

A VISION AND STRATEGY FOR REBUILDING NEW ORLEANS

(109-35)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND
EMERGENCY MANAGEMENT

AND

SUBCOMMITTEE ON
WATER RESOURCES AND ENVIRONMENT
OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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A VISION AND STRATEGY FOR REBUILDING NEW ORLEANS

Tuesday, October 18, 2005

HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION AND, INFRASTRUCTURE, SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT AND SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT, WASHINGTON, D.C.

The committee met, pursuant to call, at 9:30 a.m. in room 2167, Rayburn House Office Building, Hon. John J. Duncan and Hon. Bill Shuster [chairmen of the committees] presiding.

Mr. DUNCAN. I want to welcome everyone to our hearing on the Vision and Strategy for Rebuilding New Orleans. We are joined today by our colleagues from the Subcommittee on Economic Development, Public Buildings and Emergency Management. I am honored to chair this hearing today with my good friend, Chairman Shuster of that Subcommittee, along with the Ranking Members, who will be here shortly.

The flooding of New Orleans in the wake of Hurricane Katrina was one of the worst disasters in our Nation's history. On October 4th of this year, just a few days ago, I had the privilege to lead a delegation of 11 members to the Gulf Coast. What we saw there was some of the worst devastation; one of the most monumental disasters this Country has ever seen. We saw first-hand the devastating impacts of the flooding, wind damage and storm surges caused by the hurricane. In fact, while most of the publicity was for New Orleans and Louisiana, because of the numbers of people involved, we saw by far the worst damage along the coast of Mississippi.

Hurricane Katrina has taught us a lesson on the importance of infrastructure. When infrastructure fails, the impacts can be devastating. We don't notice it when everything is working, only when it is gone. Flood control projects are often debated by anti-development groups and others who call them pork projects, but as Katrina showed, these projects can be and are critical investments for our Nation's security.

In fact, in 1965, Congress authorized a barrier protection project that might have kept the City of New Orleans from being inundated with floodwaters. This project was halted in the late 1970s by a string of environmental lawsuits. The Federal Government, together with States and local communities, must continue to invest in flood protection.

No one knows where the next hurricane will hit, or which river valley will receive torrential rainfalls. So we must invest on a national scale. This nationwide effort will continue. New Orleans and the rest of the Gulf Coast will be rebuilt. It's just a question of how it will be rebuilt, and of course, there may be some parts of New Orleans and other places that should not be rebuilt.

We have to, on this Committee and in these subcommittees, be good stewards of the taxpayers' dollars. I grew up in a political family and I have followed this Congress closely since the mid-1960s. I don't think I have ever seen an issue flip so quickly as this did. There was a nationwide outpouring of tremendous sympathy for the first two or three weeks, and then most people around the Country seemed to feel that we were sending too much money too fast to that area and there was great concern that some or much of it might be spent in scandalous or wasteful ways.

We can't allow Federal tax dollars to be wasted or spent on unnecessary projects. We must ensure that appropriate projects are authorized to provide an adequate level of protection for New Orleans and the Gulf Coast and appropriate cost-sharing responsibilities for local project sponsors and integration of navigation, flood control and ecosystem restoration. We live in a country with thousands of miles of coastline, so we must also keep in mind that whatever decisions we make regarding New Orleans, Southern Louisiana, Mississippi and Alabama will have implications for flood control policy everywhere in the U.S.

The Federal Government will work in partnership with the City of New Orleans and other affected cities, as well as the States of Louisiana, Mississippi and Alabama to return the Gulf Coast to prosperity. That area is a very important part of this Country for many, many reasons, and we will hear more about that as we listen to the witnesses later this morning.

But to make decisions about Federal hurricane protection projects for New Orleans, we need to know how the city can be rebuilt. Today we will hear from elected officials from the State of Louisiana and the City of New Orleans about their vision for rebuilding New Orleans, the process they will use to make rebuilding decisions, and how the Federal Government can help.

The Federal Government cannot do it all. The Federal Government cannot do it alone and certainly we do not have the \$250 billion or figures such as that to be devoted to this project that we have sometimes heard. The Congress has already appropriated \$62 billion to go to this effort, and we need to make sure that that money is being spent wisely and in a way that is fair to taxpayers all over the Country.

Our hearing today will also provide the communities and industries that give New Orleans its vital culture and vital economy an opportunity to share their views on rebuilding. I look forward to hearing from each of the witnesses.

Before I turn to the Ranking Member, Ms. Johnson, for any statement that she wishes to make, I will make a statement about the process. We are going to allow opening statements only for chairmen and ranking members and affected members. Following opening statements, we will hear from Representative Baker and Representative Jefferson on panel one. We have to do this, because

we are having testimony from Governor Blanco by video. We are having a videoteleconference, and the time is fixed. We have to get to that at 10:30, and then we will have until 11:15 to ask Governor Blanco questions.

We first thought we were also going to have Mayor Nagin's testimony by videoconference, but he has requested and we are pleased that he will be here in person to testify.

At this time, I would like to turn to Ms. Johnson and then Chairman Shuster for their statements.

Ms. JOHNSON. Thank you very much, Mr. Chairman, for holding this first in a series of hearings on the aftermath of the Hurricanes Katrina and Rita and their devastating impact on the City of New Orleans and the greater Gulf Coast region.

Just yesterday the National Weather Service named its 21st storm for 2005, tying a 72 year old record for the most active hurricane season the Atlantic Ocean. With roughly six weeks remaining in the hurricane season, no one needs to tell our invited witnesses that this has been a historic year for natural disasters, both in the impacts on everybody lives, but also in raising the question whether the 2005 hurricane season was just an overly active year or a warning of things to come.

Yet while the history books have yet to reflect what actually exactly happened and what lessons can be learned from these storms, one thing is certain: the City of New Orleans must be rebuilt and the magical spirit that made that city great must be preserved. Anyone who watched the coverage of Hurricane Katrina could not help but be moved by the pictures and the stories of those least able to escape the path of the approaching storm, as well as the heroic efforts of those responsible for saving the countless numbers trapped by the rising floodwaters.

The coverage also exposed a side of the Gulf region that many probably did not even know existed: the widespread poverty that plagues so many of the region's citizens. Without special attention, these individuals are the first ones to get lost in rebuilding efforts.

Mr. Chairman, I am thankful that we have invited guests who can provide us with first-hand accounts of the devastation caused by Hurricane Katrina, its impacts to local communities and cultures as well as where those who live and work in the region believe we should go from here.

As with any major rebuilding effort, it is essential to understand exactly what was lost, what must be preserved and where things might be improved upon. We must resist the temptation to build first and understanding the resulting consequences later. This type of approach will only lead to costly and ineffective efforts to restore the City of New Orleans and the Gulf region.

In addition, this build first but ask questions later mentality has the greatest potential to displace vulnerable populations with the smallest voice in this debate.

Again, I welcome the witnesses. I thank you for your opening statements, and I look forward to listening to the testimony.

Mr. DUNCAN. Thank you very much, Ms. Johnson. This is the first in a series of three hearings. We will hold hearings on Thursday and we will hear from experts from the Army Corps of Engineers and others. Then on the 27th, we will have hearings from

some of the associations and some of the technical people that have the most knowledge about what needs to be done.

We are planning these hearings to be not blame or fault-finding hearings, but hearings about what should be done to prepare for the future and to help rebuild the affected areas. Much of these hearings will be chaired by my good friend and colleague, Chairman Bill Shuster, who chairs the Subcommittee on Economic Development, Public Buildings and Emergency Management, which has oversight jurisdiction over FEMA and other agencies.

Chairman Shuster.

Mr. SHUSTER. Thank you, Chairman Duncan. I want to thank you for working with me in putting this joint hearing together today. I think this is important and I hope other committees in Congress look at doing joint hearings, because I know that the witnesses that will be here today, it's difficult for them to leave the Gulf Coast, come up to Washington to spend a day or two up here when they should be really focusing at home. So this is important, that we best utilize their time, getting them up here, letting us hear what they have to say and making sure they get back down to the Gulf Coast in a timely manner.

I want to thank the witnesses for being here today. As I said, it's difficult to leave the immediate issues they are facing in Louisiana to testify. But testifying on long term goals and strategies for rebuilding in New Orleans is important.

New Orleans is one of America's great treasures, and I believe it's appropriate to remind our Congressional colleagues and the Country of New Orleans' unique place in our cultural history. At this point, the future of New Orleans is largely unwritten and uncertain, other than the general goal of rebuilding New Orleans. It's not clear to me that a plan exists. One thing is for certain, however, most of the Federal recovery dollars will flow through this Committee and how we spend those dollars will profoundly impact New Orleans for at least the next 100 years.

One of our greatest challenges as a Committee will be to ensure that the projects and programs we fund support local goals and decisions. Just a little over a week ago, President Bush made clear his vision for the rebuilding process. I think he had it right: it should be federally supported but locally driven.

It also has to be fiscally responsible, and we must use common sense as we move forward. I would remind everybody that this is not our money, it's the taxpayers' money and they demand nothing less.

As all my colleagues know, rebuilding New Orleans will be a massive and complicated matter. It raises a number of important questions that I hope our witnesses will be able to discuss today. For example, after the 1993 Midwest floods, a number of communities chose to use FEMA mitigation funds to relocate out of harm's way rather than rebuild.

Are there high risk areas of the city that should be relocated instead of being rebuilt? What should the Federal role be? How do we utilize local residents and businesses in the reconstruction and rebuild the economy along with the infrastructure? How do we increase home ownership and how do we help local governments survive in the short term so that they can succeed in the long term?

I look forward to hearing from today's witnesses on their vision and strategy for rebuilding New Orleans and also how they believe these visions and strategies can best be implemented. Again, Chairman Duncan, thank you for chairing this Committee.

Mr. DUNCAN. Thank you very much, Chairman Shuster.

Before we go to Ms. Norton, I want to welcome the newest member of the Committee, the person who will become the newest member of the Subcommittee at our next markup, Mrs. Schmidt from Ohio.

Next we have the Ranking Member of the Subcommittee on Economic Development, Public Buildings and Emergency Management, our colleague from the District of Columbia, Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman. I thank both Chairmen and our Ranking Member for scheduling this very important hearing.

I'm pleased to serve on both subcommittees. Together, these two subcommittees are the major authorizers for emergency relief, for short and long term relief, and for major elements of the rebuilding of the Gulf Coast, only now in the startup stage. We cannot do our job as a committee unless and until we hear from the officials and residents who were hurt, must guide and live with the rebuilding effort. This hearing begins our efforts for New Orleans and particularly by hearing from State and city leaders and from other officials who will have the responsibility for designing and leading the rebuilding efforts in their city.

The scale of the damage left by Hurricanes Katrina and Rita is unprecedented in modern America. The challenges are beyond any that have been confronted not only by State and local officials, but also the Federal agencies charged with responsibility, including FEMA and the Corps of Engineers. Our interest today is in the vision of those who lead and live in the State and city and the strategies that they and their Federal partners believe can get us from here to where they want and deserve to be.

In turn, our subcommittees must ensure that our programs are tailored to unprecedented conditions, including the temporary destruction of the economy of a vital region of the United States and its lead city, New Orleans. Some of the problems are already clear. For example, the Stafford Act requires that preferences be given to local residents and businesses in contracting for Federal disaster rebuilding. But residents have been scattered across the face of our Country and business and commerce are crippled by the lack of capital, employees and customers.

Already after some criticism and pressure from our Committee and others in the Congress about no-bid contracts, and the limited number of contracts to regional firms, FEMA has announced that it will re-bid five \$100,000 million housing contracts.

We can help rebuild New Orleans. But we understand our obligation to be helpful to Governor Blanco and Mayor Nagin in meeting the challenges of safer and smarter rebuilding. Above all, we want to ensure that the 300 evacuees that we were pleased to house here in the District of Columbia and the hundreds of thousands of New Orleans residents throughout the United States are getting the assistance they will need in short term and affordable long term housing.

Policy decisions about where and how to house evacuees can determine who participates in the rebuilding efforts and indeed, who ultimately returns to New Orleans at all. I look forward to hearing from today's witnesses with the knowledge and the wisdom we will all need to get the job done together.

Thank you very much, Mr. Chairman.

Mr. DUNCAN. Thank you, Ms. Norton.

As I mentioned earlier, I was instructed that we would allow opening statements from the Chairmen and Ranking Members and members from the affected areas. Then if we have any time after that, we will go to other members in order, but we will have to stop at 10:30 to handle this videoteleconference with the Governor.

So we will now go at this time to Mr. Boustany.

Mr. BOUSTANY. I want to thank you, Chairman Duncan and Chairman Shuster, for convening this joint hearing today. Both of you personally reached out in the immediate days after Hurricanes Katrina and Rita to offer your support and condolences. I appreciate all you have done, also the work your staff has done in helping us respond to this unprecedented devastation in the Gulf Coast region.

Today we are focusing on the rebuilding of New Orleans. But the devastation reaches far beyond. In fact, in southwest Louisiana, my district, the Seventh Congressional District of Louisiana, Cameron Parish was almost completely destroyed, with massive flooding and hurricane force winds. Vermilion Parish, another coastal parish, had extensive flooding, crops were destroyed from saltwater and homes were lifted from their foundations. The storm surge from Rita, in fact, impacted regions as far as 40 to 50 miles inland, with hurricane forces reaching up into central Louisiana.

In addition, southwest Louisiana supplies much of the Nation's energy. Oil and gas production is still at this time less than half of the pre-Katrina capacity.

Local officials and emergency responders in my district did an outstanding job in evacuating those communities in Rita's path and thus saving countless lives. Now we must focus on rebuilding not only New Orleans but much of the Gulf Coast region.

I think it is important at this stage to remember that Government cannot micromanage economic recovery. The Federal role in this recovery must be targeted, spending must be prudent and fiscally sound with proper oversight and accountability. Federal actions must at every stage spur private investment. In my mind, rebuilding New Orleans and restoring New Orleans to the great city it has always been hinges on our ability to provide a safe environment in which businesses can thrive and communities can flourish.

The Subcommittee will hear more in-depth testimony on the hurricane and flood protection needs for a rebuilt New Orleans on Thursday. But I think this is really a key issue. It must be a top priority in order for us to attract insurers back into this region, because business investment won't follow unless we can attract insurers back.

I know the Corps is well underway in its work to prepare the levee systems in preparation for the 2006 hurricane season. But we need to make sure a rebuilt New Orleans is prepared for a future category 5 hurricane. And I want to work with my colleagues to en-

sure the Corps develops a comprehensive, peer-reviewed levee plan with an expedited time frame and a specific time frame for implementation.

We need to revisit the feasibility of constructing a Lake Pontchartrain barrier, an issue that this Subcommittee grappled with nearly 30 years ago. I think we need to take this up again.

Another priority must be rebuilding health care infrastructure in New Orleans. LSU Medical Center and its teaching hospitals, including the only level one trauma center in the entire region, were devastated. This is critically important in rebuilding our economy and our health care infrastructure for the entire State.

New Orleans will be rebuilt, bigger and better than before. But we need to make sure it's safe for occupation as well. I thank the Committee for holding this series of hearings, and I look forward to working with my colleagues as we move forward with the rebuilding process. Thank you.

Mr. DUNCAN. Thank you very much, Dr. Boustany. Dr. Boustany is not only from the affected area, but he is vice chairman of our Water Resources and Environment Subcommittee, and a very active member of the Subcommittee.

We will go next to Congressman Taylor and then to Congressman Baker. Congressman Taylor, who also helped host us when our delegation visited Mississippi. We appreciate, Gene, very much, your accommodations at that time.

Mr. TAYLOR. Thank you, Mr. Chairman. I want to thank my colleagues who were able to visit south Mississippi and coastal Louisiana for coming down to see first-hand the challenges that confront us.

Mr. Chairman, what is good for New Orleans is good for south Mississippi, what's good for south Mississippi is good for New Orleans. I very much welcome this hearing today. Also we want to keep in mind that this is a region that was hurt by this storm and not just a city, that it affected hundreds of thousands of south Mississippians every bit as much as it affected New Orleans.

And we certainly want to help our neighbors to the west. We want to help them rebuild their beautiful city, we want to help with the Mississippi River delta restoration project, inappropriately called the Louisiana Coastal Initiative. Because what is important for the Mississippi River is of great importance to south Mississippi as well.

We also hope at some point that my colleagues from Louisiana could give me some idea of how many people from Louisiana lived outside the flood plain and yet were flooded by this storm. I think we have a lot in common there that a heck of a lot of people were told by their insurers, by their bankers, by their mortgage lenders, that they were outside the flood plain, they don't get flood insurance, only to have an unprecedented storm directly affect their lives, their homes and now put them in a situation where their wind insurance is saying, we're not going to pay, it's a water event. Their homes are destroyed and they have no Federal flood insurance.

So I know that this affects tens of thousands of south Mississippians. I presume it affects a heck of a lot of Louisianans. I would

hope that this body could find some fair way to make these peoples' lives whole.

What we want to see is that person who has invested in coastal Louisiana and south Mississippi for decades, coached at our Little Leagues, taught at our schools, attended our churches, we want to see to it that they are able to make their lives whole, to get their lives going again rather than having to sell out cheap to some developer. Because all the plans that I see thus far really do benefit just the guy who comes in from outside, buys cheap, sells high and doesn't pay any taxes on it. That's not what I want to see, and I can't believe it's what this Congress wants to see.

But I thank Mr. Baker for appearing before this panel, I'm very pleased we have such a distinguished panel of Louisianans joining us this morning.

Mr. DUNCAN. Thank you very much, Mr. Taylor.

Before we go to Mr. Baker, Ms. Johnson has made a special request.

Ms. JOHNSON. Thank you, Mr. Chairman. I want to say happy birthday to Mr. Wynton Marsalis, one of my favorite musicians, and a native of New Orleans. I am sorry that you are here under these circumstances, but delighted to see you.

Mr. DUNCAN. All right, thank you very much.

Now our distinguished colleague, Richard Baker, who also helped host us when our delegation came to Louisiana and made a very impressive presentation at that time. Congressman Baker is a very valuable member of our Water Resources Environment Subcommittee and is a lead witness here today. Congressman Baker.

TESTIMONY OF THE HONORABLE RICHARD H. BAKER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA; THE HONORABLE WILLIAM J. JEFFERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. BAKER. Thank you, Mr. Chairman. I appreciate the courtesy you have afforded me this morning, and wish to acknowledge that my principal assignment of committee responsibility in the Congress is as member of the House Transportation Committee. My secondary obligation in the House is as a member of the House Financial Services Committee. I wish to speak for a moment to some of those obligations in the resolution that is being discussed this morning.

Others will certainly validate the need to rebuild this region, and I think that appropriate, because some of you are simply asking the question, why go back. Others will validate the economic significance of this region which I think important, because many do not understand how the Port of New Orleans, the energy production and our aquaculture really does impact our national economy.

Others will outline the necessity for important local perspectives in developing the redevelopment plans which obviously will ultimately be proposed to the Congress. And I think that highly appropriate and necessary.

But what has not squarely been addressed, at least to this point, is how we can assure as Louisianans access to continued Federal dollars over the coming years, and I say it that way, coming years,

with appropriate accountability to you and your constituents for the manner in which your hard-working taxpayers' dollars are spent in our State. It's not lost on me that an increasing number of members are expressing their concerns with votes against various measures. I handled a rather innocuous bill just last week which had 65 votes against it on final passage. Clearly, a message is being received by me and others in the delegation that there needs to be more disclosure, transparent disclosure and accountability in how we go forward.

I will introduce this week with most members of the Louisiana delegation a measure to create a Louisiana Recovery Corporation. This will be a unique institution, intended at the moment only for Louisiana, but I have talked with Mr. Taylor and those affected in Texas as well about the appropriateness of a similar corporation for their particular communities. The uniqueness of this entity is that it will be an off budget enterprise, so we would not have the necessity of returning to the Congress for renewed appropriations measures.

Secondly, it would be given broad authority to issue public debt obligations approved by the United States Treasury. This would give assurance to the Congress and the Administration that there is Federal oversight of these debt issuances and the debt that's being issued and therefore the capital being raised will be deployed for a plan generated from the local level up, as the President has indicated he would like to see us proceed.

There is precedent for such an entity being created. In the course of our Nation's history, there have been three which are large real estate acquisition and disposition entities with similar powers and responsibilities. Before redevelopment can proceed, however, it must be preceded by restoration of levee integrity. It's already clear in the insurance markets that if insurance were to be made available, it would be at such a high price or simply not available at all unless levee integrity is absolutely assured.

Environmental restoration is the second necessary step. Permanent habitation cannot occur until those pollutants which have been deposited by the flood are removed and assurance is given to homeowners that it will be safe for their children to play again in the back yard.

Restoration of essential public utilities is critical for large scale redevelopment capacity. In order for those steps to occur, it cannot at this moment, I do not believe, be achieved either by local or State resources. Unfortunately, Standard and Poors, Moodys and Fitch have all put the State and the cities on a negative credit watch. That's the first step to a downgrade.

That means were we to issue debt for our own reconstruction, it would come at an inordinate expense and some uncertainty as to our ability to market that debt in capital markets. For that reason, it is essential to have the Federal Government's full faith and credit backing the debt issuances that do have the potential for a repayment at the tail end of the project.

