

THE NATIONAL BLACK CHAMBER OF COMMERCE, INC.

PRESENTATION TO:

**Select Bipartisan Committee to Investigate the Preparation For and Response to
Hurricane Katrina**

Honorable Tom Davis, Chairman

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Presented By:

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Mr. Chairman, distinguished members of this Committee, and particularly the Honorable Cynthia McKinney, I want to sincerely thank you for allowing the National Black Chamber of Commerce to testify before you today. The preparation and the rebuilding of the Katrina disaster should be the most important topic in Congress today. It relates to our commitment to the principles of this nation and our personal regard for our fellow citizens. Today, no American with a stable mind can consider the Katrina situation something that Americans can be proud of. Our only option is to seriously look at our errors and turn this utter predicament around. Millions of our citizens are depending on us and we cannot afford to let them down. How great can a nation be if it cannot come to the aid of its own people?

Disaster recovery used to be a rather simple process. I remember Hurricane Andrew and the immense activity many members of the NBCC participated in during the recovery. General contractors and engineering firms sent their best project managers to southern Florida who queued up to FEMA offices and received contracts, hired from the local union halls, leased equipment and got "the job done". This was replicated in the Northridge California earthquake. Past NBCC Chairman Fred Jordan had his firm, F.E. Jordan and Associates, working on a bridge on Interstate 5 within six hours of the initial shock. Similar activity occurred during the Bay Area earthquake. It was a matter of supply and demand with a sense of urgency and accountability. The demand to quickly recover for the safety of our citizens and the status of our economy provided inclusion of all segments of our businesses – big, small, white, Black, brown, etc. It was simply "America" coming to the aid of "America".

FEMA, back then, had recovery teams already in place. There were local telephone numbers to call and roles were prearranged so that when disaster occurs related businesses performed in a fashion similar to a football team's game plan. Speed and efficiency is how you can describe disaster relief of the past. It has since changed. It is a change for the worse and to the detriment of this nation and its citizens who are limited in resources. I distinctly remember a US Navy ship processing hundreds of thousands of filled potable water containers for the victims of the Tsunami. In contrast, I saw on television American babies dying from water dehydration in downtown New Orleans – we couldn't get containers of water to our own.

Between 9/11 and the beginning of the Iraq War a phenomenon happened in the federal procurement system. Certain members of what President Eisenhower regarded as the Military Industrial Complex began to look at new markets. Today, we have this "cartel" that deals with disaster recovery. It is not shocking to see that the same companies who enjoy bundled contracts and no bid contracts in the Iraq War are now receiving such "gravy" in the Katrina recovery. FEMA has assembled a new team and the federal procurement system has been "hi-jacked".

This cartel has been assembled in places such as the Capital Grille and Palm restaurants. Scope of work has been determined in suites along K Street in downtown DC. It is not about quality but about power and greed. Money; big money; tax money are the rule and ethics and procurement law have been tossed aside. America is at risk due to a runaway

“lobby train” that manipulates who gets the jobs regardless of price, quality and due diligence. Bona-fide and qualified companies that belong to the NBCC cannot get into this cartel. The fees are too high and the country clubs, et al don't have a policy of inclusion.

Thus, to the dismay of many of our members, there were no doors open for competition. Many of our members actually have current federal contracts such as with the Army Corps of Engineers but when they press for information on the Gulf Rebuilding it is like “DON'T GO THERE”. The cartel was in place and the work orders were thrown onto their laps. No need to sharpen the “pencil” and compete for quality and price – the deal was done. They were just waiting for the next disaster to happen. Get the bundled contracts and take your time at going about it. It was like milking a cow.

You have the inflated no bid contract so now how do you make the most money from it? Get the Davis Bacon Act waived so that you can truck in cheap labor, immigrants if you have to, and pay them pittance with little or no benefits. Get the Affirmative Action laws, Executive Order 11246, waived so that you don't have this inclusion thing and equal opportunity in your way. Rake off as much profit from the top as you can and deliver in the cheapest manner available. Do it like John Gotti!!!!

The above is no big exaggeration. Is it any wonder that the person who set up the procurement policy for the Katrina Recovery was soon indicted for other recent adventures?

The Small Business Set Asides and programs such as the SBA 8a program would surely become big issues. The answer? The Alaska Native Corporation program became exploited. Large white owned and managed corporations would set up duplicate subsidiaries, usually LLC's, and make it seem like the ownership belongs to some tribe of people in Alaska. These white owned and managed corporations are based in locations such as Charlotte, NC, Newport News, VA and Greenbelt, MD (Alaska?). They receive 8a set aside benefits and can use the rare “sole source” direct procurement method. Many are half billion dollar companies but they are assessed small business procurement credit for contracts that can be nine figures. The lower 48 state based ANC firms have a select pool of lobby firms and most have the same law firm. Any procurement official stating their outrage will quickly find themselves fired.

It was indeed shocking to the NBCC that the first Minority Business Participation report for the Katrina Recovery was comprised of ANC's – 96.4%! No Black owned firms, no Hispanic own firms and no real Native American firms. Equally devastating – no locally based small businesses.

