reasonably foreseeable event."

"Entergy needs a reorganization plan," Vince said. "The content of that plan will change drastically based on CDBG funds. There would be dire consequences if Entergy walked away. We need the utility to stay there and rebuild the system. It's a unique situation-the worst disaster for a utility in the history of the country. People have lost everything, and it would be unrealistic and unfair to pass those costs along [to ratepayers]. People would have no incentive to return."

On March 30, 2006, Donald Powell, the Bush administration's Gulf Coast recovery coordinator, said the revival of the Crescent City could take up to a quarter of a century and also hinges on factors that are "out of our control." The amount of total funds that will be allotted by the state and federal governments, Powell said, is still up in the air.

Will Entergy choose-or be forced-to cut and run from New Orleans?

"Our plan is to stick it out," Entergy New Orleans' spokeswoman Raley told *Corpwatch*. "We're very hopeful that our funds will come through, and we'll be able to continue to operate." ■

Rita J. King

Boats still marooned on land in East New Orleans. Photo by Rita J. King.

COME HELL AND HIGH WATER

One of the great catastrophes of Hurricane Katrina was the fact that when the wind died down, the levees flooded, destroying more property and infrastructure in New Orleans than the storm itself.

The levees have been shored up for the current hurricane season, but will need to be massively overhauled and reinforced to withstand a category 5 hurricane. That project-which remains on hold until the cities, states, and federal government can agree on a vision and a division of costs-will be the biggest focused domestic construction operation in American history. That means much more money for private corporations.

A crucial part of that vision will have to be prevention-not only building better levees and floodwalls, but restoring wetlands and barrier islands along the Gulf Coast to absorb a future storm's most deadly impact: the surge.

Senator Mary Landrieu of Louisiana noted in an op-ed in *USA Today* shortly after the catastrophe that a little federal investment before Katrina in wetlands restoration and rehabilitation could have saved billions in federal aid and reconstruction money after.

"Countless requests for more flood and hurricane protection went unheeded. And initiatives to restore the USA's wetlands were repeatedly and irrationally opposed," she wrote.[67]

In March 2006, Congress passed its budget, including an amendment allotting $10 billion to create a Gulf Coast Protection, Reconstruction and Recovery Fund. The fund could provide $5.4 billion for Louisiana levee construction and coastal wetlands restoration over the next five years.

Whether Landrieu's dream of a restored and safer coast, or skeptics' visions of a Mardi Gras theme-park in place of the historic delta coast is realized, the process of getting there will have enriched enormous corporations at vast public expense.

Yes, the 2005 hurricane season and its aftermath exposed the cynical tendency toward profiteering by corporations, but much of it was made possible by a bungling federal government that was inexcusably unprepared and outrageously incompetent.

Amplified in this way, the cost of profiteering is astonishing. The transfer of resources from taxpayers to federal coffers to corporate entities is akin to a chronic low grade infection sapping the nation's strength.

Like most federal contracting agencies, FEMA was reconfigured and downsized in the 1990s under the guise of reform. In recent years, the agency has been primarily focused on counterterrorism, not natural disasters, and was crippled after Katrina for this reason, according to former FEMA chief Michael Brown. But the contention-heard from Bush and other top federal officials-that FEMA was incapable of *anticipating* the severity of the storm or the damage it did is a handy but laughable explanation.

"Hurricane Katrina underscores the urgent need for government transformation," said David M. Walker, Comptroller General of the United States, at a conference on Public Service and the Law in March.

"It has become obvious," Walker said, "that the government has been issuing far too many contracts and assistance payments for Hurricane Katrina relief that just don't pass the straight face test." He urged the audience to recall that the "ultimate loyalty" of the private sector is to shareholders, while government was designed as a servant of the greater good.

■

That federal contracting needs fixing is obvious; how to do it depends upon whom you ask and where their loyalties lie.

As the one-year anniversary of the storm approaches, the nation's most powerful landlord and procurement agency (and the third-largest grantor of contracts for post-Katrina work), the General Services Administration (GSA), has assessed the wreckage and the resulting landscape of contracts and says it is trying to create a new way of doing federal business.

On July 17 and 18, GSA, which manages federal buildings including many in the Gulf that need repair, joined forces with the FEMA and other entities to teach small businesses how to compete for contracts.

"We can't just leave this process to business Darwinism," GSA spokesman Jon Anderson told *CorpWatch* days before new agency director Lurita Doan, an old school friend of Senator Mary Landrieu, prepared for a walk-through of damaged federal buildings in New Orleans to kick off a conference aimed at matching small businesses with larger ones. "We have to help them out. We want to help businesses grow and evolve."

It is difficult to tell the difference between window dressing and real reform. Billions of dollars remain for resurrecting the Gulf Coast, which means billions remain to be made. It may be too wishful to think that FEMA, the Army Corps of Engineers, or even the GSA can truly reform themselves in the next year.

But a few billion here and there of unwasted taxpayer money can't hurt.

Debris remains where it was deposited in the Lower Ninth. Photo by Brooke Shelby Biggs.

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NOTES:

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