How so? Well, with stage financing and the ability to establish levee integrity, environmental remediation and public utilities, we could then create large expanses of reclaimed properties available for redevelopment. Those redevelopment areas would then be pro-

posed by local community leadership. Mayor Nagin, Governor Blanco and others have proposed and established commissions that involve local community leadership with various perspectives on how communities should be rebuilt.

In an ancillary matter, we will consider a governmental reform in the manner of Fannie Mae and Freddie Mac, two of the large housing Government-sponsored enterprises later this month on the House floor. As an element of those reforms, there is established an affordable housing fund heretofore not existing, which would dedicate somewhere between \$500 million and a billion dollars annually of non-taxpayer money to affordable housing goals.

So this would be an augment to the redevelopment plan for those concerned that this is only about developers getting rich off the purchase of property from this entity to make money at the expense of the affected constituents in the arena. There will be mixed-use, affordable housing, subsidized housing, multi-family housing, to a great extent financed by the resources of Fannie and Freddie as well as the Federal Home Loan Bank.

To have the ability to complete such a large scale reclamation project can only be achieved with Federal resources. But the U.S. taxpayer, accordingly, deserves some assurances that the dollars spent are wisely spent and that there is some potential mechanism for partial repayment. And I emphasize the word partial repayment. I would not represent to this Congress that any development plan would make U.S. taxpayers whole as a result of some innovative or new strategy for reclamation.

The plan will call for the large scale sale of properties ready for redevelopment to the private marketplace, but homeowners will not be dispossessed. Several options will be offered to a homeowner. One, you can take a cash settlement and move on with life in another community somewhere else if that is your determination.

Secondly, you can reserve the right to your 100 by 150 foot parcel subsequent to the redevelopment activity if you choose to wait that period of time and you can rebuild on a relatively similar size lot in a relatively same location once the redevelopment has been concluded. And I want to emphasize that. There is great concern expressed by Mr. Jefferson and others to me that bulldozers will run, peoples' property will be taken and they will be dispossessed from their communities and unable to return.

This proposal will not do that. If you choose to stay, you can stay. It is your decision. You will simply have to await the restoration process before you are able to return to normality.

There is one other provision which has received some statements of concern. If you are building a highway project and you have reached negotiated settlement with 99 out of 100 landowners, and one person refuses to sell his property at what is determined to be the appropriate level of compensation for that project to move forward, the public interest requires the Government to act and you subsequently litigate that value in court, so that the project can move forward.

I am not going to run from it, there is a necessity for some limited right of eminent domain, so that the redevelopment proposal can move forward and families can be restored and home owner-

ship be re-established. But that is the last element in a long process of opportunities and choices which homeowners will make.

Ultimately, the commission will have a very difficult responsibility in assessing the literal thousands of financial relationships of those who own outright to those who just bought last month with their 95 percent LTD ratio in their mortgage, and the ability for the commission to provide individuals some measure of compensation to move on with life, to provide some measure of compensation to the lending entities to not cause disparate economic difficulty in broad sectors of our financial economy is essential and very important.

Stated a more simply pointed way, I believe the plan will afford us a mechanism to rebuild devastated communities in a responsible manner, minimizing the cost to the United States taxpayer while respecting the right of private property ownership. That is my goal. It will not be easy. It can be done.

I am not aware of another plan that speaks to the need to measure Federal resources flowing to communities with accountability. There's a lot of planning going on and a lot of commissions out there. But we just can't ask you to give us money and go away. I understand that.

If you will give us a chance to explain how we intend to proceed with the Louisiana Recovery Corporation, I am hoping, Mr. Chairman, that you and members will find it to be an acceptable path. I thank you for the time.

Mr. DUNCAN. All right, thank you very much, Congressman Baker. Those are some very good suggestions. Obviously we won't be able to give everybody everything that we want, and obviously as I said earlier, the Federal Government, people want to help in that area, but the Federal Government won't be able to do it alone. Insurance companies will have to do their part. The State governments will have to do their parts and so forth.

Next we will hear from our very distinguished colleague, Congressman Jefferson, who represents so much of the affected area. Congressman Jefferson.

Mr. JEFFERSON. Thank you, and good morning.

I would like to thank the Chairs and Ranking Members of the subcommittees represented here for allowing me the opportunity to appear before you to give testimony on Congressional efforts to revive and rebuild New Orleans in the wake of Hurricanes Katrina and Rita.

I need not spend much time cataloging the devastation that we have experienced as a result of these hurricanes and the consequent flooding of huge portions of southeastern Louisiana. As we have all seen, these terrible storms were indiscriminate in their destruction, leaving behind unprecedented amounts of property damage, human casualties and economic losses.

It is estimated that nearly 228,000 occupied housing units, representing more than 45 percent of the housing stock in the metropolitan New Orleans area, were flooded. This total included 120,000 owner occupied units and 108,000 units occupied by renters, representing 39 and 56 percent of those respective stocks. Moreover, New Orleans and a number of surrounding towns have been virtually shuttered for almost seven weeks, decimating the

revenue base and forcing dramatic reductions in the labor force, just at a time when those workers are desperately needed to assist the recovery efforts.

A further effect of the storms was the disproportionate adverse impact on the State's most vulnerable and poor citizens. Thirty-eight of the metropolitan areas, 49 extreme priority assistance tracts, were flooded. All 38 of the flooded property tracts were in the city of New Orleans.

Sadly, these tragic effects were not inevitable. They represent an unfortunate intersection of weather and water with the socioeconomic geography that had evolved over decades.

Accordingly, as we confront the future, our goal should not be merely recovery, but transformation, a socioeconomic revolution that leaves a region not just like it was, but better. Those impacted by the storms deserve no less. The limited Federal resources we can garner to meet New Orleans's needs must target quality outcomes relying on existing, proven tools that meet the scale of the task.

To that end, we should focus, I believe, on four principal goals. First, we must create a region that is survivable for the long term against storms that are ever more frequent and more ferocious each year. Second, we must commit to turning the region into an example of higher quality sustainable development. Third, we must replace neighborhoods of concentrated poverty with neighborhoods of choice and connection. And finally, we must transform the region from a low wage economy to one of the highest skilled work force commanding among the highest salaries in our region.

Without question, these are daunting goals. But this much is clear: the reconstruction of New Orleans and southern Louisiana in a proper way is going to require sustained, serious and even visionary concentration over many years from the grass roots level to Capitol Hill. But I am confident that the will exists among my colleagues here in Congress and my fellow Louisianans to achieve these goals.

With this firm commitment, we can rebuild those areas shattered by hurricanes in a way that makes them more survivable, these areas more sustainable and more inclusive and more competitive in the global economy than they were before the storms. To enhance survivability, the Army Corps of Engineers testified before the Congress a few weeks ago, they could build to a category 3 levee by next June at a cost of \$1.6 billion to protect New Orleans and the New Orleans area, which means New Orleans and Jefferson Parish, basically, against a category 3 storm, and then it could build to protect against a category 5 storm over the next 8 to 10 years at a cost of another \$5 billion or so.

In later discussion with the Corps in my office, they explained to me that the time to rebuild to a category 5 was so long because of three principal reasons. One was the legal reasons, they explained, were expropriation concerns and environmental issues. The second was local share issues of how local government is going to pay for their share of the project.

And the other was just geography issues about how long it takes to settle levees when you rebuild, you build some more and you wait for it to settle. It just takes time. And even with those, we are

able to mitigate and reduce those concerns, it gets us to a position where we are talking about a four or five year project, even then, to get to category 5 protection.

But while building a dependable levee and hurricane protection system is vital, it's not enough really to really on engineering oriented sea wall or levee oriented approach to flood protection. If Hurricane Katrina taught New Orleanians and the rest of us anything, it is that attempting to dominate nature solely with structural barriers is insufficient. Moreover, given the time required to enhance those barriers to protect against a category 5 storm, as we revealed in the interim, we must ensure that survivability and sustainability remain in the fore of any decision making.

As we move forward, we must plan where and how to rebuild scientifically, systematically and democratically. We must rebuild for all who were displaced and for future generations. State and local governments should call upon leading environmental engineering and urban design experts to provide guidance both to Government and to the citizens of New Orleans as to the best path forward.

Planning in a systematic, transparent and objective way with an open and honest discussion of the costs and benefits of each approach will ensure that the city has a solid foundation on which to build, not the cost and benefit approaches we normally talk about here, which is to say, economic costs and benefits, but the costs if a catastrophe strikes, which we have not taken into account over the years.

We must confront perhaps the most extraordinary urban housing crisis our Country has ever witnessed. We must move forward aggressively and creatively to re-settle those displaced by the deluge in safe, comfortable homes and economically integrated neighborhoods, or as a recent Brookings Institution report describes them, neighborhoods of choice and connection.

The images that pervaded media coverage in the days after Hurricane Katrina struck New Orleans exposed what President Bush has described as a deep, persistent poverty. As we move forward with the rebuilding of New Orleans, therefore, we must replace neighborhoods of extreme poverty with neighborhoods of choice and connection. The Brookings Institution report I referenced earlier describes neighborhoods of choice as "desirable communities that families of all income levels seek out for their quality, distinctiveness, sociability, location and amenities. These neighborhoods are most importantly economically integrated, or mixed income neighborhoods."

The same report defines neighborhoods of connection as those that lead families to opportunity rather than isolated by residents. These neighborhoods offer their residents good schools and timely services, provide their citizens easy access to nearby or distant job markets, as well as a connection to the mainstream life of the region.

Shortly after Katrina hit, the American Institute of Architects reached out to me and others in Government to offer their expertise in planning and helping to develop just such neighborhoods in a renewed New Orleans. Such neighborhoods may represent the best hope to solve many of the city's urban dilemmas. They rejected the concentrated poverty, residential segregation and economic iso-

lation that characterized too much of the city. They also represent a vision of a city rich in economically integrated neighborhoods, attractive to all classes of people, with schools on a path to excellence, traversed by notably better public transportation, and tighter links to greater economic opportunity.

So obviously the question becomes, how do we convert this vision into reality? That is of course why we are all here today. This Committee will play an essential role in the rebuilding process.

This Committee holds the charge of ensuring that New Orleans and the surrounding region are able to access all the Federal tools and resources necessary for it to rebuild to a first class infrastructure situation as it is rebuilt, from flood and hurricane protection to transportation to connect communities to port system reconstruction, so crucial not just to New Orleans but to 28 States over thousands of miles of inland waterways, to roads and rail. The New Orleans area will need this Committee's support to implement a comprehensive plan to ensure that.

Since Congress returned from its August work period to confront the effect of Hurricanes Katrina and now Rita, we have made significant progress. While Congress cannot write the individual recovery plans for each city and parish in our State, it can and must create a box of tools that give our State and local governments the authorities they need to make and carry out local plans for recovery. Congress has begun to do that weighty task.

We are grateful to the Congress for having passed the largest disaster recovery appropriations package in our Nation's history, already committing direct spending of more than \$60 billion to the recovery and reconstruction effort. As of last week or a few weeks ago now, some \$21 billion of that money had been obligated or spent, leaving \$38 billion still unobligated. These FEMA dollars can be used for a wide range of purposes, as you know, including replacement and rehabilitation of infrastructure, water and sewer system rehabilitation, fire and police stations, public hospitals and clinics and schools, housing assistance, loans to State and local governments for operating expenses to certain health care expenses.

We have also passed several pieces of legislation providing individual tax relief and the rest that you have all voted for and supported. Under the current FEMA provisions, FEMA pays 75 percent of the costs of these projects that I have mentioned, such as police and fire and any public infrastructure that has been destroyed.

The rest is paid by local share. This share is unlikely to come, as Representative Baker said, from State and communities that have been severely reduced in their tax bases. We therefore must make provision on our level for States and cities to find ways to take self-help steps to take advantage of resources that are under the Stafford Act to rebuild critical infrastructure.

While the news laws that we have passed move the ball forward, there are many proposals to be enacted. I see that my time is fast getting away from us here, but let me just say this. We have in this Congress passed a few provisions which are on our side, the tax side, the Ways and Means side, that will give our city and our State the tools it needs to borrow money virtually tax-free over the next several years, to permit it to raise the money it needs to meet

local share requirements and a way to self-help itself, to permit it to refinance its current bond obligations because of Federal limitations now on that, not to lower the interest rate, but to extend the time for repayment, to give them more wherewithal to do the things they need to do to meet local share requirements.

But there is going to be, over the next several years, an important role for this Congress to play in permitting these self-help opportunities and in giving direct help to our State and to our local areas to rebuild. I am confident that with the efforts that are being made, with the reaching out that is being done by members of Congress and others around this Country that we will rebuild our city bigger and better and safer than it has ever been in the future, with more opportunity for more people and with a more shining example of what an urban city, a modern urban city ought to be these days.

So I thank the Committee and there are many issues, proposals out here that we have to work through, some of which Mr. Baker has talked about and others have talked about. But I feel confident that there are enough good ideas around that at the end of the day, we will have a chance to rebuild a New Orleans with the collective help of all of you that we can all be proud of and that can serve our constituents well.

Thank you very much for the chance to be here.

Mr. DUNCAN. Thank you very much, Mr. Jefferson.

We are fortunate that on the Water Resources and Environment Subcommittee we have as members Congressman Taylor, Congressman Baker and Congressman Boustany, three members who, along with you, Congressman Jefferson, and your work on the Ways and Means Committee, the four of you have really been the leaders in the House in this whole tremendous effort that has already begun but will continue for quite some time.

We have a rule in this Subcommittee that we do not question members on members' panels, in consideration of other witnesses that have come from all over the Country and in consideration of the fact that each of you have such busy schedules, and also that we have a chance to later question you on the Floor or various other places.

In addition to that, Governor Blanco has been waiting since about the time that Congressman Baker began testifying. So Congressman Baker, you are a member of the Subcommittee, if you wish to take a seat on the dais, you are certainly welcome. We will welcome Congressman Jefferson to stay as long as he is able.

In my six years as Chairman of the Aviation Subcommittee, and this is now five years as Chairman of this Subcommittee, I have had the privilege to chair about 200 hearings, I suppose. I have had many Governors testify, but I have never had any witness testify over the videoteleconference. I don't know how this is going to work. There is Governor Blanco now. I hope she can hear us, and I hope she has been able to hear the very important testimony that Congressman Baker and Congressman Jefferson have given. We will see how this works.

We certainly are pleased to have Governor Blanco. We did allow her to testify in this manner because of the tremendous work that she is having to do there in her State and because of scheduling

difficulties. After her testimony, Mayor Nagin will be here to testify in person. We are pleased at this time to have as our next witness the Honorable Kathleen Babineaux Blanco, Governor of the State of Louisiana, from Baton Rouge.

Governor Blanco, I hope you can see us and hear us, and we welcome you to the Subcommittee. You may begin your testimony.

TESTIMONY OF THE HONORABLE KATHLEEN BABINEAUX BLANCO, GOVERNOR, STATE OF LOUISIANA; THE HONORABLE C. RAY NAGIN, MAYOR, NEW ORLEANS, LOUISIANA; THE HONORABLE MITCHELL J. LANDRIEU, LIEUTENANT GOVERNOR, STATE OF LOUISIANA; WYNTON MARSALIS, MUSICIAN, NEW YORK, NEW YORK

Governor BLANCO. Indeed, sir, I can see you and hear you, and I appreciate this opportunity to speak to you.

Mr. Chairman and Ranking Members, committee members, thank you indeed for allowing me to videoconference in with you today. In the worst natural disaster in this Nation's history, Hurricanes Katrina and Rita hit New Orleans and most of south Louisiana hard. You have all seen and read about the devastation. Hundreds and thousands of our citizens remain scattered all across the Nation. Over 200,000 homes have been destroyed, leaving tens of thousands still homeless.

The hurricanes shuttered or displaced almost 81,000 firms. That is 41 percent of Louisiana's businesses. The Congressional Budget Office reports that more than \$375,000 Louisiana citizens lost their jobs.

The task of rebuilding Louisiana is massive and it is complex. Many schools, universities, hospitals, churches, businesses, utility systems, have been destroyed. Much of our transportation and port infrastructure, both sea and air, has been damaged or destroyed. Indeed, entire communities, entire parishes, have been destroyed.

These mothers and fathers and sisters and brothers and their children want to come home. And I want them to come home. They want us to rebuild and I insist that we rebuilt. But we must protect what we rebuild.

Our people of coastal Louisiana must feel safe. They must be safe. They deserve no less. We must build newer, higher, stronger levees to protect New Orleans and other south Louisiana communities.

Repairing the damaged levees is only a step. But it is an important first step. New Orleans must be protected. Without better levees, who will invest, who will insure, who will return? Without restoring and improving the critical infrastructure, levees and drainage canals, roads and bridges, hospitals and schools, we can't rebuild New Orleans.

Let there be no doubt about the importance of the New Orleans area to the economic health of the Nation. America's economy must have a vibrant, commercial port at the mouth of the Mississippi River, its most important waterway. South Louisiana is the center point of the Nation's energy economy. This is the export hub of the Nation's bread basket. This region fills the Nation's restaurants and supermarkets with seafood.

Indeed, the quality of life of our Country depends on a vibrant Louisiana economy. Just as the Nation recreated the economic greatness of New York City after 9/11, the Nation needs New Orleans, the Nation needs south Louisiana. America needs this region not only for our rich culture but also for the unparalleled and unique contribution that we make to America's economy.

We are working hard to restore Louisiana and to bring our people back, back to sound homes, quality jobs and revived neighborhoods. But we must have help from Congress. That is why I am here today. We are dealing with a crushing blow to the revenues of both State and local governments. Jobs and businesses are at the heart of our recovery efforts. Without a thriving business community providing quality jobs, our people will have no reason to come home.

In the first 18 months of my administration, we scored success after success as we brought in new industries and enhanced existing businesses. We closed deals worth \$3 billion of new capital investment for Louisiana. We scored those successes with targeted State tax credits and tax incentives that reward companies for investing in Louisiana and creating quality jobs.

We are proposing to use the very same kind of economic development tools in our tool basket in the recovery of Louisiana. But the problems are so great, we need additional help. That is why we are here today.

We need direct incentives to help businesses and individuals move back, so that they can move back into the storm zone. That is an idea that President Bush included in his Gulf Opportunity Zone proposal. We support that.

Up to \$30 billion in tax-exempt hurricane recovery bonds are essential to our efforts. This would dramatically lower the cost of capital to companies of all sizes. A job creation tax credit would motivate large companies with significant payrolls to remain in the region. A \$10 billion Louisiana business development fund to provide grants to small businesses that returned to the affected areas of our State would be critical. We are asking you to help us in all these counts.

We need your help with these important incentives in order to regain our footing. If you help us with these incentives, we believe that we only have to step aside and let business do what it knows how to do.

We project a 20 percent shortfall in State tax collections because our economy has been stopped in its tracks. But just yesterday, I announced the creation of a bridge loan program to help our small businesses with much needed cash flow. The need for financial assistance is so great in the damaged area that this program will be tapped out in two to three days. Our businesses need more of this kind of immediate help. I have asked the United States Senate and President Bush for \$200 million to fund these kinds of bridge loans. That is the size of our need.

We are making other advances. Days ago, we reopened an important bridge on Interstate 10 east of New Orleans, connecting New Orleans to the east. This temporary repair was completed earlier and at a lower cost than we estimated and by Louisiana contractors, I proudly add. A permanent repair to this section of I-10 will

cost about \$600 million. That is just one part of the needed repairs to the infrastructure in and around the City of New Orleans. Roads and bridges that are not normally eligible for Federal aid suffered about \$845 million worth of damage.

South Louisiana's port system is functioning, but only at a fraction of its capacity. Damage to public port and rail facilities alone totaled more than \$825 million. The Federal navigation system on the river suffered more than \$300 million in damage.

Those are just a part of this massive recovery effort, an effort that requires a daring, yet a realistic plan. To recover from the trauma of this devastation, we cannot simply recreate the protection levees that those storms destroyed. It's essential that we build stronger, smarter and safer.

To coordinate the continuing rebuilding effort, I have created the Louisiana Recovery Authority. They will function as my board of directors of our recovery effort. I have selected some of the best minds from or with connections to Louisiana. I have appointed as chair Dr. Norman Francis. He is President of Xavier University in New Orleans, and one of our State's most respected leaders.

As Vice Chair, I have appointed Walter Isaacson, a New Orleans native who has served as managing editor of Time Magazine, Chairman and CEO of the Cable News Network, otherwise known as CNN, and he is now President of the Aspen Institute. I have directed these members to act boldly, reach out for new ideas, forget old limits, ignore the ancient rivalries of politics, race and region, imagine a better Louisiana and help me create it.

This Authority will go to work immediately. They will focus on prioritizing key issues, safety, housing, jobs, transportation, education, infrastructure needs, economic and work force development, health care, the environment and family services. I am confident that this Authority can deliver tangible results in a timely fashion.

I want to spend a moment addressing the issue of fiscal and financial accountability. I understand the questions that some in Congress have about how our State will handle the Federal funds that are coming to us for disaster relief and recovery. First, during my administration, the financial operations of the State of Louisiana have been highly rated for government accountability. But I want to emphasize that the financial affairs of Louisiana will be transparent and wide open as it pertains to this period of recovery, more so than ever before. I believe that we will stand well to the expected scrutiny by the public, the Congress and the media.