A typical example of the abuse is with Portable Classrooms in Mississippi. Paul Adams, Adams Home Center, a Mississippi businessman whose payroll is approximately 95% Black heard that the Corps of Engineers was about to buy hundreds of portable classrooms. He was excited because he had been providing the State of Mississippi portable classrooms for decades. To his dismay, the contract was let to a so-called

Alaska Native Corporation based in Charlotte, NC. The ANC actually approached him for pricing of 450 units. Thinking that he had a chance to partner with this strange group he quoted them \$20 million dollars for the units and \$5 million for set-up and code compliance. To his further dismay, the ANC went on without him and has charged the government approximately \$39 million dollars and no set-up or code compliance for work they have absolutely no experience at doing. Oh yes, the Corps included this procurement in its Minority Participation Report.

It has become not what you know but who you know. Admittance into this cartel is clandestine. The effect is job exclusion (through local business participation) and the worsening of the economic impact of the disaster. Mr. Adams is still furiously looking for contract opportunity throughout the recovery area. He has been abruptly shut out of working in his own geographical backyard despite a reputable record and community involvement that is purely Americana. This procurement process is not Americana!

FEMA will not let our businesses in to compete and the anointed cartel has serious amnesia. For example, one of our members is doing an approximately \$400 million joint venture with a cartel member on a federal job in California. It approached the cartel member about opportunity in the Gulf Recovery and was shocked at their reticence. What does it take to get into the cartel or do business with the cartel? Or, better yet, what does it take to return to "lowest and best bid" under federal procurement law? Past and present experience with the Corps, other federal agencies and cartel primes is totally negated.

So far, the NBCC has met with US Commerce Secretary Gutierrez who has initiated a comprehensive website concerning the rebuilding. I have received a direct call from SBA Administrator Barreto committing manpower and expertise to the rebuilding. We are beginning a great dialogue with the contracting offices of the Army Corps of Engineers. I have had a very encouraging meeting from the President and his staff. A few contracts are coming out of the Beaumont-Port Arthur, TX area and some minor activity in Mississippi. The verbiage has improved. The proof in a change will be in the number of contracts my members are receiving. Right now, we are suffering. When we suffer your constituents will receive no jobs and the tax base and local economies of the effected areas will not turn around until they do start receiving what they are qualified to do.

I have yet to find an employee of the SBA or other outreach entities in the field of the Gulf Coast. Perhaps they are there and our paths have not crossed. None of our NBCC members have reported any sitings either though.

The Board of Directors of the NBCC has ordered me to turn this blight around and I am totally committed to that. We have garnered some corporate funding dedicated to this project. I am traveling to the Gulf at least once per week. We have restructured a chapter in New Orleans and Baton Rouge. We are providing training to our Beaumont, TX and Lafayette, LA chapters. Two weeks ago we kicked off our new Mississippi Black Chamber of Commerce and will do the same in Hattiesburg, MS shortly. We are

prepared to put Black owned, in fact locally owned firms regardless of ethnicity, in front of federal procurement agents and cartel members. Where applicable, we will do the same for local government procurement opportunities.

When the HUD funding starts flowing we will monitor and ensure compliance with Section 3 of the HUD Act. This race neutral equal employment and business opportunity program is a job creator for low income communities. The only problem is that the only communities that comply with this are those affected by local chapters of the NBCC. We will become very aggressive in the Gulf Region with this program.

The NBCC has also resolved to encourage all national Black organizations to communicate with each other on this project. We will join our resources and push towards the economic recovery of the Gulf Region. There was a time when we could rely on the federal government but, it appears, those times are gone with the winds of Katrina. Associations such as the National Association of Black County Officials, National Conference of Black Mayors, etc. will be given input on the activity of cartel members. Bad reports could result in loss of bid privileges in local government projects for certain cartel members.

We pray that Congress will pass HR 4197 that addresses the rebuilding of the Gulf Coast. Particularly with Titles IV and VIII which we pledge to do all we can to implement as fast as possible.

In addition to passing HR 4197, Congress should eliminate the ANC program in areas located in the lower 48 states. It is total abuse at the expense of small business, minority businesses and even deserving large businesses. We cannot accept their participation numbers as minority owned business or small business in reports produced by federal agencies.

The SBA should be given Katrina contracts to manage and subcontract to viable and bona fide minority owned businesses representing all segments. These contracts should be less than \$50 million each and joint venturing should be encouraged. These huge contracts get beyond the reach of real small and minority owned businesses.

Why has this cartel been created? A formal investigation is in order. The rebuilding of the Gulf must involve local businesses and local residents. It defeats the purpose to exclude the residents of the affected geography.

Congress should make it illegal for any FEMA employee to leave the agency and immediately do business with any corporation that holds FEMA as a client. Marie Antoinette had a laissez faire attitude to her French constituents. She was publicly beheaded by those constituents. Former FEMA head Michael Brown had a similar attitude. He has left in disgrace and is now trying to profit from his tenure.

Finally, I am remembered of a story told by a tactical officer to my Officer Candidate School class. "You men are here in Ft. Benning, GA training to become Lieutenants

because of a certain situation. War is business and right now business is damn good. Here you are, all husbands and many fathers with fine college degrees and should be heading to corporate America to begin your careers. Instead, you are draftees because war is business and business is damn good. The bigger the war the better the business.”

What scares me about Katrina is the thought that the bigger the disaster the greater the business. The 82nd Airborne can deploy anywhere in the world in 24 hours. It took them 8 days to travel 600 miles to New Orleans. National television showed the plight of New Orleans but FEMA would not budge. The longer the wait the greater the disaster and if disaster is a business right now business is damn good.

Let's end this nightmare. Fortune favors courage.