Second, in addition to our normal auditing processes, we will hire a Big Four accounting firm to audit every single recovery dollar that the State receives. We will then have a second Big Four accounting firm audit the audit of the first firm. And finally, on top of that, I directed the Louisiana Recovery Authority to appoint an audit committee to add further oversight to this financial accountability process. I expect to account for every single penny of Federal money that is received by the State of Louisiana. I believe that this process will enable us to do it in a way that inspires public confidence.

Only with the confidence of the public and this Congress can we properly restore New Orleans and south Louisiana, a task that we believe is vital to the future of our Nation. I come to you today to

ask on behalf of hundreds of thousands of United States citizens who call Louisiana home to continue your generous support of our recovery efforts. Without the financial support of Congress and the American people, we cannot adequately meet the challenges before us.

But I am confident that with the support of our President and each of you, we will be able to bring our people home, restore our communities and reunite our families in a stronger, more vibrant Louisiana.

President Bush has repeatedly expressed his desire that we succeed in these rebuilding and restoration efforts. He is fully committed and Louisiana appreciates his commitment.

That is the awesome task before us. And I hope each of you will become our partners in this historic undertaking, and I appreciate the opportunity to speak to you today. Thank you.

Mr. DUNCAN. Thank you very much, Governor Blanco. We will have some questions for you. This is, as you know, a joint hearing of the Subcommittee on Water Resources and Environment, which oversees, among other things, the Army Corps and the EPA. Then the Subcommittee on Economic Development, Public Buildings and Emergency Management, which has oversight jurisdiction over FEMA and other areas, and certainly economic development and Federal Government buildings, that are also great concerns.

Co-chairing this hearing with me is Chairman Bill Shuster, who was one of the first members of Congress to go to the scene and also accompanied us on the larger delegation that came down two weeks ago today. I am going to yield my time for questions to Chairman Shuster at this time.

Mr. SHUSTER. Thank you, Mr. Chairman. I appreciate that. Can you hear me, Governor?

Governor BLANCO. Yes, I can.

Mr. SHUSTER. First of all, welcome. I thank you for appearing before us here today.

The first thing I would like to say is that there is no doubt in my mind that this Nation and this Congress will support and send billions of dollars, which we already have, to the Gulf Coast and to Louisiana for the rebuilding effort. I think it is important that we ask questions. The folks in my district, the rural district in Pennsylvania and Pennsylvanians in general hear all about the rebuilding, and of course, as I said, I am sure we are going to be assisting, and I know people in Pennsylvania are ready to contribute to the effort with their funds, with donations and with their time.

But again, the question that is imperative to ask is not only about the rebuild, but what about what parts of New Orleans there needs to be mitigation, what parts of New Orleans do we look at and say, maybe it doesn't make sense to rebuild them where they are, maybe we need to put them in other places. I don't hear a plan, and I hope there is a plan put forward. Is there a process that you will go through, you and the Mayor, I will ask the same question to the Mayor, is there a process that you are going to put forward to decide where it may not make sense to rebuild in certain parts of New Orleans?

Look to the floods in 1993 in the Midwest, there were whole towns that decided to move, because it didn't make sense being

where they are. In my district in Pennsylvania, we are right now going through mitigation where there are going to be eight to ten houses that have decided they are going to move, because it doesn't make sense to be where they are or to spend the money to protect those houses. The cost benefit isn't there.

So can you talk a little bit about the plan or the process, if there is one, for determining where to rebuild, where not to rebuild in New Orleans?

Governor BLANCO. Chairman Shuster, I do appreciate your concerns and the generosity of the people of your district and the people of the United States. Indeed, Louisiana has been blessed to be the beneficiary of so much outpouring from our fellow citizens.

We do know that there are some difficult decisions that have to come before us. The Louisiana Recovery Authority and indeed the Mayor's own commission will be struggling with those particular issues as we move through these next few months and few weeks.

We have the monumental task of simply creating order right now. But those decisions are the kinds of decisions that are going to be determined as the process evolves. We will be bringing in experts on land use initiatives, probably new construction concepts.

Indeed, I think the most important thing that we have to consider is how to create safer communities. People do not want to put their lives in jeopardy, nor do they want to put their properties in jeopardy.

So those issues will be coming before us in the next weeks and months as we conclude our own groups of people doing this deep analysis.

Mr. DUNCAN. Governor Blanco, this is Chairman Duncan again. I was a little bit concerned about this, because they first told me, when we first started this hearing this morning, that the hookup was working fine. Then we lost it for a few minutes and then it came back. We were able to hear your testimony perfectly, but for some reason we are having a problem with both the video and the sound system at this time.

They do tell me it is fixable. What we are going to do, I apologize to you, but what we are going to do is we are going to have Mayor Nagin present his testimony at this time. He is here with us in person. Hopefully, after Mayor Nagin finishes his testimony, we will be able to get back with Governor Blanco.

We are very pleased to have the Honorable C. Ray Nagin, who is the Mayor of New Orleans. He met with our delegation that journeyed to New Orleans two weeks ago, and we're so honored and pleased to have him here with us here today.

Mayor Nagin, you may begin your presentation.

Mayor NAGIN. Mr. Chairman and members of the Committee, I want to thank you for holding this session this morning. It's so good to see some of you who visited New Orleans and had an opportunity to see first hand some of the devastation that has happened in this wonderful city.

I am in a very unique position from most, I was there from the beginning. I strayed on the ground in New Orleans, I was among the people, I know what happened, I saw it unfold. I was able to impact it, hopefully history will say in a very positive manner.

We evacuated 1.5 million people from the region before the storm hit. It will go down in history as the most successful evacuation ever undertaken by this Country. You saw the complexities of this evacuation when Hurricane Rita was approaching the Texas coast. And you saw exactly what Louisiana has learned over the years in doing evacuations and how smoothly ours has gone. So we have something to share with the Nation as it relates to evacuations.

Ladies and gentlemen of this Committee, I have also had the opportunity to visit shelters throughout this Country. I have had the opportunity to visit all of the shelters in the State of Louisiana. I have also had the opportunity to visit the morgue that is in St. Gabriel in Louisiana. And I can tell you that it is an amazing thing to see the process that is going on in our State. After evacuating 1.5 million people, we have about 1,000 confirmed deaths.

The thing that really got me when I visited the morgue, there were 361 people, or bodies, that could not be identified. We are still in the process of trying to identify them.

The other thing that struck me from looking at the statistics was the media basically painted the death, the destruction and the misery as being mainly poor, black people. But when I went to the morgue and saw what was happening, the people that were affected are just like you and I, they are black, they are white, they are Hispanic. As a matter of fact, there is an even break of people that died during the storm as it relates to African-American and Caucasian. It is almost an even split.

This tragedy affected just about everyone. Katrina did not discriminate. It hit some of the poor areas of the City of New Orleans, it hit some of the not so poor areas of the City of New Orleans. There are lots of people and families that are hurting throughout this Nation. The New Orleans diaspora extends over at least 44 different States. We probably have 600,000 people in hotel rooms throughout this Country.

We are here today to basically ask you for expedited support. We need New Orleans back. We need it back in its full form, and we need your help as the Federal Government.

I was on Bourbon Street last night, I wasn't at the strip clubs, let me just make that clear. I was enjoying a nice meal at the Bourbon Cafe, which is owned by the Brennans, a wonderful New Orleans family. I did get a chance to view Bourbon Street, and it was packed. There were lots of activities. There was a lady on a balcony throwing beads down to some of the workers, and they were having a great old time.

They really reminded me of what we all know and love about the great City of New Orleans. That is that it is the most unique place probably in the world.

I know there is great debate about whether we should or should not rebuild. In my mind there is no question: we should rebuild. We can have the debate about whether certain sections should come up or not. But the great City of New Orleans that is so culturally unique, that has given this Country so much, whether it be jazz, whether it be food, whether it be music, whether it be the wonderful people that when you come to New Orleans they make you feel so comfortable. There is no doubt we should rebuild.

And if we are going to start this discussion about whether we should rebuild communities that have natural disasters that attack them on a regular basis, I don't think we want to go down that road. Because then we would be talking about California that sits on a fault line, or we would be talking about Florida that got hit with six hurricanes, I think, last year. We would be talking about the north that has snow blizzards and that devastates and causes problems. This is a unique American icon.

And it deserves the cypriot from this Committee and this Congress. Because when nobody else wanted to drill oil off their coasts, Louisiana did it. When nobody else wanted to drill for natural gas and have salt domes, Louisiana did it. We are a very unique place economically. We have a port that is strategically positioned for one of the greatest land deals that ever happened, the Louisiana Purchase, that fueled this entire Country. This is a place that deserves Federal support, and I am encouraging all of you to do it.

Just for the sake of background, the City of New Orleans and the Port of New Orleans is the only deepwater port with access to six class one rail lines. The Mississippi River transports a big percentage of the Nation's oil and natural gas, probably 30 percent of the domestically produced oil and gas. We are the top importer of five different raw materials: steel, raw metals, natural rubber, plywood and coffee.

When you look at our port from a strategic standpoint for the Nation, if you look to the west and you see the west coast and you see the ships that are coming in from various parts of the world, and you see those ships docked for seven days before they can off-load their cargo, and when you look at Miami to the east, and you see their facilities pretty much at capacity, you truly start to appreciate how wonderful and how unique and how well positioned the Port of New Orleans is.

Then when you talk to the grain farmers that harvested and are looking for ways to get their grain to market, and then you have the soybean farmers right behind them, getting ready to move their products, and they have to come through the Port of New Orleans, there is no doubt that we should rebuild.

My vision to rebuild New Orleans includes the citizens, the private sector and Government. Our top priority is securing a commitment now to upgrade our levee systems. This Congress, this Federal Government in my opinion should give us the cypriot to immediately upgrade our levee systems to make sure that we can withstand another Katrina or whatever the next one that comes, maybe it is a Wilma, I hope not. We have already gone through the various cycles of a washington machine. Katrina was the wash cycle, Rita was the rinse cycle. And I'm hoping that Wilma is not the spin cycle.

But we have determined that we need hurricane protection, and we need it in the worst way. But as we are thinking about the levee systems, I would like this Congress to also consider our wetlands. Our wetlands provided us a significant amount of hurricane protection. For every mile of wetlands, it provided us a subsidence of least a foot of storm surge. And the big problem we had with Katrina was not only the winds, but the storm surge that overtopped our levees. So we need your support with flood control.

To bring back New Orleans, we also must revitalize our business climate. There are a couple of things I would like for you to consider as we are thinking about how we go about this recovery. I urge you to establish a minimum funding formula that is based upon the number of people affected and the number of buildings damaged. That way we can assure that the dollars that are necessary go to the most affected areas.

I also encourage you to look at local workers and businesses and make sure that they get an opportunity, a fair opportunity to participate in this rebuilding process. I am also asking for Congress to establish a New Orleans, a Katrina tax recovery and jobs incentives zone that would allow us to create the incentives necessary to jump start our economy.

We also need assistance as it relates to critical infrastructures, like our universities, hospitals and businesses who need bridge assistance as they are out there, spread throughout the Country, and trying to decide whether they want to come back.

One of the biggest struggles we had was dealing with how Federal dollars flow to our affected areas on a timely basis. We have really had some struggles, and as a result of my total economy being collapsed, I have no revenues coming in at the moment to run city government. I have already laid off half of my work force, which is about 3,000 workers, in the City of New Orleans, because we have no revenues coming in.

I encourage, I strongly implore you to make some adjustments, further adjustments to the Stafford Act that will allow for a government to continue to operate in the event of a catastrophic crisis such as this. I know that you have made some progress, but we still need further help.

On the transportation side, our transportation system has been severely impacted. We lost a major bridge to the east, which I understand part of it has been restored. One of the other things I am asking for is I need a rail system for future events that would allow us to effectively move residents from the City of New Orleans to as far away as Baton Rouge. We also need assistance to restore our airport to pre-Katrina service levels. Right now we are limping along and it is just not good enough.

Mr. DUNCAN. Mayor Nagin, we have just a few more minutes with the Governor, so if you could take just a minute or two and sum up, and then we will go back to the Governor.

Mayor NAGIN. I will sum up right quickly and say to you, ladies and gentlemen, I know there has been lots of discussion and debate about Louisiana and New Orleans as it relates to whether we can handle the amount of money that the Congress is talking about sending to us. I have no doubt we can do that.

Why don't you just take a minute and google me, and you will see that since I have been in office almost four years, my whole focus has been on reform, reforming government, honesty and integrity. I think our Governor has also been about the same thing.

I have set up a 17 member commission of some of the best and brightest, people of very high integrity in New Orleans. We promise and pledge to you that whatever money you send down, and I am not going to get into a debate about whether it should be \$50 billion, \$100 billion or \$250 billion. You make that decision and we

will work with you as the Congress to ensure that this money is spent very well and you won't have anything to worry about.

Thank you very much.

Mr. DUNCAN. Thank you very much, and we will go back to Chairman Shuster, who was talking to the Governor. Then we will go to the Ranking Member of the full Committee, Congressman Oberstar, for any statement or comments.

Mr. SHUSTER. Thank you, Mr. Chairman.

Governor, we didn't hear a lot of your response, but the question was dealing with mitigation and with looking at what parts may not make sense to rebuild. As I said, I want to also go back to the beginning, I don't think there is a debate in this Country about whether to rebuild or not to rebuild. It is, are there parts of New Orleans or parts of Mississippi and Louisiana that don't make sense to rebuild.

So if you could continue with your answer there, I would appreciate it.

Governor BLANCO. Those difficult decisions will be made in the coming weeks and months. The Louisiana Recovery Authority that I have appointed will be looking at a variety of strategies. We will be talking to land use experts from around the Nation, and indeed, from around the world to determine exactly what needs to happen in the future.

I think that building codes will be certainly changed pretty dramatically to encourage different forms of housing units, for instance, or even building for business units. I think that right now, we are not prepared to identify specifically anything new. This is a gradual process that will come forth as we move through these next weeks and these next months.

Mr. SHUSTER. Thank you. I obviously think that is what you have to do. But for me, it is important that there is a process and there is a critical eye looking at those different areas.

The other thing that I want to mention, make a statement, when we talk about rebuilding the levees, as you build them up, you are also going to have to build them out. I am not an engineer, but I have talked to the Corps, we are going to displace people by building those levees up. So this is not a statement, it is a question that you probably can't answer, I don't know if you are an engineer or not.

But as we go up and we displace people, do we need to raise the levees if we are going to displace people, and instead, not build close to the levees at their present height and width, and do we take those people out of the flood plain, the potential flood plain? I don't know that, and I think that is something we also need to take a close look at.

Governor BLANCO. And I am not an engineer either, sir, but I think that those questions are yet to be resolved. Each property owner will also be making their own decisions as to whether or not they feel it is appropriate to be building there or not. I think that we will develop tools to address all of these concerns, and I think many issues will become self-apparent.

Mr. SHUSTER. A final question, do you believe the creation of a recovery czar, or there was also talk about a new Federal department modeled after the Tennessee Valley Authority, do you think

that is necessary for the rebuilding effort that will go on for the next two or three years? What are your thoughts?

Governor BLANCO. Well, I think that Louisiana people want to be self-empowered to determine all of the issues that come before us. But indeed already, President Bush has named various people to work with us and to be point people. It may become apparent that we need a point person in Washington, so that we don't have to be disturbing a whole lot of otherwise very busy people, as we have been doing.

But it would be good to have a coordinated effort.

Mr. SHUSTER. Thank you very much, Mr. Chairman.

Mr. DUNCAN. Thank you, Chairman Shuster. We are always pleased to have the Ranking Member of the full Committee, the senior member of the Committee, who also accompanied our delegation down to Louisiana, Mississippi and Alabama two weeks ago, Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman. We were very honored to be there under your distinguished leadership and that of Chairman Shuster, and to be received by Mr. Baker, who displayed an extraordinary command of the history and evolution of the flood control and levee protections of New Orleans and the Gulf Coast area.

Mayor Nagin, we are very honored to have your presence, and the very distinguished presentation that you made to our delegation, ending on a note of sadness of having to go from our meeting to a news conference to announce the laying off of half your community work force.

Governor Blanco, thank you for being with us from afar, and Lieutenant Governor Landrieu, we have met on other occasions when my wife and I have been in her home town, New Orleans.

The question of rebuilding New Orleans, this is a city that taught America how to eat. It taught us to appreciate music, a jazz form that Louie Armstrong brought to the beleaguered Soviet Union, to the largest crowd that had ever been assembled to welcome a foreign visitor. It taught us to bridge cultures, Canada, Spain, France. It taught us to bury our dead with a celebratory march.

In the aftermath of September 11th, this Congress rushed to the Floor to appropriate \$20 billion to help rebuild New York City, appropriately. Shortly after, another \$5 billion to restore the economic health of the airlines, another \$10 billion in loan guarantees and additional billions to rebuild a path, the subway system. There was no question about how we are going to pay for it. There was no question about whether, but only how to rebuild.

New York is a financial center and symbol to the world, and New Orleans is a cultural center and symbol to at least four nations: the U.S., Canada, Acadia, where I just visited recently, New Brunswick, and Spain and France. You led out a vision when we visited with you in New Orleans. And we must not be quibbling about where that money is going to come from. We will find a way to do that.

What we need from you, from the Governor, the Lieutenant Governor, is your vision of where, how, what you are going to rebuild. We will help you with the finances. That is our responsibility.

When the snows come in northern Minnesota in another three weeks or so, that snow will be there until March. It doesn't go away. It is like your water, when the canal levees broke on 17th and Industrial. The water stayed there, depressed the soil, created further problems.

But when our snow leaves, it enriches the soil with the nitrogen deposits, brings new growth. But when in Gulfport, 28 foot wave surges blew in, photographs I took on that tour showed salt residue left behind, killed the trees, killed the grass, blew everything off its foundations, nothing like it. Cold weather in the norther climes, my district and that of Chairman Young, and every fall the glacier makes a return visit, in the spring it retreats. But that salt water isn't going to retreat. It's going to be in that ground.

I will just tell you the story of Rosalie, who was my mother-in-law's caregiver until she, until Mary Denechaud passed away three weeks before the hurricane. Rosalie works in New Orleans, lives in Mississippi, drives back and forth. Lives in a trailer with an ailing husband, many children. Her trailer was blown away by the storm. She is now trying to care for her ailing husband on Baton Rouge and for an aunt, a cousin, and 10 or 12 children of her extended family in a trailer. She wants to rebuild her life and that of her city, the city that she loves.

She is no different from the 250,000 or more, 300,000 plus who have had to leave New Orleans. We should find a way for them to come back, for New Orleans to come back, for Louisiana to rebuild, this tragedy strikes, as you alluded to.

The corn farmers in Minnesota and Iowa, Illinois, Wisconsin, Nebraska and now the soybean farmers, because New Orleans is the world's most important grain export facility, they are the most important coffee import facility and sugar and other products. The port is critical, community is vital and the debt of the Nation is great. We owe it to the people to help them rebuild.

We did not ask when or how or what were the offsets when Northridge earthquake struck, when San Francisco shook in 1989, bridges collapsed. We didn't ask where the money was going to come from and whether it should be rebuilt or why do you want to live on an earthquake fault, just how much is it going to cost and how are you going to use the money. And that we should do for New Orleans, for Gulfport, for Mobile, for all the people in the path of weapons of nature of mass destruction.

Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you very much, Mr. Oberstar.

The Vice Chairman of our Subcommittee is Dr. Boustany. We will go to him for any questions he has at this time.

Mr. BOUSTANY. Thank you, Mr. Chairman.

Governor Blanco, welcome. It is good to see you. You mentioned earlier transparency, and we were talking about money and so forth, and you talked about the decline in tax revenues as a result of the disaster, ranging anywhere from 20 to 30 percent. Can you give us some indication of what the status is of the State's finances beyond that, and talk a little bit about the State's rainy day fund, what authority you have to tap into this, what is the legislature's authority and what is the intent for those funds?

Governor BLANCO. Well, the State does have a very strong and solid rainy day fund. We also have one of the most tightly designed access routes into that rainy day fund. It is locked by constitutional demands.

We have to abide by the revenue estimating conference's estimate, and it has to have an actual reduction from the previous year. Of that, we can only get into one-third of it.

So in order to really access that money, which would be approximately maybe \$400 million, and incidentally, we are looking at a \$1.5 billion shortfall in State revenues right now, but to access that \$400 million we would have to call for a legislative session, a constitutional amendment that would have to be passed by two-thirds vote of both houses and then go to a vote of the people.

We are certainly looking at all this, but then we have problems with our electoral process. When we are examining the situation with regard to calling a statewide election, and we have one devastated region where our citizens are displaced across the United States, and they are still Louisiana citizens who want to be able to vote, we have a tremendous problem that we have to solve before we can go in to bringing it to a vote of the people.

Of course, the secretary of state, who is in charge of voting procedures, is looking carefully at all of these options and trying to discern what is appropriate, what is fair to all of the citizens of Louisiana, to the citizens who are the caretakers as well as the citizens who have been displaced.

So nothing is exactly easy to accomplish in the environment that we currently live in. Everything has something of a complication. But indeed, we are going to be looking at all of these issues in order to try and stabilize our own situation. We undoubtedly will exhaust all resources that are available to the State of Louisiana, not just the rainy day fund, but other funds that have been set aside for very special and protected investments. I cannot even imagine a greater time to define as a rainy day than what Louisiana is facing right now.

So again, Congressman Boustany, we thank you for the hard work that you have done in order to make this effort sensible and workable. But let it be known that the State of Louisiana is facing extraordinary difficulties. Again, we believe a conservative estimate of our shortfall on the State side of our revenue stream will be at least \$1.5 billion. That is approximately 20 or more percent of what we normally realize from State collections as perhaps a \$7.5 billion revenue stream.

Now, again, let me say that is from the State side. We use a significant amount of our funds to attract Federal funds. So a significant amount of this money would be used to bring in more Federal revenues in our ordinary world. When we have this shortfall on the State side, that means that perhaps there would be \$2 for every \$1 lost from the Federal revenue stream as well. So our situation is even more complicated than what becomes initially apparent.

Mr. BOUSTANY. Governor, thank you for that answer. I think it was important to elucidate more about the finances. It really shows the dire straits that we are in as a State. I appreciate your hard work.

One other quick question. You are proposing this commission to work with you, and I know Mayor Nagin has a commission that you are putting together. How do you envision those two working together? Could you talk a little bit about that?

Governor BLANCO. I envision these two working together beautifully. Mayor Nagin and I are in regular conversations about it. Just before I appointed mine, or a week or two before I appointed mine, I contacted him and suggested that he appoint a point person from his commission to work with ours. Indeed, he returned the invitation and we have done that.

We believe that it is important for the local communities, New Orleans has been the leader in this, to appoint such commissions all across south Louisiana in the dramatically affected areas in order to focus local eyes on local recovery needs. This will be the best tool that our State recovery team will be able to use, it will be the best tool that we will have to understand the depths of the problems at each local area. We want local participation. We want their eyes and ears delivering to us the kinds of information that we will need as we begin our deliberations.

My authority is a State authority. We have urban devastation, certainly, in the Orleans region. But we have rural devastation across the rest of south Louisiana. Every coastal parish and indeed some inland parishes have been affected by the devastation of this hurricane season.

So our needs are great. They spread far and wide. So my Louisiana Recovery Authority covers a lot of dimension, a lot of breadth and width that the New Orleans group does not need to deal with. But we do.

Mr. DUNCAN. Thank you very much, Dr. Boustany.

The first member here on the minority side was Mrs. Tauscher. I am going to go to her and I apologize to other members, because we do have to let Governor Blanco go after Mrs. Tauscher's questions. Then we will go to Lieutenant Governor Landrieu and Mr. Marsalis and back to the regular panel.

Mrs. Tauscher.

Mrs. TAUSCHER. Thank you, Mr. Chairman.

Governor, Lieutenant Governor, Mayor, and the many supporters of the Gulf region, let me first of all send my condolences from the people that I represent in California's Tenth Congressional District and reiterate our strong support for all of you, that we hope that your folks can return home as soon as possible. I am very appreciative of your testimony.

I think we are all deeply concerned that first and foremost, that their return be guaranteed by making sure that we do everything we can to create a safe environment. And that is about making sure that the levees are restored, way beyond where they were before, clearly, but also that we do all the good work to make sure that the efforts of providing hope for people are really balanced with understanding that there is a test that we have to pass. And that test is that we are going to put together the best engineering and the best people that can possibly assure that there is no doubt that there will be no such thing as another situation that we lived through with Katrina.

So let me offer my condolences and my hopes that we can continue to work together.

I don't really have any questions, Mr. Chairman. I do want to say one thing. I did spend 14 years on Wall Street as a very small child. And I will tell you that it is a very big challenge that you are facing. You have to do many things at once. You have to restore a sense of hopefulness for people that have had devastating situations to them, loss of family, loss of their livelihoods, loss of their homes, loss of their possessions and loss of hope.

Wall Street is a very tough place to operate. At the same time that you are restoring hope, the pragmatism has to be there to send a very clear signal to the financial markets, the bond markets that you will return. You have to calibrate the sense of hopefulness that you have to deliver with your heart with a very smart head. All the things you have to do to make sure that people have a restoration of confidence that the business and vitality, that the travel and tourism will return and return quickly, so that you can get Wall Street and your creditors to stand by you.

I think that I understand from your presentation that you have a keen awareness of you, so I think many of us are standing ready to support that.

Mr. Chairman, I yield back. I want to say I appreciate that I really appreciate that we had this hearing. I look forward to hearing the rest of the testimony, and good luck to all of you.

Mr. DUNCAN. Thank you very much.

To close out Governor Blanco's portion, we are going to go to Ms. Norton. She has some comments. Then one final question from Dr. Boustany.

Ms. NORTON. Thank you very much. I thank Governor Blanco for being with us and helping us as we try to decide how to help New Orleans and the Gulf region.

I am impressed that there are mechanisms being put in place ahead of time to avoid accountability problems such as the accountability panels, apparently more than one, you spoke of. I understand from testimony that was taken at the first hearing we had that Louisiana's legislative auditor is working, and inspector general, are working with the Department of Homeland Security Inspector General, Mr. Skinner, who testified before us, and that you have dedicated 36 auditors to review transactions.

I do believe that is the kind of action ahead of time, and by the way, I don't know that our IGs regularly take action ahead of time, that I think is very useful here.

My question goes to these various committees and authorities that are beginning to come forward, because I think that of course we want to see such action taken by the State and the city. I understand the relationship between the Louisiana authority and the Bring New Orleans Back Authority. After all, the city is a creature of the State and must work together with the State.

We have had testimony from a member of your delegation this morning, Representative Baker, who testified concerning something called the Louisiana Recovery Authority, who said that most of the delegation was in agreement that there should be such an authority. I wonder if you have been consulted about this recovery, is it authority or corporation? I am sorry, it is a corporation.

We are not sure who would be on that corporation. I think the point of Representative Baker was to aid in the rebuilding effort with mechanisms that perhaps would not be available otherwise, I am not sure. But given the fact that this is yet another authority or corporation, I wonder whether, how much consultation there is with your entire delegation in the House and the Senate, and whether these matters are matters that you have somebody here working on with your delegation and whether you know anything about this Recovery Corporation.

Governor BLANCO. Thank you. I do believe that there will be ongoing discussions about this, and many other kinds of organizations that may be necessary to fulfill our complete mission. I believe that the Louisiana Recovery Authority that I have created must sit down with the members of Congress, and we plan to do that very shortly, to discern what kinds of organizations might yet be needed.

We don't exclude any ideas at this point in time. We believe that all good ideas must be put on the table for clear examination. I think as each of our communities and the State and the Congress develop a comprehensive plan, many of these authorities or commissions or initiatives may become self-apparent.

So right now, we don't take anything off the table. We believe that every good idea deserves examination, and coordination efforts are important. We will be doing just that very thing, we will be coordinating our efforts with our members of Congress who indeed are working very hard, each in their own way, to bring forth the best concepts to try and identify the things that are necessary.

Ms. NORTON. Thank you, Mr. Chairman. That is my only question.

Mr. DUNCAN. All right, thank you, Ms. Norton

Dr. Boustany.

Mr. BOUSTANY. Thank you, Mr. Chairman.

I have two quick questions, and I would like to yield some time to Mr. Baker so he could respond as well, if that is okay.

Mr. DUNCAN. Just make both of them in one question. We need to move on as quickly as we can.

Mr. BOUSTANY. Yes, sir.

Governor Blanco, what has the State spent today and what percentage of the annual budget does that represent?

Governor BLANCO. Mr. Boustany, we have not put a dollar figure on our expenditures, but we do know that money is running through our hands very quickly, because of the situation that we have been in as we speak. We have a hold on State spending, I put a freeze on hiring, I put a freeze on spending of all kinds.

Everything has to be justified, and it has to be recovery-oriented as we speak. But we have some expenditures that have not totally been identified yet.

Mr. BOUSTANY. When did you call the special session?

Governor BLANCO. On November 6th.

Mr. BOUSTANY. Thank you. I want to yield to Mr. Baker.

Mr. BAKER. Just a brief statement, Mr. Chairman. With regard to the recovery corporation as proposed, the State's credit has already been impaired and the concept is to allow Federal resources to issue public debt over a long period of time, enabling us to have

a year over year construction effort funded off budget, out of Congressional appropriation necessity.

I have visited with Mr. Copland, who is the person appointed by Governor Blanco to coordinate the Katrina-Rita response, as to the elements of the Recovery Corporation, and have shared the information available with their staffs in order to accommodate appropriate communication. I just suggest that in going forward, if we are spending Federal resources on my State's problems, we should exhibit some accountability to Federal taxpayers as to how those resources are deployed. Thus the reason for the Recovery Corporation, and I appreciate the gentlelady's questions.

Mr. DUNCAN. All right. For closing comments to the Governor, Ms. Johnson.

Ms. JOHNSON. Thank you very much, Mr. Chairman, and thank you, Governor for appearing. We recognize that you are facing a very difficult task and we will try to be supportive as we move through this process. I look forward to the rest of the testimony. Thank you.

Mr. DUNCAN. Thank you very much. Thank you, Governor Blanco, for being with us today.

Now we will go back to the regular panel, which of course still includes Mayor Nagin, who can be here with us until noon. I would like to introduce and thank him for being here, the Honorable Mitchell J. Landrieu, who is the Lieutenant Governor of the State of Louisiana, and Mr. Wynton Marsalis, who is a musician from New York City, also, I understand, a native of New Orleans.

Governor Landrieu, you may begin your testimony.

Lt. Governor LANDRIEU. Mr. Chairman, members of the Committee, thank you so much for allowing me to be with you. It is a great honor, of course, to be with Wynton Marsalis, Mayor Nagin, Governor Blanco, Congressman Jefferson and Congressman Baker earlier, and Congressman Boustany. Thank you for allowing me to be here.

This, as you know, was truly an American tragedy. It requires an American response. As Mayor Nagin said earlier, there were some of us, me included, who were on the ground when this happened. If you go into some areas of Congressman Boustany's district in Cameron Parish, there is not a building standing. I know the same is true in the area of Mississippi and Bay St. Louis and in Gulfport and in those areas. There are some neighborhoods in New Orleans that do not exist any more.

But Mr. Chairman, I have a lot of missions this morning, and unfortunately, as an ambassador of the State of Louisiana whose job it is to help re-image the State to the Nation and to the rest of the world, I would like to speak to two uncomfortable points, if I might, because I would like to end the myths today.

There are some members of Congress and of course members all over the Country that have said, you should not rebuild, because for some reason New Orleans or south Louisiana is located in a not very smart place. There are some who have said that we should not send Louisiana any money because they are corrupt.

I think Congressman Oberstar spoke to the issues that basically could fall under the heading of there but for the grace of God go I. There have been many tremendous natural tragedies in this

Country that have decimated and obliterated areas. This Nation has responded in a very real way.

I don't recall there being any pushback in Mississippi, Texas or New York post September 11th, or, if I might remind you, in 1976 when New York went bankrupt. So it is very curious to many of us in Louisiana why the pushback is coming now. Hopefully we can make the case to you that choosing not to rebuild the soul of America or the cradle of culture will be bad for the Nation and Louisiana as well.

Secondly, I shall say to you more directly than the Mayor or the Governor did that Louisiana does not have a corner on the market in terms of public corruption. I should not have to remind you that in the past ten years, governors of New Jersey, Connecticut, Rhode Island, Arizona, Illinois, Ohio and Alabama have had their own troubles with ethics and other matters. There are a number of other public officials that are facing that now.

I should also remind you that members of this Committee can take a look at the public integrity division section on the web site at the Department of Justice, and I assure you that you will find the same issues in your States as well. Just to give you a few in the last ten years: California, 1,296; New York, 1,191; Illinois, 1,028; Florida, 719; Texas, 651, et cetera.

So I assure you, just as no member of Congress would like to have themselves tainted by the actions of a few, nor do the people of Louisiana. And on behalf of the people of Louisiana, I came to assure you that those 4.3 million people are people of faith, family and country. One point five million people were evacuated, 1,000 of our brothers and sisters and mothers and fathers are dead, 40 percent of our businesses are gone, and we would like to ask you respectfully and as nicely as we possibly can to please, let us stay focused on the issue at hand. The issue is whether or not you want to rebuild one of the great States of America.

In an effort to do that, I would like to mention to you that we understand that we are part of an area of the Country called the New South. In the 1990s, most of the people that moved in this Country, moved from outside of the Country into the Country moved into the 14 lower southern States. This is an area of economic engine. It is really important to the rest of the Country and some of those specific issues were addressed before.

I would like to say to you though that, with Wynton Marsalis sitting next to me, we fully understand that culture is a really important part of what it is that we do, as is tourism. This industry is ready to stand up with your help. The tourism industry in Louisiana provides about \$9.6 billion in the economy and 126,000 jobs.

On the cultural economy side, jobs provided by food, music and things that were alluded to earlier represent about 144,000. We have shortly after the storm come together with a national advisory board and a local advisory board and come to you with a very direct and important plan that if funded can provide jobs today. As a matter of fact, if we could find a way to work with FEMA to provide housing, we could provide 4,000 jobs starting tomorrow.

Most of our hotel rooms and restaurants will be open and operating on January 1st. One of the things we could do to jump start the economy is to focus on the cultural assets of the State.

So many people have spoken about the soul of America. I talked about how important culture is. Culture isn't important just because it is fun, culture is important because it provides jobs. And we do that about as well as anybody else in the Country.

So we come to you today to tell you that we are here to help ourselves. We are here to give you a transparent delivery system. We are here to make sure that every dollar is well spent, and we are here to make sure that it is well directed.

I thank you for your time.

Mr. DUNCAN. Thank you very much, Governor Landrieu. Governor Landrieu requested that he be accompanied by Mr. Marsalis, and Mr. Marsalis, we are pleased to have you here with us. You may give any statement you wish to make at this time.

Mr. MARSALIS. It is a great pleasure to be here, and an honor. I must say it is important to understand about New Orleans culture and what we represent to the United States of America, the amalgam of ideas that went into the building of New Orleans, the combination of French, Spanish, West African, British, the things that went into our city, what we created. And the Nation has drunk from the stream of our culture for over 200 and something years. Now it is time for us to seek support and for that to be recognized.

There is a point I like to make about Louis Armstrong. We know he traveled around the world representing the United States of America. And we know, of course, of his genius as a musician. However, as a Nation, we have yet to embrace the actual fact of his artistry and what he represented to the world in the way that we perhaps should have done. We have not received the benefits that come with recognizing such a great figure.

So now is the time for us to signal to the world that we are a new United States of America. We have an opportunity to in fact do things that will impact the culture of our Nation and bring people closer together. We are big on slogans, a lot of times we like to come with the we are the world, feel good story. But underneath that is nothing but tatters and stuff that is quite ugly.

I want us to keep in mind that our people are spread all over the United States of America. These people are hurt and separated from their families. They are dazed, shocked, confused. They need to get a very clear signal from the leadership of our Country that they are loved. They are being loved by people all over the Country, individual people are doing all types of heroic things. But they need to get a clear signal from our Government, from our leadership, hey, we are with you.

There are two types of people in the culture business. One is the culture from above. That is big organizations that you give money to. They might ever meet the regular people. Then there is the culture from below. What makes New Orleans such a unique city in the world is that our culture comes from the street up. We have a combination of that elegance and wildness that is desired all over the world. Beethoven had it, Picasso had it. That is why their art endures. The Greeks had it. When we read Homer, that is what we are reading. Odysseus was like this, but he also was like that.

So we have to understand that that combination of elegance and wildness is important. In New Orleans, a lot of times we think of

us only as kind of frat boy kind of going to Bourbon Street and get drunk. We are much more than that, and it is important for us to make sure that that neighborhood infrastructure is maintained, because these are people who many times don't have a voice that is heard.

It is important when we are assigning this money, when we look at things, I have to ask these committees to be vigilant and understanding that the urban renewal programs that we have had since the 1950s, destroying neighborhoods of people, confusing them with slums, and rebuilding them with big buildings with big parking lots, we need to reverse a lot of that and be a part of the New South.

I assure you, the people of New Orleans want to come back. If I could tell you how many phone calls I get from people from home, man, do something. We don't know what. But it is not just the people with the big business interests who many times have the most arrogance and carry the biggest stick. It's a lot of the quiet people that put their Mardi Gras Indian suit on, play that quiet gig in the hotel, teach in elementary and middle schools.

You don't see those people. Those people are very, very important. They are the fabric of our Nation. These are the people that are our constituents everywhere. They are looking to us for a very clear signal that we are going to do more than just give lip service and give the money to somebody who is going to waste it. We are about the people.

I assure you, when you look at a city like Newark, New Jersey, what New Jersey PAC has done for the rebuilding of that city in the last ten years, it is phenomenal. When you look at a city like Vienna, and how they utilized the art of Beethoven and Mozart and the Strausses, you get an idea of the power of the arts.

New Orleans represents that and more to our Nation. We have never visited with the type of love and care that the music of Beethoven has been visited by the city of Vienna. But this is a grand opportunity for us to do that. So I thank you for having me and letting me speak. I assure you, when you invest in our culture in New Orleans, you will not be disappointed.

Mr. DUNCAN. Thank you very much, Mr. Marsalis. And thank all of the witnesses for being here.

I am trying to save my questions until later to give more members a chance to participate. But I do have one question at this time. I have read several articles with all sorts of widely varying estimates as to how much insurance is going to cover of the damage that was done. The costs range from \$20 billion to \$100 billion. I wonder, Mayor Nagin, if you or Governor Landrieu can help us on that. Are you still having trouble? I know there is some dispute over whether this damage was caused by wind and the wind surge or whether it was flood damage, which a lot of people apparently did not have flood coverage. What can you tell us about that?

Mayor NAGIN. Well, what I can tell you is it is not a very pretty picture. It is my understanding that the insurance companies are estimating that they may only cover maybe a fifth of the property damage that happened in New Orleans and in the region. Most claims that are coming through are being processed only as flood events. It is pretty curious to me that, when you think of floods,

you think of the Mississippi overflowing, because there was too much snow up north and it overflowed the banks.

But this was a hurricane. Hurricane winds caused the storm surge to flood New Orleans. It is a very difficult issue, and I understand that Mississippi is seeking some legal action. I am hoping that the State of Louisiana will follow that lead.

Mr. DUNCAN. Governor?

Lt. Governor LANDRIEU. Mr. Chairman, Louisiana and Mississippi might be the only place where somebody would consider themselves lucky if a tree fell on their house and they got flooded. That is because that particular fact would allow you to recover from your homeowner's insurance and from your flood policy, because there is a loud noise coming from the insurance industry about the issues that the Mayor just spoke about earlier. It is a very difficult problem, as I said earlier, for many, many neighborhoods and large spots of land.

However, make no mistake about it, when there is homeowners coverage and when there is property damage coverage, the insurance industry is stepping up to the plate. So when members of the Committee speak about the private industry and the public industry, we are not just talking about Federal dollars, we are talking about dollars from the private sector as well. Those issues are being taken care of, but unfortunately, I think the Mayor is absolutely correct, it will only cover a very small portion because of the onset of the damage and the position that some members in the insurance industry have taken.

Mr. DUNCAN. All right, Mr. Pascrell.

Mr. PASCRELL. I hope we are listening to the Lieutenant Governor and the Mayor as well as Wynton. I think that the entire situation in the Gulf hurricanes will shed a tremendous amount of life and light on insurance policies, not only in the Gulf but throughout the United States of America.

Let us shift the scene for a second up to New Jersey. I am interested that you mentioned us in your presentation, Lieutenant Governor.

[Laughter.]

Mr. PASCRELL. Seriously, we have had flooding in the past, we have had eight days of rain and the people who have home insurance, many of them flooded out, many of them could not get flood insurance because this is an act of God. And insurance policies changed about ten years ago, because electric is needed, pumps need to be used when you pump water that gets into your cellar.

I think we should take a look, this Committee should take a look at not only helping, and we will help Louisiana, Mississippi and the other States in the Gulf, but I think we need to take a total examination of the insurance industry in this Country, of how it has desolated insurance policies and not helped the homeowner. Because you are going to find that many of the constituents in your town, in your city, Mr. Mayor, their policies are to the wind right now. It is no different in any other part of the Country.

So we have insurance and assurances, but they are not covering the damage.

I have one question to ask of you, Mr. Mayor, about the schools that have been damaged. It seems to me, from the reports that I

have read in depth, and I will be going next week, that the parochial schools are getting cleaned up, the areas, faster than the public schools. I want you to reassure this Committee that we are trying to give equal opportunity to everybody.

Mayor NAGIN. The school system is a very challenging situation in the City of New Orleans. But I do have good news on both fronts. Algiers, which is an area on the west bank of the river, was virtually not damaged, not flooded. Both the private, parochial and public schools are coming up in that area very quickly. As a matter of fact, in the next week or so there will be public schools, at least eight public schools open on that side of the river.

On the other side, where we had most of the flooding and damage, it is a little bit of a different story. Most of the public schools that are talking about opening, as well as the private and parochial schools, are targeting January 1 for limited offerings.

Our public school system was in crisis before the storm. Its buildings and its infrastructure was in severe disrepair. So in a way Katrina cleansed us in a way where we can now focus on building the types of structures for the children in our city.

But if I could just mention for a moment, we also have another struggle, and that is our universities. Our universities also received significant amounts of damage. The University of New Orleans I think is getting ready to start up. Tulane University is trying to get itself together.

But we have some historically black colleges that were really devastated. Xavier University, which graduates more African-Americans that go to medical school and become pharmacists than anybody else in the Country. Dillard University, those two institutions, as well as Southern University of New Orleans, received significant damage and are struggling to get back on their feet.

Mr. PASCRELL. Would you agree, Mr. Mayor, mayor to mayor, would you agree that, you understand the anxiety in Congress of providing dollars and we are not sure what we are going to build in New Orleans. I am sure you feel the same anxiety.

How do we get to that point as to what we want the shape of the city, the contour of the city to be, and the city that you would like, reflecting the culture, obviously, and reflecting the industry that is there? How close are we, are our engineers to designing options that could be laid before the citizens of New Orleans to make a decision as to what we want our own city to be like?

Mayor NAGIN. I think the vision of the city of New Orleans is to basically rebuild it into something that is better than what we had before. When I first flew around the city and saw the devastation, I ended along the French Quarter, Tremayne and uptown areas. It was like God placed a hedge around the city as it relates to its culturally unique aspects. Taking the people out, because the people are really what makes New Orleans special.

So we have a foundation to build around. Everything west of the Industrial Canal is ready to go to rebuild, where we can rebuild, all the schools, we can have the best school system in America, we can have transportation systems, we can continue to have the most unique neighborhoods in New Orleans and in the world that we have had before. And all that can be protected pretty quickly. The Corps is saying that they are going to build the levee systems up

to 17 feet by June of next year. So we will have a pretty self-contained area to really grow and get our city back.

The question is, on the east bank of the Industrial Canal, which had the most significant flooding, which is New Orleans East and the Lower Ninth Ward, how do we protect that. And that question has not been answered yet. But the rest of the city, we can rebuild, we can make it one of the most liveable, unique cities in the world.

Mr. PASCARELL. Thank you, Mr. Mayor.

Mr. SHUSTER. [Presiding] The gentleman's time has expired.

I know that the Mayor has about 15 more minutes, is that correct, Mr. Mayor?

Mayor NAGIN. Yes, sir.

Mr. SHUSTER. Okay, so we are going to adhere very closely to the five minute rule.

I have two things, one a statement. I just want to make sure it is very clear, because I have been one of those people talking about the rebuilding effort. I have never said, and quite frankly, I don't know that I have heard anybody in public life say don't build New Orleans. It is, I think, we make sure we question, we would be abdicating our responsibility by saying, just give them the money, let them build wherever they want to.

There are parts of New Orleans that we need to look at closely, you need to look at. That is a question I am going to come back to over and over again. Does it make sense to rebuild this part, that part. There is no question in my mind New Orleans is important to this Nation, economically, culturally. So once again, I want to make sure that, if you have heard anybody in public life say, don't rebuild New Orleans, let me know, because I would like to talk to them.

One quick question I have for the Mayor. We were down there two weeks ago and I know your problem with your revenues. It is extremely important to you, I know, to get people to move back into New Orleans.

Mayor NAGIN. Yes, sir.

Mr. SHUSTER. Is FEMA's strategy on housing, long term, short term, is that going to accomplish that? Can you talk about that just a bit?

Mayor NAGIN. Short term, once we get the trailers and all the regulation worked out, we should be able to repopulate pretty quickly. What we are doing is identifying every available open space in New Orleans, and we are trying to design, both from the short term temporary living space as well as long term to go up vertically and re-establish some of our unique neighborhoods.

Long term, I am not sure FEMA is set up to handle that. I think that is where we do a hand-off, if you will, or a baton toss to HUD. HUD will come in and hopefully help us with the long term housing needs that we have.

Right now, we think we can repopulate the city of New Orleans, whereas pre-Katrina it was about 480,000 people, we think we can quickly re-populate up to about 300,000 to 350,000 maybe. Beyond that, we are going to need HUD's assistance for more long term housing.

Mr. SHUSTER. Do you feel fairly confident that FEMA's strategy to get up to that 350,000, 380,000 is going in the right direction?

Mayor NAGIN. We have a wonderful chief officer. His name is Admiral Allen. But I will tell you, if I have any recommendation to anybody in the Federal Government right now, it is take a hard look at FEMA and figure out how to reorganize that agency. It is not modern enough, not updated enough and not quick enough to deal with this type of crisis.

Mr. SHUSTER. Thank you. I will now to go Mr. Gilchrest for five minutes.

Mr. GILCHREST. Thank you, Mr. Chairman.

Gentlemen, I want to compliment you on the work you have done since the hurricane. I also want you to know that all of us up here, mainly because of Richard Baker and Charlie Boustany, we feel the depth of your sense of urgency for these issues. Mr. Marsalis, I can play a couple of Irish songs on the piano, maybe we could get together some time and do a gig there in the French Quarter.

[Laughter.]

Mr. GILCHREST. I want to just quickly make a couple of points, because I share Mr. Shuster's sentiment about not only rebuilding lower Louisiana, the Gulf of Mexico, but there is an extraordinary opportunity for the rest of the Country to see what you do in Louisiana so that human activity does not have to be grossly incompatible with nature's design, and when a storm hits, that storm tragedy is exacerbated.

But what you can do, and what we can watch and learn from, is show how human activity can be compatible with nature's design. And you are working on that with 2050, you are working on that with Louisiana Coastal Restoration. You are putting these commissions together.

Here is what we need to continue to follow up on, so we can be of assistance. FEMA studied storms between 1972 and 2005 and found in the Gulf of Mexico, Louisiana, Alabama, and Mississippi, are most likely to receive the most devastation from these storms. The Corps of Engineers, U.S. Geological Survey, NOAA, a whole range of Federal agencies have said that if nothing is done, and you know this, by 2050, 500 square miles of coast line is going to be lost. As much as 800,000 square acres is going to be lost.

We have also heard that under the present plan, the best that can be done will be to restore half of that under these commission recommendations. We think we want to do more than half.

But what we are dealing with up here in Congress is how to appropriate money with the best available science so that we can protect New Orleans, the oil and gas infrastructure, the enormous fisheries that you have there, the coastal communities. What we are facing, though, is an understanding of what to do about sea level rise, subsidence, levees, where is it appropriate to have canals, what kinds of storms are going to be coming through there to impact that. Plate tectonics underneath New Orleans, underneath about 600 feet of mud, that creates more instability with the levees. The coastal barrier islands.

So all of these issues, we don't have control over sea level rise. We don't have control over storms and we don't have control over plate tectonics.

So the sense of urgency that we have, and I represent the Chesapeake Bay. I know most often, including myself, there is a dis-

connect between the sound fundamentals of those scientific researchers and then what elected officials want to do. So we feel the sense of urgency. You can be a laboratory for the United States on how to deal with subsidence, how to deal with the re-engineering of the Mississippi River, how to deal with the coastal wetlands which are those buffers that will protect the infrastructure for oil and gas. Ninety percent of the fisheries spawn in the wetlands that are caught in the Gulf of Mexico.

I represent a beautiful area that I want to restore and benefit. And I think we will be looking to the coastal areas of Louisiana from Lafayette or New Orleans on down on telling us how this all can be done.

Mayor NAGIN. My comments to that are, I agree with you, I think we can do something unique and teach the Nation. I think this Nation has a wonderful Corps of Engineers, and they are very talented in what they do. I have seen the wonderful work they do with the Mississippi. I saw the work they did after the storm event. And the issue is whether the Nation has the will to give them the resources they need to protect the coast line.

The Corps' budget has been cut over the past, since I have been in office three or four years, every year I come up here to try and get a plus-up to make sure that the Corps has the resources that it needs. This can be fixed. We have people from Holland, from Germany, we have the Corps of Engineers, we have the best minds in the Country working on this particular challenge right now. They can fix this. We can protect this area, but it is going to take some resources.

Lt. Governor LANDRIEU. Mr. Chairman, I would agree with you, Congressman. And I agree with the Mayor. I really do believe that it is a matter of will power. It is a matter of money. And of course, it is a matter of accountability.

I thank you for your comments about the need to rebuild this metropolitan area of New Orleans. If we can get us past that issue so we don't have to discuss it any more and get into the how to, I think the idea of becoming a laboratory of democracy, if you will, for the Nation, is a very good one. And I think that we have some wonderful opportunities to address not only wetlands, not only address the energy issues that we face, but poverty as well, which of course has become a major issue brought to the forefront.

So I think everybody in Louisiana, the Mayor, the Governor, the Congressional delegation, all the elected officials and the people stand ready to work with you hand in hand, to make sure that you rebuild it, as the Mayor said, better than it was before.

Mayor NAGIN. Can I just make one other comment? There is a new phenomenon that I just started reading about called the loop current. I think this panel may want to study it a little bit.

The question I have always asked is, what caused this hurricane to be so powerful and to have such momentum when it hit the coast. I have talked to Max Mayfield at the Hurricane Center a little bit about this. What is happening is there is a new phenomenon of warm water that is coming from the Caribbean around Cuba and entering the Gulf of Mexico. Normally when a hurricane hits the Gulf, it hits the warm waters and then when it gets close to the

coast, the waters are cooler so that the hurricane starts to dissipate.

This new phenomenon has warm water that instead of just being on the surface a couple of feet deep it goes down 200 or 300 feet deep. So when a hurricane hits that warm water, it's like throwing gasoline on a fire. So I make this point just to tell you that even though the Corps is saying, Mississippi, Alabama and Louisiana is now in danger of having a catastrophe, with this new loop current, it is going to impact Florida, Texas and every State along the Gulf coast. We need to give the Corps the resources to make sure that this Nation is protected more fully.

Mr. SHUSTER. I would now like to recognize the Ranking Member of the Economic Development and Emergency Management Subcommittee, Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

If I may say, the Chairman is right, no one in our Subcommittee has ever suggested that the great City of New Orleans not be rebuilt. But what gives rise to this concern or the kind of comments that were reported made by a member of the other body, I am not humorous when I suggest we should turn it back to what it was, a wetland.

I am not going to ask that this remark and other slanderous remarks of this member of the other body, I don't think he said this on the Senate Floor or any such remark on the House Floor. You would have your words taken down. But that is the kind of remark that makes it seem as though some parts of America, parts like this vital region that we depend upon in so many respects, are not worth recovering. It is not a serious remark, although he said he wasn't being humorous.

I am not being entirely humorous when I look for, ask you a question about quick repopulation. It is really based on testimony from Lieutenant Governor Landrieu and Mayor Nagin. There will be many benchmarks. For a short term benchmark, I want you to know that a lot of folks out here, Mr. Marsalis, are hoping that Mardi Gras will be a short term benchmark. Because I am serious when I say that I think there will be Americans all over the Country that would like to come down there, use Mardi Gras as an excuse, some out of curiosity, some to have a good time, and some to send to the world what we understand in this Country and the world understands, and that is that New Orleans is the seat of the only indigenous culture in our Country.

I want to ask about return strategies, because Mr. Mayor, you talked about 361 bodies still unidentified. You said that your residents were in 44 States. We know that they were transported by private and Federal transportation. Lieutenant Governor Landrieu indicated that 4,000 jobs could be filled tomorrow if there was adequate housing for them.

I want to ask about getting that housing, whether it is trailers, and I know the dangers of these trailers, or what. Because we have read, or perhaps it is an urban myth, that there are signing bonuses for people to take minimum wage jobs in fast food restaurants.

Mayor NAGIN. It is true.

Ms. NORTON. I am not sure the word is out here. I want to know what FEMA or this Subcommittee can do to get 4,000 people back to New Orleans to take those jobs right away. I want to know, Mr. Mayor, how you are identifying the residents who are scattered through 44 States so they can be identified and know about things like 4,000 jobs that could be filled tomorrow.

Mayor NAGIN. That is a lot of questions. I will try and answer them as best I can.

With the diaspora of New Orleanians all over the Country, I have been asking the question of where did they go. FEMA has provided us with a map, a map which basically has identified where New Orleanians are based upon when they have applied for FEMA benefits. So we do have addresses and information to contact our residents.

We have identified the top five cities that our residents are in. And we are in the process of doing mailings, teleconferences to start to reconnect and make sure that our residents understand the opportunities and what's really happening in the City of New Orleans.

As it relates to FEMA and how they can help, FEMA can do a couple of things. They can really accelerate the amount of trailers that they are moving into the New Orleans area. There are several staging areas around the region where we have trailers on the ground that could be expedited. Now, we are working to identify lots and open green space to put them in there. But we really need an expedited process.

The second area that they can help us with is that we have hotels coming online in the City of New Orleans where we could put people up for temporary housing. FEMA has maybe, I don't know, the last number I heard was a couple of hundred thousand people living in hotels around the Country. We can support the local economy by encouraging a lot of those people to come back and to do away with the exemption of the Federal Government not paying hotel-motel taxes. Because if you bring people back and they are staying in New Orleans, it could help the local economy and the local government to get up and running quickly.

Lt. Governor LANDRIEU. If I might, Mr. Chairman, a couple of brief comments. Congresswoman, you mentioned comments that folks made, and whether they are taken seriously or not here, they scare the heck out of people in Louisiana, which is one of the reasons why I saw the need to direct the two issues that I did very directly. I apologize for having to do that.

I have sat in the legislature. It is not a smart thing to come before a committee and slap the hand that feeds you. I am aware of that. I did that for 16 years.

However, I have to tell you how seriously people in Louisiana take those comments. If we could just get past those two points, that we definitely are going to rebuild and that we are going to have structures in place to make sure that the money is spent well, we could get on about the business of making sure that rebuild a great portion of our Country.

I should say to you, though, I have with us today folks from the American Hotel and Lodging Association, Metropolitan Visitors Convention Bureau, the National Restaurant Association, the Trav-

el Industry of America and the Travel Business Roundtable. We have been working with the Mayor's office and the Governor's office to stand up the tourism industry immediately.

One of the things we can do when we deal with, and this is a tough issue, the front of the house, as Wynton talked about earlier, most of the great things that people know about downtown New Orleans, the French Quarter, the hotels, the restaurants, are ready to open with some minimal work. Whether or not those take a priority over building levees, whether it takes a priority over putting people in housing trailers, to stand up the chemical industry is a difficult issue for the Mayor and the Governor to deal with.

But the industry that can provide these jobs now is ready, and to have benchmarks for you. We believe that we are going to have a semblance of Mardi Gras, to tell the Nation and the rest of the world that Louisiana and New Orleans in particular is alive and well. We believe that with very direct subsidies and partnership with the private industry, we can host the jazz festival and the Essence festival and those things that people know about how Louisiana cultural economy can stand up very quickly. We have a very detailed and direct plan that we have submitted to you through your staff that we would commend to you for your review. There will be some other testimony on that today.

Later in the week, I believe that our office and the Mayor's office and the head of FEMA are going to meet to speak specifically about this housing issue dealing with the tourism industry. If we can get that worked out, that would be great.

But it is going to require, as the Mayor alluded to, FEMA being more flexible than they have been in the past. They are not, in my opinion, prepared to deal with the long term housing issues that we are going to have to face a year down the road. They may very well be prepared to do it on the short term, but they are not quick enough. We have to get down there with them, talk to them and find a way to get it done so that we can put as many people to work as is possible.

Mr. DUNCAN. Thank you, Governor.

Mayor, I know your timing, there was a request up here for two more questions. Are you okay with that?

Mayor NAGIN. That's fine, yes, sir.

Mr. DUNCAN. Mr. Dent from Pennsylvania.

Mr. DENT. Thank you, Mr. Chairman. I do have a question. Lieutenant Governor Landrieu, I do agree with you, we have to get to the issue of how we rebuild the Gulf and Louisiana, New Orleans in particular. I will pledge to work with you to rebuild your infrastructure and establish basic services, restore productive capabilities, your petrochemical industry, your port, financial services, fishing, agriculture, tourism. We certainly have to work to reclaim and protect and preserve your rich culture, history and heritage.

But Mayor, I have read recently that you proposed expanded gambling as part of New Orleans' recovery. As an observer from Pennsylvania, I really have to take issue with that. I think that is about the last thing we need to do right down there now, looking at all the needs that you have for the people there. I would like you to explain to us what is the reason and logic in establishing a casino, mecca or whatever, Las Vegas Lite, whatever you want

to call it, why that would be part of this recovery effort. I just don't see that as a priority for your region at this critical time after suffering this terrible calamity.

Mayor NAGIN. Congressman, that is an area that has been a pretty good controversy. What happened was I wrote a letter to the Governor. It outlined about five different aspects of what I was proposing. It centered around trying to jump start our economy. It focused on two key strengths that we have, tourism and the port of New Orleans.

As it relates to the port, I was advocating some incentives for driving jobs and opportunities with the port. I was also advocating that we set up a recovery district where we had a 50 percent, both Federal and State employer-employee tax credit for a period of time until we got to pre-Katrina population levels.

As it relates to our tourism industry, I was looking at what was happening with our convention center business and the cancellations and our inability to host conventions in the short term. We are going to recover, but it is going to take us a little time to get back. I looked at what was happening in the city and in the State. We already had a land-based casino there, we had riverboat casinos, we have a lottery, we have bingo, we have cockfighting, you name it. So this is nothing new for our region.

My concept was to look for a quick investment as it relates to the larger hotels. Any hotel that had 500 rooms or above, and that they would be allowed to convert. They is the only locations, and there are about six or seven locations that would have been eligible. The Governor didn't like that idea, so it is pretty much dead.

Mr. DENT. Thank you. I just wanted to emphasize that we should be focusing on the productive capabilities of your region, and focusing our efforts there as opposed to things that redistribute wealth.

Mayor NAGIN. I was trying to do both, Congressman, both productive and the things that people are a little uncomfortable with.

Mr. DENT. Thank you. I yield back the balance—can I yield the balance of my time to Mr. Boozman?

Mr. SHUSTER. I don't think you have any time left. Too quick on the clock. I wish that was the way in the Michigan-Penn State game on Saturday.

[Laughter.]

Mr. SHUSTER. We will now go to Mr. Taylor from Mississippi.

Mr. TAYLOR. Thank you, Mr. Chairman. I do want to thank our distinguished panelists from Louisiana.

A couple of things, Lieutenant Governor. If you get the chance, I would very much welcome if you could provide me with the number of Louisianans statewide who fell into this problem of not having flood insurance who are not in the flood plain yet who did flood, and therefore being told by their wind coverage, you're out of luck. That has devastated tens of thousands of south Mississippians.

We are trying to build a case to allow those people to buy back into the Federal flood insurance program, pay ten years' past premiums and then be treated as if they had been in the program all along. I think that will also affect a lot of Louisianans but I don't know. So again, off the top of your head, if you could get that information, I would greatly appreciate it.

Mayor Nagin and Lieutenant Governor, this is really going to affect both of you. You have a program called the Louisiana Coastal Restoration Project. I very much support it. I think you would find more support nationwide if you called it the Mississippi River Restoration Project, because quite frankly, it is bigger than just Louisiana.

One of the things that representing south Mississippi I would like to bring to your attention is that none of the plans call for growing the Louisiana coastal marshes on the Mississippi side of the Mississippi River Gulf outlet. As someone who ran boats for the Coast Guard, as someone who actually went to high school and college in New Orleans, I am a bit more familiar with the Mississippi River Gulf outlet than most. I know that it has been under-utilized. It has also been a barrier to trying to get some fresh water on the marshes down in the St. Bernard Parish area.

I would really hope that since we are giving so much thought to the future that you in your capacity as Mayor, you in your capacity as Lieutenant Governor would give some serious consideration and let the Mississippi River Gulf outlet just become a barge canal. It is a heck of a lot of money to dredge it. It has contributed enormously to the saltwater intrusion problem. It becomes a problem with trying to get fresh water over again on the Mississippi side, State of Mississippi side of that body. I think we would all be better served if you would give some serious thought to that.

Second thing I would ask is, we are going to have some unique opportunities for fresh water diversion, either in places like the Violet Canal or even at the Industrial Canal locks. And I for one, knowing that area, resent when the New York Times and others called it a wasteful project to replace the Industrial Canal locks. Those locks are close to a hundred year old. There is a heck of a lot of barge traffic that has to wait for days to get through them. It is important to the entire commerce of the Gulf Coast that they be replaced.

But I would ask that they be replaced in a way that helps not just Louisiana, but helps get some fresh water, again, from the Mississippi River, starts rebuilding the coastal marshes south of there. And Mayor, I very much agree with you, I do think part of the problem that occurred, not only in Louisiana, but in Hancock County, Mississippi, is because those marshes in St. Bernard are due south of Hancock County. Had those marshes not eroded to the point they have, they quite possibly could have lessened the impact on places like Waveland and Bay St. Louis.

So I would like to hear your thoughts on that. As far as I am concerned, we are in the same boat. And what is good for you is going to be good for us.

Mayor NAGIN. Congressman, thank you for that question. Most of the river issues are State issues, but I do have some pretty strong opinions on them. I think the hurricane and the event that has happened allows us a unique opportunity to revisit a lot of different things. For example, the State of Louisiana has multiple dock boards and levee boards that should be in my opinion consolidated into one coordinated entity.

I think as we look to do that, we ought to look to coordinate with Mississippi and our other neighboring States to make sure that

anything that's done at the Mississippi does not negatively impact either State, either Louisiana or Mississippi. It is a unique opportunity for us to come together with the Corps of Engineers and to figure out how to make this river work for both States. I would be very supportive of that.

Lt. Governor LANDRIEU. Congressman, if I might. This storm forced you to look at words that you say before and understand their true meaning. Unbelievable is a word that we say a lot that I really now know and understand.

The other is, we are all in the same boat. That actually became literally true, African-American and white, rich and poor. Truthfully, as the Mayor said, it really has opened up a lot of things that people didn't see before. Mississippi and Louisiana are really partners. So when we talk about the issue of thinking regionally so we can compete globally, when I say that, I am actually talking about partnering with Mississippi. We do that with your State with tourism. We now need to do it in a lot of other ways, and we are talking about coastal restoration.

On the issues of insurance, I am going to have the attorney general and the commissioner of insurance contact your office and give you their update on what they are doing on that issue, to give you the numbers. Later you are going to have testimony from Gary LaGrange, he is the head of the port, who is on top of the Mississippi River Gulf outlet issue and he will tell you about his communications with other members of Congress and the State delegation to give you the latest on the activity. I think you will be happy with what he has to report to you.

Mr. SHUSTER. Thank you.

Mr. TAYLOR. Lieutenant Governor, while I have you, sir—

Mr. SHUSTER. The gentleman's time has expired.

Mr. TAYLOR. I will be so quick, you can't imagine.

Let's do away, while we have the chance, with this idiotic retribution on we charge you too much for hunting licenses and you all charge us too much for fishing licenses.

[Laughter.]

Lt. Governor LANDRIEU. It's a deal.

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. SHUSTER. That was quick. That was like a shot.

If you would, Mayor, indulge us, just one more question. The Ranking Member, Ms. Johnson, didn't have a chance to ask a question. I believe you had one.

Ms. JOHNSON. Thank you very much, Mr. Chairman. My question is pretty simple to the Mayor. To read in the paper about 97 percent of the contracts being given to large companies outside the State met me with a great deal of chagrin. Then having the opportunity to ask questions with some of them about whether or not they gave any priority to hiring local people, their answer was very unsatisfactory.

Has that improved any, one question, and number two, do you think that starting with trying to build the levees very early will be of any assistance?

Mayor NAGIN. I must be honest, I know I am not under oath, but I still am implored to be very honest with you, the contract in process as it relates to this event is not going as well as you would ex-

pect. Local people in the City of New Orleans and in the State are not participating in any significant level as it relates to the work that needs to be done.

We have gotten some people's attention, but the results are just not there yet. There are lots of companies in and around the city of New Orleans that could really use a hand up, not a handout. And they are ready to go to work.

In addition to that, we have a significant number of working people outside of the State that want to come back and participate and clean up their city. That has not worked.

It seems to me that the rules that were in place right after this event favored quick contracting. When that happened, you had \$400 million contracts going out with no real oversight, no real thought to how we can make this work for the community. I think that needs to be investigated and looked at from a Congressional standpoint to make sure that doesn't happen again.

Lt. Governor LANDRIEU. I just would like to echo what the Mayor has said, number one, no, it has not been fixed yet. Number two, we are happy that the contracts are going to be rebid. Number three, those five major contracts were let by the Federal Government, FEMA, not by the State of Louisiana or the local governments. We do think that if it was necessary for the first two weeks to help get people out of the water and to be safe, perhaps that was so. But now we are in a new day.

And as we think about redesign and rebuild, we really do have to make sure that people in Louisiana have the ability, because we certainly have the competence to rebuild the State.

Mr. SHUSTER. Ms. Johnson?

Ms. JOHNSON. In terms of the levees, my concern is that this water is not going to cool under there for a while with global warming. We could be subjected to another hurricane. In rebuilding the levees, do you consider that a high priority, and if so, how much do you think it will cost?

Mayor NAGIN. I consider it to probably be if not the top priority in the top three. The reason being is because most New Orleanians are still shell-shocked, if you will, from the event. They want the comfort that the Federal Government is going to come in and help us to make the environment safe for them to move back in, number one, but also to invest money. If the insurance companies continue on their current trend, there are lots of people that will be upside down as it relates to their equity. They are going to have to make the decision to come out of their pockets and reinvest in New Orleans, which most are willing to do. But they want to make sure that the levee systems are going to be rebuilt adequately.

Mr. SHUSTER. I am getting the word that the Mayor has to go, they are giving him the hook. I just want to say there is a lot of work to be done, obviously, in New Orleans and here in Washington. You have tough work down there, we are going to be asking tough questions. I appreciate you coming here, Mayor, before this Committee. We talked about it three weeks ago and I asked you, you said you would be there. I appreciate that greatly. Although I have to say, I almost didn't recognize you without your signature golf shirt. But when I saw you drink your water, I knew it was you.

[Laughter.]

Mr. SHUSTER. Governor Landrieu, thank you for coming. I appreciate your fiery spirit. Myself coming from a long public service, I appreciate your continuing on the tradition. Mr. Marsalis, thank you. We invited you here, we thought you would give us a different perspective, you did that eloquently. Your words will continue to ring on.

The only thing I think that could have been done better is if you had got that horn out and played us a tune. But other than that, thank you all very much for coming. We appreciate your taking the time. You are excused, and our next panel is invited to come to the table.

Mr. St. Julien, Mr. Farmer, Mr. Perry, Mr. LaGrange, Mr. Felmy, Mr. Ringo and Mr. Voison.

[Recess.]

Mr. SHUSTER. The Committee will come back to order.

Again, I want to welcome all of our second panel. We appreciate your coming to Washington, traveling up here to testify and help educate us and learn what your thoughts are as we move forward in New Orleans and Louisiana and the Gulf Coast.

We will start with Mr. St. Julien. You are recognized for five minutes. We would like for you to try to keep within that five minute time frame. Your entire statements, all your entire statements, will be in the record. So Mr. St. Julien, proceed, please.

TESTIMONY OF MTUMISHI ST. JULIEN, EXECUTIVE DIRECTOR, THE FINANCE AUTHORITY, NEW ORLEANS, LOUISIANA; PAUL FARMER, EXECUTIVE DIRECTOR, AMERICAN PLANNING ASSOCIATION, WASHINGTON, D.C.; J. STEPHEN PERRY, PRESIDENT AND CEO, NEW ORLEANS METROPOLITAN CONVENTION AND VISITORS BUREAU; GARY P. LAGRANGE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, PORT OF NEW ORLEANS; JOHN FELMY, CHIEF ECONOMIST, AMERICAN PETROLEUM INSTITUTE, WASHINGTON, D.C.; JEROME RINGO, CHAIR, NATIONAL WILDLIFE FEDERATION, LAKE CHARLES, LOUISIANA; MICHAEL C. VOISIN, OWNER AND GENERAL MANAGER, MOTIVATIT SEAFOODS, INC., HOUMA, LOUISIANA

Mr. ST. JULIEN. Members of the Committee, thank you so much. I am Mtumishi St. Julien, Director of the Finance Agency for the City of New Orleans.

I am serving because I have a lot of experience in housing, served as general counsel for public housing, served on a Fannie Mae affordable housing advisory board, served as president of a Freddie Mac housing advisory board and also as the president of the National Association of Local Housing Finance Agencies. But I made a prepared presentation, but I am going to pass it in and just skip it, because there is a lot of repetition of what has already been said.

I think my role primarily right now is to reinforce certain key issues that I think are important. Number one is, in addition to my background, I too have a house in eastern New Orleans that was overtaken by mold. I just came back this weekend from visiting my mother who is temporarily housed in Baltimore and had to suffer her tears and pleas of wanting to come back home. To be honest, I don't know what to do. I think a lot of people in New Orleans

don't know what to do. I have a house here, don't know where the flood plains are, don't know when the Corps of Engineers is coming in. I have to make a decision whether I am renovating my house, whether I am knocking it down, whether there is a possibility of building. And that is a common issue.

There are four key points that I just want to make quickly so these other panelists can speak. Number one, we can't build in New Orleans without the participation of its people. New Orleans is New Orleans because of its people and its culture, and understand that. Therefore, when I hear issues of maybe a czar ought to come in and deal with this redevelopment, we need to discuss that more and make sure that there is a process for full participation of its people. Otherwise, New Orleans is not going to be New Orleans when these buildings are built.

The second issue is, we need to quickly provide housing for our essential workers, housing that is suitable for their families. We have police officers, fire, who have shown their loyalty, have shown their courage during this crisis, and many of them not knowing where their families are. Their families now are all over, yet they are still loyal to the City of New Orleans, but the pressure is really tight for them to continue working and living on a cruise ship and trying to go back and forth and dealing with their families. We need housing for the essential workers that is suitable for the families or otherwise, we will not have essential workers.

The same thing with our business community. They have essential workers, skilled workers who know their business, ready and wanting to come back. But we need housing as quickly as possible that is suitable for their families.

Thirdly, in our experience as a housing finance director, it has been the private banks and financial institutions that have been some of the most successful channels of distribution of services in the area of housing. We need to get the local banks and the private sector involved in the process. One experience I have with my service in Government has been, when Government handles money, I call it the hourglass impact. It has a tendency for the goods to kind of get stuck at that small waist of the hourglass.

Others have made an analogy of a cup that you will give us something from a cup, but the distance to the lip is very, very difficult to get to. And again, we have to be very, very careful about our channels of distribution. That is why I feel we need to look at the banking structures that we have, because I think they are going to be positive in providing those and distributing more efficiently those Federal funds than depending on new governmental bureaucracies.

Finally, I have been hearing every day, people call me up, and you have to understand that our people are having different conversations than are going on here. We want to thank you all for the work that you are doing, it is very, very important work that you are doing. And a lot of times, it is very difficult for our people to react or to hear what is going on, and we hear rumors and so forth.

The reason is, and I kind of made a poster to summarize what it is, this is the experience that the people of the City of New Orleans and all the Gulf Coast have had, and that is, sorry, all circuits

are busy. When we left the City of New Orleans and all the people left the Gulf Coast, this is what we heard from the phones when we were trying to find our families. When we would try to call our insurance adjusters, this is what we are getting today, sorry, all circuits are busy.

When we were trying in the beginning to call FEMA and Red Cross and so forth, this is what we continued to get. I hope that Congress, and the evidence is clearly here that Congress is picking up this phone and listening to our pleas for help. Therefore, the final point that I wanted to reinforce that was basically stated before is, there is a sense of urgency here, we need your help, we are willing to help in any way we can, do whatever is necessary to be accountable to the Congress, because you have to be accountable to your citizens. But we need the help now.

Thank you so much.

Mr. SHUSTER. Thank you, Mr. St. Julien.

I apologize for not introducing you as Executive Director in the Finance Authority of New Orleans, Louisiana. In my haste I didn't do that, so thank you and thank you for your testimony.

Next is Mr. Paul Farmer, the Executive Director of the American Planning Association. Mr. Farmer.

Mr. FARMER. Chairman Shuster and distinguished members of both of the Subcommittees, thank you very much for hosting this meeting here today, and I appreciate the opportunity to meet with you today on this. I am Paul Farmer, the Executive Director of APA. I appear today both as the CEO of the largest and oldest organization in the Country dedicated to the issues of planning and public policy making, but also as a planner who worked in communities such as Pittsburgh and Minneapolis and now in Oregon.

I grew up in Shreveport, Louisiana, the other end of the State. I was fascinated by changes in my city. My sister and I still own the home that my granddad built in 1908. I was back there just last week. We put on a workshop on disaster recovery and reconstruction for about 200 of our members from Mississippi and Louisiana and even from many other States around the Country. Our members are very hard at work on recovery issues not only for this disaster but in disasters as they occur around the Country.

Our members are involved in public sector and private sector firms and activities and involved in creating plans that reflect local values, that promote the wise stewardship of our resources and increase choices for how we live, work, play and how we increase the quality of life. In short, it is the kind of transformation that we heard Representative Jefferson refer to earlier today.

Hurricane Katrina and the subsequent flooding was among the greatest urban disasters ever to occur in the U.S. The rebuilding of New Orleans and the rest of the Gulf Coast will include some of the most difficult planning issues of our time. Environmental justice, racial equity, restoration of natural systems, infrastructure repair, property acquisition and condemnation, environmental cleanup, cultural heritage preservation, hazard mitigation, economic development and urban redevelopment, all on a scale that we have not seen before and in a compressed time frame.

Planners are trained to examine a situation and provide a comprehensive perspective. I believe that is what our members are

bringing to this situation. The viewpoint enables planners to look not just at intended consequences of an act, but the unintended consequences of growth and change.

In planning on special skills, the planners are used to help diverse groups find common ground and mutually agreeable solutions to community issues. A broad-based agreement is what is necessary for a New Orleans rebirth to be sustained. We need the town hall meetings, and those town hall meetings are going to be held in Dallas and Fort Worth and Shreveport and Jackson as well as New Orleans. Yes, New Orleans is its people.

Planning decisions, I believe, are among the most essential of local government responsibilities. All the actions flow from those coordinating kinds of decisions that we see on the ground in New Orleans and other communities. The Federal Government needs to provide tools and assistance, organizations such as ours need to also provide assistance.

I have always said that good planning facilitates responsible re-investment. This investment of time, energy, creativity and of course money, those are central to a city's success. Good planning is ultimately what drives investor confidence. Good planning is what investors need to feel confident that their work will be rewarded, not undermined. You heard Governor Blanco speak earlier about the comprehensive plan her Recovery Authority will develop. And also as noted by Governor Blanco and some of you, rebuilding levees only to pre-Katrina standards is not likely to instill investor confidence. Those levees failed.

The types of levees must be reconsidered with earthen levees possibly replacing the highway type walls that failed along the canals. And yes, Government must be prepared to use the tool of eminent domain, just as Representative Baker outlined, a tool of last resort. But it has to remain an available tool.

Some property may have to be acquired for any property to have value and for lives to be protected. We must also begin to implement the Coast 2050 plan. What is rebuilt, where rebuilding occurs and what standards should be used are all challenging questions. Where not to rebuild is equally important.

In the last decade, New Orleans set aside 20,000 acres. Representative Shuster has raised this issue several times today already. Other opportunities abound. That is just one example. Schools can be brought back as true centers of the community, showing the best of the innovative schools that are being developed around the Country today.

Public spaces, too, I think, can be enhanced. We often think only of the hard infrastructure, not of some of the other infrastructure of our city. The area's unique history and culture must be protected. Mr. Marsalis was quite eloquent on this point.

More here than any city in the Nation, historic structures are a critical part of both culture and economy. New Orleans should not sacrifice this key asset on the altar of expediency. We should use New Orleans as a laboratory of innovation in these areas by expanding traditional rehabilitation tax credits to spur re-use of vital structures in the city.

Additionally, we should include a residential historic tax credit for New Orleans homeowners to assist in rebuilding in a way that preserves the vitality of existing neighborhoods.

We also need to learn from elsewhere. Florida has shown how regional coordination of local decisions can be effective in post-disaster situations. Florida has also demonstrated the value of mandated comprehensive plans with the force of law. My home State would be well to heed this lesson.

We have posted a number of resources on the web and I invite you and your staff and others to access those. We are going to be providing a team to assess New Orleans in rebuilding its planning function. We will be providing other planning assistance teams to the smaller communities of the Gulf Coast.

Now, effective disaster prevention, response and mitigation measures can only occur with adequate and effective investment in infrastructure for all our communities and in this region. So we support pre-disaster mitigation grants, the hazard mitigation program and other initiatives of the Congress.

Lastly, I would suggest that Congress provide new support for expanding the community planning capacity, particularly in these kinds of post-disaster situations. That capacity is usually in short supply when given the nature of the decisions to be made and coordinated.

This is not about a quick fix. Our efforts are sure to leave a lasting and permanent effect. This is precisely why we need to go about this rebuilding process systematically and comprehensively, but with a sense of urgency.

Our annual conference for our organization draws about 6,000 people. We were in San Francisco last year, and I invite you to San Antonio this year. But I really invite you to join our conference in 2010 in New Orleans. Thank you.

Mr. SHUSTER. Thank you, Mr. Farmer.

Just a point to clarify. You were contracted with FEMA, or are you contracted with the State?

Mr. FARMER. We do not have any contract with FEMA or the State at this time. We are working through our local chapter, our local members. We are providing our own financing from our foundation for some of the activities that we are engaged in.

Mr. SHUSTER. Okay, thank you.

Next, Mr. LaGrange, who is the President and Chief Executive Officer of the Port of New Orleans. Mr. LaGrange, please proceed.

Mr. LAGRANGE. Thank you, Mr. Chairman and members of the Subcommittee. Good afternoon to all of you. We truly appreciate the opportunity to be heard here today.

I would be remiss if I didn't take one second to put on my American Association of Port Authority chairman's hat and to tell you that overall, 22 ports were affected by both Katrina and Rita, collectively, from the golden triangle of southeast Texas all the way over to Mobile. My former port, at Gulfport, just totally annihilated, as I am sure Congressman Taylor has alluded to and talked to you about, and now the Port of New Orleans.

I can tell you that it is no small task, as you have heard so many times and from so many good people today, to recover. But let me tell you a little bit about the Port of New Orleans, the things that

you have already heard earlier today, some of them, it wasn't just an accident. Two hundred and two years ago, Thomas Jefferson and Napoleon Bonaparte entered into some small degree of negotiations, and the result of that was the Louisiana Purchase, which as we all recall from our history books was for the explicit purpose of gaining access to the Port of New Orleans for the deliverance of commerce and cargo into mid-America and up into the north-eastern seaboard.

The Mississippi River is a natural resource that not a lot of ports have and not a lot of ports share around the Country. We are very fortunate. And we don't take that for granted. It connects 15,000 miles of inland navigable waterways to the mouth of the Mississippi River.

In that same area, it serves 62 percent of the consumer spending public of America and therefore has been dubbed the gateway to America. It is first in the United States in five areas in imports. It is the largest importer of steel in the United States, the largest importer of rubber in the United States, the largest importer of plywood and forest products in the United States. Sometimes the largest importer of coffee. New York will argue that, so maybe we are second this year. We will yield to New York, but we will get it back next year, in the United States. And we are the largest certified London metal exchange in the United States, lead, copper, zinc, aluminum and so on.

We are the largest exporter of poultry in the United States and we are doubling in that capacity until that facility was totally annihilated in the recent storm with Katrina.

Thirty percent of the Port of New Orleans as we knew it on August 28th does not exist today. That is the bad news. The good news is 70 percent does. And that 70 percent survived with moderate to severe wind damage and no flooding. The 30 percent that didn't is one of the main reasons that we are here today. Again, if you are the fourth largest port in the United States in tonnage, which is the Corps of Engineers' standard, somebody has to step up to the plate and recoup that particular cargo.

From the Port of New Orleans, we touch, as the Mayor alluded to this morning, 28 States. We can reach 28 States without touching dry land. The net effect of that from an economic benefit standpoint annually is \$37 billion. The net effect federally is \$2.8 billion in Federal taxes paid as a result of ships coming into the lower Mississippi River and the Port of New Orleans. The net effect nationally is 380,000 jobs, nationally, in the United States, as a result of cargo flowing through the Port of New Orleans and the lower Mississippi. If that 30 percent portion, according to our economists, is not restored, we are in jeopardy of losing 200,000 of the 380,000 national jobs which have resulted indirectly and directly as a result of those activities.

I would be very remiss if I didn't give some really good, great credit, because so much has not been given in the past, to Federal agencies that stepped up to the plate in the early, early days. First and foremost, the Maritime Administration John Jamien, Secretary Mineta. On the night of the storm, I made a phone call to my old former port director friend John Jamien from the Port of Detroit in Wayne County. He said, what do you need. It occurred to me at

that point, because it was all knee-jerk reaction at that time, that what we really needed to operate a port was really simple: manpower, electrical power and intermodal connectivity and power.

Now, the question was real quick, and John and I discussed that on that very evening: how are we going to derive manpower? From the Maritime Administration standpoint, through Secretary Mineta and Donald Rumsfeld, within three days we were able to get a green light to have six Maritime Administration vessels deployed over the next two weeks to serve as floating dormitories for workers to bring back, without families and without pets, but to bring workers back to the Port of NEW so that we could begin commerce flowing to America again immediately.

Those six ships, four of the six are still there and today house over 600 workers, stevedores, truck drivers, freight forwarders, ships agents and on and on, all of the many types of people that you need to operate a port facility.

The Army Corps of Engineers were johnny on the spot with their surveys early on, the Coast Guard with their aids to navigation, NOAA with their surveys. It was just a huge, huge effort on a lot of folks' part. And our goal, we were told the day after the storm by the doubting Thomases that we would not get a ship back into the Port of New Orleans for six months. Within eight days, the @##@Likes Flyer was calling on the Port of NEW, in large part thanks to the first MarAd ship arriving. That MarAd ship provided housing for the first 45 workers who came back to work that ship and to get commerce flowing in America and at the Port of NEW again.

What is it going to take to restore the Port of NEW and get it back to pre-Katrina days, August 28th? It is going to take roughly, all together, private and public, roughly a little over \$1 billion to get everything rebuilt, relocated and put back into place. As far as a public port authority at the dock board and the Port of New Orleans, what it is going to take us, it is not covered by insurance or FEMA, is roughly \$275 million of that \$1 billion price tag. We are talking about gantry cranes, folks, that cost \$8 million to \$10 million.

Mr. SHUSTER. Can I get you to summarize?

Mr. LAGRANGE. Summarize, I am doing it.

The Congressman left, so you will have to tell him for me, but basically the Inner Harbor Navigation Canal was authorized by Congress before I was playing Little League baseball in 1954. I am going to be 60 Saturday. That tells you something. Construction started on that project in 2002.

We have to escalate completion of that project. That is a Corp of Engineers project which has been punily funded, unfortunately, by OMB in the last several years. That is a solution to discontinuing the dredging of the Mississippi River Gulf outlet. Please tell that to Congressman Taylor for me.

Thank you.

Mr. SHUSTER. Thank you, Mr. LaGrange.

Next will be Mr. Perry, who is the President and CEO of the New Orleans Metropolitan Convention and Visitors Bureau. Mr. Perry, please proceed.

Mr. PERRY. Thank you, Mr. Shuster.

Ladies and gentlemen, thank you for the opportunity to appear today. I appear here as the leader of New Orleans' largest industry, the tourism and hospitality industry, and its largest employer, with over 85,000 people. That's in the parish or county, only about 470,000 people in the metropolitan area, but about a million and a half people.

Eighty-five thousand people, the working men and women of New Orleans, work largely in our industry. Not only is it the driving economic force in the city, along with oil and gas and petrochemical and the port, but it also helps make up the texture and the fabric of what New Orleans is. It drives quality of life, the restaurants, the plays, the theater the performers. What New Orleans has meant as an indigenous creator of American culture resides and is housed and is developed in our industry.

New Orleans is not a highly diversified economy. We are not an Atlanta, a Houston or a Dallas. We have much more targeted industries, we are much less diversified, and unfortunately, disproportionately dependent upon our three core industries: the port, the maritime industry, oil and gas, and tourism.

I know what you are trying to get today is a sense of what do we do to rebuilt, what does the recovery mean, what does it take to get there. In our industry, a \$5 billion to \$8 billion is dependent at this point in time on probably an infusion of between \$100 million to \$200 million. That would probably be one of the wisest investments the Federal Government would ever make. Because with that money, we can drive another \$5 billion back into this economy in the next 12 months, the next 24 months, another \$5 billion to \$8 billion and on and on.

What has begun to be realized in New Orleans is that tourism and hospitality is not just about the tourism business, but those 85,000 people are the depositors in the banks, they go to the hospitals, they purchase the goods and services, they buy the cars. Without that part of the economy, New Orleans can't live, it can't have its identity, it can't have its culture.

Mr. Oberstar did a wonderful job today of talking about that, with Mr. Marsalis. Because that has become not only what we are, but it has become the economics of what we have become. In many ways, tourism has become the new oil and gas as changes have occurred over the years.

How do we approach this? What is really needed and what is necessary? We have to have marketing dollars. Because you know, after 9/11, we provided a lot of money to help New York get back on its feet from a marketing and imaging perspective. That is frankly critical for us as well. It is critical across the entire Gulf Coast, from Pensacola to Gulf Shores, Alabama to the Mississippi Gulf Coast and to us. Ten million visitors, \$5 billion to \$8 billion, and yet our infrastructure was some of the least damaged, some of the least damaged in all of New Orleans. We are the group that can get back the quickest and the fastest and bring the most jobs and the most working people back.

What are the priorities sitting in this Committee and looking at us and looking at the city and thinking, how do we tackle this massive task? In order, they are these. Number one, the levees have to be restored and the city protected. Number two, we have to pro-

vide housing mechanisms to provide transitional and then eventually permanent housing to allow people to be repopulated, the city to be repopulated and people to come home. But those won't matter if the tourism industry does not have the dollars to rebuild itself and to bring the greatest sporting events of America, more SuperBowls than any other city, more final fours, more great sporting events, more of the national, one of the great four convention cities of America. Our economy is based on this.

The working people cannot come home until the housing is in place. But even if the housing is in place, if their jobs are not back, they can't come back home.

So we have multiple billions of dollars of urban planning to do, housing to engage in, levee construction to deal with. The people are what matters. And those people can't come home until tourism and the cultural economy is rebuilt. Frankly, economic development does not occur in places where there are not great museums, where there is not great art, not great sports and performances, and where there are not great restaurants and culture and parks. We have to have that to be able to survive and to drive the economy and the economic rebirth of the city.

What we are asserting to you today is, the \$200 million that is contained in this proposal for me will make you \$8 billion back. It will allow the repopulation of the city and it will be another piece of the puzzle that brings together the rebirth and renaissance of New Orleans as one of the great cities of America. Our partners with the oil and gas industry, with the port, with the housing authority, with the Urban Land Institute, with McKenzie, all the different groups that are going to work with us, are absolutely critical as a whole to make it work. The pieces have to come in order, but we have to critically path plan and make each one go simultaneously.

We are prepared. We want you to know we are prepared. For us, we give you unbelievable return on investment from the private sector. I can tell you, as for seven years the chief of staff to the former Republican Governor of Louisiana, the money is gone for us to be able to turn to them. We looked there first, because that's where—we didn't want to come here. We never envisioned our industry that we look at as the third Fortune 500 company in Louisiana coming here for funding.

But we know it is critical, because you heard from the Governor today, \$18 billion budget, only \$7.5 billion of which is State general fund and a \$1.5 of it is gone, matched two and a half times by the Federal Government. We have no resources to go to, no way to accelerate the rebuilding. We ask for your partnership, and we promise you phenomenal return on your investment, economically and culturally.

Mr. SHUSTER. Thank you, Mr. Perry.

Next, Mr. Felmy, who is the Chief Economist at the American Petroleum Institute. Mr. Felmy.

Mr. FELMY. Mr. Chairman, members of the Committee, thank you very much. I am John Felmy, Chief Economist of the American Petroleum Institute, the national trade association of the U.S. oil and natural gas industry, representing all sectors of the industry, including companies that make, transport and market gasoline.

The oil and natural gas industry recognizes the catastrophic impact of Hurricanes Katrina and Rita on millions of Americans. The Gulf Coast is the very heartland of our industry, and New Orleans has been a hub of our industry's operations for many decades. We are not just responding to this disaster, we are living it. Thousands of our workers are also suffering the effects of living in New Orleans and throughout this devastated region they call home, many now without their homes.

In concert with fire and police, friends and neighbors, suppliers and government officials, our employees are restoring the production, bringing the refineries back online and restarting the pipelines. Our companies have made much progress in recovering from the hurricanes, but much remains to be done. Let us remember, this is a once in a century natural disaster of monumental impact. It has been 90 years since two hurricanes of this magnitude struck the Gulf Coast in the same year. And Katrina and Rita came within a month of one another. Their side by side impacts directly touched 99 percent of the Gulf region production facilities.

In recent testimony before the House Budget Committee, the Congressional Budget Office, CBO, estimated that the energy industry as a whole incurred between \$18 billion and \$31 billion in capital losses from the two hurricanes. Only the housing industry suffered comparable financial damage, according to CBO. Moreover, CBO estimates total capital losses across all industries and consumer durable goods could be between \$70 billion and \$130 billion.

While many refineries, pipelines and other facilities are back in operation, some facilities are still out of service, either because of a lack of electricity or damage. Fuels are flowing to consumers nationwide, but below normal levels in some areas.

At this time, energy conservation is critically important. We support recent calls to conserve energy by President Bush, the Alliance to Save Energy and others. API has run full page ads in major metropolitan newspapers across the Nation, urging consumers to use available supplies efficiently. We have urged common sense steps, such as planning trips carefully, properly maintaining your car, driving efficiently, and using energy wisely at home. Access to crude oil from the Strategic Petroleum Reserve and various Government waivers to expedite the flow of fuels, particularly to emergency responders, has been vital in speeding recovery.

The Gulf Coast region includes some 4,000 offshore platforms in Federal waters, two dozen refineries and hundreds of production, transportation and marketing facilities. These Federal waters account for nearly 30 percent of the Nation's crude oil production and approximately 20 percent of natural gas production.

There is a reason for this geographic concentration. Government policies have largely limited offshore exploration and production to central and western Gulf. And our onshore facilities, including refineries, have been welcomed in communities in the region. Unfortunately, offshore oil and natural gas development has been barred elsewhere, specifically the eastern portion of the Gulf and the entire Atlantic and Pacific coast.

In my written testimony I have provided you with our latest detailed information, along with some lessons we have learned. The

situation can change markedly from day to day. But in summary, here is where we stand. Offshore shut-in oil production is about a million barrels per day of production of crude oil, or 66 percent of daily Gulf of Mexico production, down from 100 percent shut-in a couple of weeks ago. Shut-in natural gas production is 5.5 billion cubic feet per day, which is 55 percent of our daily Gulf production, also down from 80.4 percent a couple of weeks ago.

Of the Nation's refining capacity, 19 percent remains offline or was restarting in the aftermath of Katrina and Rita. Refineries in the Beaumont-Port Arthur are still down as is one in the Houston area. Three Katrina-affected refineries remain down, a fourth is restarting. All refineries affected by hurricanes now have partial or full power.

As of last Friday, all on-shore interstate oil pipelines have resumed 100 percent normal operating capacity. However, some systems continue to experience reduced availability of products to transport.

We know that the hurricanes have had a nationwide impact through skyrocketing prices for gasoline and other fuels. We understand the concerns consumers have expressed and our companies are doing everything in their power and are working 24/7 to restore operations and get supply back to normal levels. This work, wise energy use by consumers and a do no harm approach by Government officials provides the quickest path to consumer relief and tight supplies.

In conclusion, we remain focused on the serious work needed to ensure Americans continue to get the fuel they need. We look forward to working with the Committee in that regard. And as a Penn Stater, I made it in time.

[Laughter.]

Mr. SHUSTER. We didn't make it in time on Saturday.

Thank you very much, Mr. Felmy.

Next, Mr. Ringo, who is the Chair of the National Wildlife Federation from Lake Charles, Louisiana. Please proceed, Mr. Ringo.

Mr. RINGO. Thank you, Mr. Chairman, distinguished Committee members. Thank you for inviting me to provide testimony on behalf of the National Wildlife Federation and our 4 million members and supporters.

The rebuilding of New Orleans and the Gulf Coast is a top priority, not just for the National Wildlife Federation and our State affiliates, the Louisiana Wildlife Federation and the Mississippi Wildlife Federation, but for me personally as a native and resident of Louisiana and as a current evacuee of Hurricane Rita. I have a longer written statement which I would like to submit for the record of this hearing.

Louisiana has a well deserved reputation as a sportsman's paradise. Like so many others from my State, I grew up fishing and hunting, catching crabs, hunting for deer, goose and duck. I grew up among people whose livelihoods were tied to the year's catch of fish, shrimp and oysters. So I feel very personally the dramatic loss of up to 24 miles per year now of our wetlands that support our abundant wildlife and fisheries and economic vitality of our State.

Congressmen, this number does not include the loss of Hurricane Katrina. I have been at ground zero. I have seen the losses that

our coasts have suffered. Mr. Boustany, I was in Cameron Parish two days ago and walked the streets of Cameron, as well as Holly Beach, Louisiana. That reminded me of the morning after of 9/11 at ground zero. It was a terrible disaster. I went to visit the cemetery where my uncle was buried, and all the graves had floated away. Some may never be found.

I also spent 20 years working in the petrochemical industry of Louisiana, so I know well how important our coastal wetlands are to our Nation's energy security. The fight to restore Louisiana's coast is vital to wildlife and fisheries, the oil and gas industry, and the health and safety of our people. To achieve this, we need to restore the natural buffers that protect our communities and lessen the destruction on our properties. The need to restore Louisiana's coast has only been amplified in the aftermath of Hurricane Katrina.

As we set about the task of rebuilding New Orleans, which will include strengthening levees against future storms, we must recognize equally the importance of restoring the vast complex of coastal marshes and barrier islands that constitute our first line of defense. We call upon Congress to authorize and fund a bold, expedited restoration program in the next post-Katrina energy bill. National Wildlife Federation recommends a \$5 billion down payment on coastal restoration to go hand in hand with the rebuilding effort.

I won't go into the details now, but if members of the Committee would like to see the specifics of this recommendation, I would be happy to share them with you. I cannot emphasize enough, both as a conservationist and as a former industry worker, that we cannot provide blanket waivers to our Nation's fundamental environmental statutes for this multi-year rebuilding effort. We want the citizens of New Orleans who return to their native city to know that their water is safe to drink, their air to breathe and their back yards are safe for their children to play in. Simply put, when we rebuild New Orleans, we must rebuild it right.

Mr. Perry, to demonstrate National Wildlife Federation's commitment to the great city, we have decided to continue our plans to have our national convention in New Orleans this March.

Hurricane Katrina provided a stark wakeup call, not only to the residents of New Orleans, but to Americans everywhere on how to address water resource issues needed in this Country. In the aftermath of the storm, it has become clearer and clearer that our Nation does not have an objective, reliable system to prioritize its water resource needs.

It has now been more than 22 years since the basic principles for planting Federal water resource projects have been updated. It has been increasingly shown that there is a strong need for greater oversight and accountability in the planning process. We strongly urge Congress to address these issues in the upcoming months to provide needed direction in project planning and priority setting.

Furthermore, the need to restore Louisiana's wetlands to absorb the shock of future storms is all the more critical in the face of global warming. Global warming is a reality today. For me and for millions of Gulf Coast residents, global warming has hit home. As we sit here this morning, yet another tropical storm brews in the

Caribbean, likely headed to the Gulf. Warmer ocean temperatures are the equivalent of steroids in the storm.

Due to the intense warming of the waters of the Gulf, I fear that we will never again see a storm below a category 3 level of intensity in the Gulf of Mexico.

In conclusion, I would like to emphasize that there is no question that we must build the great city of New Orleans and other impacted communities along our Gulf Coast. But if we are to avoid creating another generation of victims, we must rebuild it right. To do this, any reconstruction effort must go hand in hand with the ecologically sound restoration of coastal Louisiana. We must update the Corps' antiquated playbook while also establishing a set of criteria to help prioritize our Nation's water projects.

All these efforts will be for naught if this Country does not address the looming threat of global warming. We call upon you, our elected representatives, to embrace this long term task that recovery will be.

Thank you for this opportunity to testify. I will be happy to address whatever questions you may have. Thank you.

Mr. SHUSTER. Thank you, Mr. Ringo. Next, Mr. Voison. The name of your company, you are the owner and general manager of?

Mr. VOISON. Motivatit.

Mr. SHUSTER. Okay, I guess I could have figured that out. Motivatit Seafoods, Inc., from Louisiana. Thank you, sir, you may proceed.

Mr. VOISON. Thank you, Mr. Shuster. I appreciate the opportunity of being here today.

I am the Chairman of the Louisiana Oyster Task Force. I am also currently President of the Mollusk and Shellfish Committee of the National Fisheries Institute, a board member of the Gulf Oyster Industry Council and the Louisiana Oyster Dealers and Growers Association.

I am a seventh generation oyster farmer and processor. Our farm comprises approximately 14,000 acres of water bottoms in coastal Louisiana which produce between 15 to 25 million pounds of in-shell oysters annually. The State of Louisiana produces approximately 250 million in-shell pounds of oysters annually, or 750 million individual oysters. The Gulf States, combined with Louisiana, produce annually approximately 500 million pounds of in-shell oysters, totalling approximately 1.5 billion individual oysters and maintaining approximately 4.5 billion individual oysters in Gulf producing areas at any one time.

Hurricanes Katrina and Rita dealt a harsh blow to the oyster and seafood community of Louisiana and the Gulf Coast. Being a seventh generation oysterman in Louisiana, our family has never been impacted by a disaster as drastically as by these hurricanes. It has been two months now that the oyster harvest in Louisiana has been closed and shut down for the production of oysters.

Louisiana is the leading producer of oysters in the U.S., accounting for over 40 percent of the Nation's oysters. Louisiana oysterman land the 250 million pounds I discussed earlier, or the 750 million individual oysters annually.

I have submitted testimony that is much longer than my discussion with you today. We have seven recommendations that we

would make. The first step that needs to be taken is to provide funds to remove the debris from the navigational channels leading to and from the area docks, St. Tammany Parish, St. Bernard Parish, Plaquemines, Jefferson, Lafourche and Terrebonne Parish in southern Louisiana as well as Cameron Parish in southwestern Louisiana. These State navigational channels are cluttered with debris and need to be cleaned.

Secondly, we need funds provided to public and State oyster reefs that need to be cleaned from debris and lifted from under the silt and dead marsh grass smothering the reefs. In 1992, following Hurricane Andrew, Congress appropriated funds to clean oyster reefs. The Department of Wildlife and Fisheries of Louisiana put a plan in place allowing commercial fishermen, including oyster, shrimp, crab and fin fisherman, to pull open rakes or dredges to lift the reef and remove the marsh grass. That program was very successful and needs to be re-implemented immediately today.

Third, we need funds to repair and rebuild seafood docks and dry docks that are used to unload our catch, supply fuel and water to our boats, and repair the vessels that harvest this bounteous crop.

Fourth, we need funds for cultch planting on damaged oyster reefs using shells purchased from other oyster processing facilities, dead reef material, crushed limestone or crushed concrete to re-establish the oyster reef and allow for a clean reef that will support an oyster spat, that hopefully by next March we will be able to have a recovery from.

Fifth, we need funds provided to install a State oyster hatchery facility or similar purchase of seed from existing facilities to supplement the natural spawning this year and in future years to improve our productivity.

Sixth, we need funds for vessel owners, farmers, oyster and seafood processing facilities that suffered both physical and economic losses caused by Hurricanes Katrina and Rita so we can get back to providing jobs, planting, harvesting, selling oysters and seafood and paying tax revenues to municipal, State and the Federal Government.

And seventh, we must provide funds to rebuild the levee systems and restore the coast of Louisiana to protect the citizens of Louisiana from another catastrophic disaster that these hurricanes have done to our home.

The Louisiana oyster and seafood community has suffered significant and physical losses due to Hurricanes Katrina and Rita. Oyster and seafood farming, harvesting and processing are culturally important as an economic engine that has provided income to coastal and municipal residents for hundreds of years. Coastal erosion in Louisiana has been a problem for decades, and restoring the coast in Louisiana is imperative to protect citizens in south Louisiana, as well as numerous businesses that are important to the U.S. economy. Providing funds to re-establish the oyster and seafood business is a necessary beginning point to drive this economic engine, so that tourism as we know it in New Orleans can begin again.

Representative Oberstar earlier said that New Orleans taught us how to eat. I would add only a couple of words to that, it taught us how to eat seafood.

[Laughter.]

Mr. VOISON. When you go to New Orleans, that's what you eat. I will close with the words from Raul Ernesto, he said that most people aren't concerned with the storms that we run into, but are concerned with whether or not we bring in the ship. I am here today to ask you to help us bring in the ship. Thank you.

Mr. SHUSTER. Thank you, Mr. Voison, we appreciate that.

Might I inquire, how many people do you employ in your business?

Mr. VOISON. Approximately 150.

Mr. SHUSTER. Small business, then.

Mr. VOISON. Yes, sir.

Mr. SHUSTER. Thank you.

We are going to start with the questions, we are going to stick to the five minute rule. If we need to, we will go to a second round. I am going to start first with Mr. Boustany from Louisiana.

Mr. BOUSTANY. Thank you, Mr. Chairman.

Mr. Voison, I remember we had a conversation right after Hurricane Katrina and you talked about moving all the oysters beds to western Louisiana, Gulf Coast, but that's out of the question now. The issue of debris removal is important, and it has been somewhat neglected. I have had some conversations with shrimpers about this, because it affects their industry, it is going to affect shipping and so forth. So it is something we are starting to look at to figure out how to get contracting done in that area. I see it as something very serious that needs to be approached.

Mr. Ringo, good to see you. I know we have had many conversations before, and I appreciate all your comments on coastal erosion and those issues.

One question I have for you, I did read your testimony. You talked about creating an independent commission within the Army to handle restoration projects, coastal restoration projects. Do you feel that the Army Corps cannot handle this? I want to pursue that a little bit more with you.

Mr. RINGO. The National Wildlife Federation and the conservation community recognizes how important, and the great work that the Corps of Engineers has done. What we also recognize is that there are things they can do better.

We have been concerned about pork barrel spending in the past, the selection of some of the programs that the Corps of engineers has gotten involved in that we see have been counter-productive to protecting. Surely they have done a lot more good things than bad.

Our position in the conservation community is that we want to make sure that one, there is environmental impact consideration given with respect to Corps projects; two, that we change the playbook that they have been using. The playbook that the Corps of Engineers used in selecting projects and implementing its projects has not been updated since 1983. So we have an antiquated playbook that we are using.

So we really just want the Corps of Engineers to improve upon its processes and how it moves forward to better the conditions of our State and protecting our rivers.

Mr. BOUSTANY. Thank you.

Mr. Felmy, I know certainly looking at the energy industry, it is concentrated in the Gulf Coast and Louisiana has played a major role in that over the years. We have the Henry hub down there, which sets basically spot prices and future prices for natural gas. I think it accounts for 49 percent of natural gas production in the Country.

You mentioned spreading our infrastructure out, but we have politically been unable to get that done. So we have to focus for now on how do we protect what we've got down there in the Gulf and also how do we speed up the process. We've got an interdependence, when you're looking at rigs, to pipelines to refineries, each of these steps requires multiple steps to get back online.

What are you doing as an industry to improve and speed up that process? Because I know when Ivan came through, I think we are still dealing with some of the aftermath of Ivan.

Mr. FELMY. That is correct, Congressman. We are working very hard across all dimensions trying to restore those facilities. Because of course, it is our line of business. If you are not operating, you are not making any money and you are not proceeding with what you need to do for your shareholders.

It is a function of damage. Electricity was a very big concern initially, because without power you can't really do anything, whether it be a pipeline or a refinery or a gas processing plant or anything along the way. Now it is a question of bringing the facilities back online, both offshore, especially importantly the gas processing plants going. Because without that processing, it is a huge problem in terms of getting more gas supplies.

The story from the small natural gas that is perhaps the bigger concern in terms of what we have going forward in the winter, because whereas in the case of oil, we can import more oil crude or products, natural gas, we have a limited ability to increase imports either from Canada or to get it more through the liquefied natural gas terminals. There again, because of limitations on LNG terminals and so on, except in the Gulf, we have been faced with a difficult challenge there.

So we first had to find our people, we had to get places for them to stay. We had to help them and their families. Then it is inspecting facilities, both on shore, offshore, above the water and then finally below the water, because if you don't have your pipelines in proper conditions, if you haven't tested everything, you of course can't continue to produce.

So we are moving forward, but we still do have these large shares of production offline.

Mr. BOUSTANY. I appreciate that. Anything Congress can do at this stage to help expedite this?

Mr. FELMY. I think going forward we had some very helpful things happen in terms of some of the fuels waivers that happened, the SPR releases, certainly Congress has taken a step forward with the first energy bill and now potentially some other legislation following on.

The key thing for making our infrastructure more robust, more diverse and more sound is to be able to have more infrastructure. So we need, we feel more permanent streamlining, more thoughtful

looking at where we can produce oil and gas in an environmentally sound manner.

Mr. BOUSTANY. Thank you.

Mr. SHUSTER. Thank you. Next, Ms. Norton.

Ms. NORTON. Thank you very much, Mr. Chairman.

Mr. Voison, I really have a question for you about whether or not one can incrementally bring back your industry so that people feel, given the contamination issues, you are such the provider of seafood for our Country, that it is fit to consume.

I do want to ask Mr. St. Julien a question first, because I think we ought to confront these notions that simply the press spins around. The notion about the Ninth Ward, because we are told it was so vulnerable, located so near where the levees broke. And yet I know, we have read the testimony before you that the Mayor and the Governor want all citizens to return to New Orleans.

I don't know if New Orleans is so configured that the land is all full up, as they say, or what. But may I ask you, if in planning the city it would be possible to plan for a city of the same number of residents, about half a million residents, without building in the most vulnerable to natural disaster parts of the city?

Mr. ST. JULIEN. Thank you so much for that question. Your analogy of the lower Ninth Ward, let me start with the lower Ninth Ward, so we can clearly understand what's going on. Believe it or not, this morning I got a call while I'm waiting in here from my aunt who lives in the lower Ninth Ward, telling me that her adjuster is coming Monday and she wanted to make sure that I am there to help her. She is 76 years old and so forth.

Ms. NORTON. Which brings up the question where people are willing to insure.

Mr. ST. JULIEN. That is correct. That key question is one of the questions that I raised about my house. I just don't know what to do right now, as many other people do.

But the lower Ninth Ward, just to clarify, and I did see that article in the Washington Post, I thought the article was an accurate article as to the breakdown of those areas that were considered a flood zone that require insurance and those that did not. I used to live on the second house from Caffan Avenue on Dauphine Street, which is three blocks from the river, in the Holy Cross neighborhood. It is popularly in the press called the Lower Ninth, but really that is two communities.

When you look on the river side of Claiborne Avenue, you have a community that is extremely viable, historical, a lot of historical buildings. In fact, my sister's house is right there at the River Bend Industrial Canal. We went over there, it is standing proud and tall just like the old captains' houses there, made of the very, very thick cypress wood.

But I lived on Dauphine Street, and I have seen storms come in and I have stood on my front porch and I have watched the water go down Caffan Avenue and you could actually see the flow with even whitecaps. Which tells me that the way the so-called lower Ninth Ward is constructed is somewhat like 12 to 15 feet lower than the area in the river.

So to answer these questions simply about the lower Ninth Ward and whether people can come back or what should we do, these are

important questions. The distinction I am trying to make here is you have two different communities, and let's not oversimplify. You have an area closer to Florida Avenue which is very, very low. And yes, you are going to have water there continually. Yes, there is a valid question on whether we should build close to that area or what to do.

But yet, we must make sure that the people who invested so much of their lives there are able to get real value so they can move and settle somewhere else.

But yet, another area which is called the lower Ninth Ward in the press, the Holy Cross neighborhood, is very, very important. If I am not mistaken, that is the area where the slaughterhouse cases were, and for those of us who are lawyers, I think the second case in constitutional law were the slaughterhouse cases that we dealt with. Then you have the old captains' houses.

So it is a valid question that we have to raise about certain areas of the community. I live east of New Orleans. That is a good 40 percent of the land mass. Again, we need to work hard in planning and to come to decisions real fast so our people will have choices.

I am sorry I ran on, and I forgot the second part of your question.

Ms. NORTON. That's all right. I just wanted to get that on the record as to whether you thought that in fact planning could be done to bring back a city of the same size.

Mr. ST. JULIEN. I'm sorry, that was the other one. The other point I wanted to make, certainly in terms of policy and planning, certainly the city of Portemon and several other cities have made in terms of planning decisions to create greater density. We certainly can do that in the City of New Orleans, and certainly we believe that we have the technology and the will to rebuild, bring that entire population back even though there might be certain areas where we may have to do something different.

Mr. SHUSTER. Let me go to Mr. Gilchrest. We'll come back to you, Ms. Norton.

Mr. GILCHREST. That was a good question, Ms. Norton, and I enjoyed that answer.

I eat Chesapeake Bay oysters, but I know we import some Louisiana oysters, because our population is down significantly. We don't have shrimp, so I like to eat your shrimp and I like my crabs. I just had a couple of your crabs last week. Charlie said they were better. I don't know.

[Laughter.]

Mr. GILCHREST. We use Old Bay, you use some Cajun mix. But it is all pretty good.

I hope to import some nutria, roasted, once we get rid of ours. I have been working with Billy Tauzin for a number of years, you have a more significant problem with the nutria than we do up in the DelMarVa Peninsula. And we don't have anything like this. I guess it is more difficult to fool the Marylanders about the taste of these critters, but I guess you have better chefs.

I just wanted to compliment all of you on the extraordinary undertaking that you are now intimately involved in and the difficulties. I went down with Mr. Shuster a couple of weeks ago, I was down again last week, I actually met Charlie's brother in Lafay-

ette. We were joined together by a myriad of scientists, geologist, hydrologists, climatologists, meteorologists, wetland biologists, you name it, for three days of an intense discussion on the ecological condition of the Gulf of Mexico and specifically the lower portion of New Orleans.

There was conflict with the people who was giving us information. And Mr. Ringo, I would agree with you wholeheartedly that the Corps of Engineers, as good as they are, need what I would refer to as conciliation. That is a unity of knowledge from different disciplines, seeing this picture in its wholeness in order to restore, and it is going to take an enormous amount of intellect and resources and cooperation.

I would recommend to everyone here, and forgive me for making this recommendation, but I do it in all sincerity, to sit down with a group of a myriad of scientific disciplines, you may know a lot more about this than I do, to see what it is going to take to protect the oil and gas industry, to protect the ports, to protect the convention center, to protect those communities. And to do that, the ecological conditions must be met for the waterfowl, for oysters, which is wetlands.

What do you do about subsidence? What do you do about sea level rise? What do you do about plate tectonics that create that instability of the mud upon which the cities rest and the levees rest? What do you do about all those canals which caused that storm surge to be exacerbated? Where do you build the new levees?

You have an enormous task ahead, and I want to compliment Charlie and Richard and all those other folks that are intimately involved in it. We here want to be a part of the effort to help. Every one of my constituents has either given to the Red Cross or quite a few of them left everything and went down to help. They are still doing it, they are still raising money, they are ready to go. The Nation is doing that. The Nation wants to make sure, though, and you folks are in a fishbowl right now, you are in a laboratory, and when we appropriate funds to do all the myriad of restoration projects that need to be taking place, our constituents want it done right.

And our constituents want that sediment to build up and counteract that subsidence. They want the wetlands to protect the buffers. And I am not just saying that because I am a green, radical moderate Republican. These are issues now that are in the forefront.

So Mr. Ringo, the idea that the Corps should be a part of a very comprehensive group is absolutely correct and sound. And Mr. Voison?

Mr. VOISON. Voison.

Mr. GILCHREST. We have more sort of Anglo-Saxon Methodists in my neck of the woods.

[Laughter.]

Mr. GILCHREST. To restore the oyster industry, it is just absolutely vital. That is sort of the canary in the coal mine.

I will ask you, how long do you think it will take? You mentioned five years. Is that about the time frame to put this back together?

Mr. VOISON. Thank you, Mr. Gilchrest. I appreciate the taste of Maryland oysters, second only to Louisiana oysters.

We actually have a plan. It is a pretty intensive plan, and Mr. Boustany is right, I ran into him up here after Katrina, and part of that plan included areas that he is the representative of, and then of course, Rita came. But this year, we will produce 100 billion pounds of in-shell oysters. We produce 250 million annually now. We will produce 100 million this year, we didn't totally lose everything. We had a hard right and a hard left, and there is still a little bit there that we are going to be able to produce.

I would say year two, with good investment, the debris removal that Mr. Boustany talked about, some of the cultch planting and re-seeding from hatcheries, and your States, by the way, the East Coast Shellfish Growers Association, has sent us tremendous support, has stood up and said we will do whatever we can, using the hatcheries that are helping the Chesapeake rebuild at this point. The Pacific Coast Shellfish Growers, I was out at a meeting a couple of weeks ago out in Portland, making a presentation about the impacts of Katrina, only to fly home to Rita. They stand in support of what we are trying to accomplish in our rebuilding. They can't support the whole market.

Year two we will produce about 50 percent. Year three, given again the intensive efforts in year one, we will probably be at 75 percent, year four, year five, given the energies that I think will be put forth, we will probably be at about 120 percent. You might say, how can you get at 120 percent of where you were. Well, the western part of Louisiana, Mr. Boustany's district, was kind of an underutilized part of our State. In some areas where there is substantial resource, the State wasn't even testing those areas.

You might ask, somebody mentioned, I think Ms. Norton maybe, about the safety of seafood. One of our challenges in Louisiana was that the State lab was in New Orleans. The State lab was closed down. Mr. Boustany's area in Lake Charles was the secondary lab, and it got shut down with Hurricane Rita. So the FDA has come in and brought in some mobile laboratories and are now doing substantial testing.

The waters are all testing very well. Some of the oysters still have some high bacterial levels. We expect openings relatively soon relating to the hurricanes. But the damage done by hurricanes is much greater than just the bacteria. It is the scouring of the reefs, the sedimentation and the placement of marsh grass.

We are going to be back, in fact, Mr. Gilcrest, your constituents will suffer as a result of Hurricane Katrina, because we won't be sending as many oysters up, not just for the ability to consume them, but your processing plants this winter will be challenged as well. We want to get back online as quickly as we can. We have a five year plan to total recovery.

Mr. SHUSTER. I thank the gentleman. If you would care to go to another question, we will go to Ms. Norton first.

But before I go to Ms. Norton, the question she asked Mr. St. Julien, I was not quite sure of your answer. There are two parts to the Ninth Ward, correct?

Mr. ST. JULIEN. Correct. I was responding to the statements, especially in the press, that characterized the entire neighborhood as the lower Ninth Ward, which raises the issue, should we rebuild. Well, because one area, or maybe one quadrant of the lower Ninth

Ward is very, very low, we can't oversimplify and say the entire area cannot be rebuilt.

Mr. SHUSTER. That is what I want to get. So there is part of the Ninth Ward that is at higher risk for flooding, part of it.

Mr. ST. JULIEN. Correct.

Mr. SHUSTER. That is what I wasn't quite sure of. There are other parts of the Ninth Ward that did not flood or got little flooding, is that correct? Or was it pretty much all flooded?

Mr. ST. JULIEN. Everything was flooded, but there were different degrees. The structure of the houses were quite different, therefore it had a different impact.

Mr. SHUSTER. Okay. Now I will yield to Ms. Norton for another five minute round.

Ms. NORTON. Thank you very much, Mr. Chairman.

I think Mr. Voison testified that they will have a very substantial amount of their oyster crop ready and uncontaminated, ready to ship this year. My concern about incrementalism may be satisfied by your answer.

My good friend from my region, that is a very nice conversation we had. I am not sure he has been in competition with you on oysters, when you have 40 percent in the Country, second only to Alaska in seafood. But I love to see that camaraderie here. I am not sure if my concern to have seafood fixed in New Orleans is a statement that gains interest, though, because I am in your region, therefore I am not sure if I want to keep you at the head of the competition.

Mr. GILCHREST. You can keep eating our oysters, but I will give you this nutria, and a recipe book.

[Laughter.]

Ms. NORTON. I have a question based on the testimony from Mr. LaGrange. I think that the Country has been impressed with understanding how important the port of New Orleans was. But I really have to ask you, given how competitive our Country is, the next question. Your testimony indicates your ports are used for cargo for 28 States, it is hard to find an agricultural product that does not use your port on the Mississippi or the Gulf ports, steel, you are a transportation hub, your intermodal advantage.

Is there any indication that given the time it will take to get the port back to where it was that you will lose some of this business? In other words, how unique is the port? Can some of what you do be essentially done by other ports? Is that what is likely to happen in the interim when we are trying to get everything fixed, which is of course a long term matter?

Mr. LAGRANGE. Yes, indeed, absolutely. The cargo, right now the port of New Orleans is back up to about 38 or 40 percent of its capacity in terms of ship calls. Normally we have 40 to 50 ship calls a week. Right now, this week we are going to see 18 or 19 ships coming to the port.

So yes, they are going to Houston, they are going to Tampa, they are going to Jacksonville, Port Everglades and Fort Lauderdale. We are hoping, certainly, that they are going there temporarily. We are in routine discussions almost on a daily basis with all of them, as different terminals come back online, as the rails come back, as the

highways and the bridges tend to get repaired. That gets us that access to mid-America and every other place that we need.

It is a unique situation, the Port of New Orleans, in that it is the largest through-put port in the Country. Eighty percent of everything that comes into our port ends up in St. Louis, Memphis, Chicago, Cincinnati, Pittsburgh, Tulsa. And 20 percent of that product remains. Unlike, let's say for example, Houston, because it has a good consumer base, a bigger population, where 80 percent of it remains to satisfy its market and the other 20 percent of it is shipped out.

We think it is actually going to be every bit as good or even better. The reason I say that is because of a very unique opportunity, and there aren't a lot of opportunities these days that are being presented to us. And that is over the next three to five years, all of the relief aid that is coming into the port is causing us to create distribution centers that we normally would not have had an opportunity to showcase the port and its other connectivity.

Three things that basically will bring a ship into a port, that is the consumer base, number one, which we really don't have, roughly a million people at best, metropolitan area. Number two is a distribution facility, and number three is that manufacturing base. The only other exception to the case is what we have with the Mississippi River. We have to utilize that, that is our trump card.

But you are absolutely correct in your assumption that cargo will be lost, at least in the interim, to other ports.

Ms. NORTON. I take it that when cargo goes to Houston or Tampa or Jacksonville and the rest that they are going to a second best, third best place that because of your intermodal advantages, because it looks like you serve a particular midwest part of our Country that they advantages of being less expensive, of having the transportation hub would make it possible for you to lure back the business that might otherwise be lost, and might otherwise cost the consumer more in order to get it elsewhere.

Mr. LAGRANGE. You nailed it exactly. Two examples that were given in our economic impact study of Katrina are steel. Again, all that steel that comes into the Port of New Orleans is going to automotive plants, it is going to appliance manufacturing facilities. That steel, the additional cost of shipping that steel if it goes to another alternate port is going to be on the average of \$17 to \$21 per ton.

On the export side, 60 percent of all the grain that goes out of the United States comes through the lower Mississippi River and our port. The added cost to that grain is \$15 to \$18 per ton before it departs to Asia. So just a couple of examples, you are right on target with your analysis.

Mr. SHUSTER. And that is because you ship by water, which is much cheaper than rail.

Mr. LAGRANGE. Exactly. Barge. Much cheaper to ship by barge.

In other instances, the alternative would be to land bridge it by rail to the west coast, and of course that ups your rate.

Mr. SHUSTER. Mr. Boustany?

Mr. BOUSTANY. Thank you, Mr. Chairman.

Mr. LaGrange, I want to commend you on your efforts at the port. You have done a great job. We read about some of the ports early on and how quickly you were able to get things ramped up.

I understand from your testimony, you said the estimated costs to repair the damage is about \$1 billion.

Mr. LAGRANGE. Yes. Not all of that is the public port authority, though. That's total. That's everything. And some of that could be achieved, we could relieve some of that with possibly some of the tax incentive plans that have been proposed by Congress that you all have been talking about. We have seen some draft bills that have been prepared. That is about \$350 million, \$380 million. That would come in rebuilding and relocating seven or nine of our major customers from one point in the port to another location in the port.

Mr. BOUSTANY. That gets to my question about private sources and discussions you have had with businesses on the ground and what they are willing to do to help pay for some of this recovery. I take you are already in those conversations?

Mr. LAGRANGE. We are in the process right now. We are talking to them, we are just beginning that process because we really, we don't want to be too premature, but we have to be prepared. We are really not sure what is going to come out of Congress. So again, would you do this, what are the different scenarios is what we are trying to find out right now. What are your alternatives and what are your options if this or this happens or this or this happens. It really gets fairly complex as we talk to each and every one of them.

We know one of them is going to divert 50 percent of its containerized cargo to another port in another State, and they are going to maintain a base of 50 or 60 percent in New Orleans. We may never get that back.

Mr. BOUSTANY. Is that because they can't get work force back on the ground?

Mr. LAGRANGE. That is part of it, yes. The other part of it is that it is going to take us, to build the new facilities, 18 months to 3 years, as we build new facilities, to relocate the ones that have been totally devastated that are not there any more, by the way. So that 18 months to 36 months period, needless to say, in the interim, we have a—we are probably going to get up to 70 or 80 percent within 6 months, but it is going to be really hard to ever achieve 100 percent before 3 years.

Mr. BOUSTANY. Thank you very much.

Mr. SHUSTER. Mr. Farmer, exactly now how are you guys, your association working with the State of Louisiana and New Orleans? I'm not quite clear. I guess my concern is, are you supplementing or are you going to be conflicting with the planning process that is going on with the governmental planners?

Mr. FARMER. We are very much supplementing and coordinating with. Nothing we are doing is any way going to replace. We wouldn't do that. We have members there, members of the New Orleans city planning department, for example, are members of our organization.

We are looking to bring in expertise from around the Country, New Orleans is going to be going through a period of development of the type they haven't seen in decades. So we have some mem-

bers who come from jurisdictions around the Country where more rapid growth is sort of normal, so we will be assisting New Orleans with how to handle that. We will be assisting the Mayor and his various task forces with some of the other associations. You may have heard, the Urban Land Institute, the American Institute of Architects, we are collaborating with all of those again to make sure that we are not in any way kind of stumbling over each other or replacing any of those efforts.

Mr. SHUSTER. So you are doing it as a they are a member of your association?

Mr. FARMER. Exactly. We are a membership association and we provide a variety of books and workshops and the like. So we are doing that collaboratively with our members in Mississippi and Louisiana.

Mr. SHUSTER. Pre-Katrina, how would you assess the planning capability infrastructure of New Orleans? I know they are members.

Mr. FARMER. I will give you a quantitative statistic. If we look at members, and we do a certification process, also, nationwide, we are the entity that certifies planners nationwide, New Orleans, or Louisiana and Mississippi both are on sort of the low side of the 50 States when you look at per capita number of certified planners. Colorado, for example, is at the high end.

As I said, it is my home State, I think it is fair that there has not been a strong culture of planning or a strong culture of, in many ways, governmental programs in the States. So I think that is—because I understand it, for example, the disaster mitigation plans that were required by Congress in the Act of 2000, what I have been told by FEMA is that only 7 of the parishes of Louisiana had those completed, only 3 counties in Mississippi had them completed. There are many States that have 100 percent completed. Alabama had all but three counties completed.

So that gives you some idea, I think, of the planning capacity issues before Katrina.

Mr. SHUSTER. Thank you.

Mr. Perry, you made the comment that the least affected industry in New Orleans was the tourism industry. Why is that?

Mr. PERRY. The least impacted infrastructure. The areas of the French Quarter, the riverfront, the warehouse and arts district and uptown of the Garden District had virtually no flooding, the most easily recovered, the less building damage. We will have 95 percent of the hotels back up and fully remediated and open by the first week of January.

Mr. SHUSTER. Is that because they are above sea level or high levels?

Mr. PERRY. It is slightly higher areas of the city. They were the original areas that were settled, they were slightly higher. Part of Canal Street got some water, the famous Boulevard, but it stopped as it came about halfway down. The French Quarter only got a very minor amount of water that cleared very quickly and had none of the environmental issues that we had in some of the other unfortunate neighborhood areas.

Mr. SHUSTER. I have read about four or five feet above sea level is what the French Quarter is?

Mr. PERRY. That is correct.

Mr. SHUSTER. What about the buildings? When they built those hotels, the ones that maybe did take water, were they in a better situation because they planned, they built, they did the things necessary to avoid that type of damage?

Mr. PERRY. Most of the hotels actually came out very well, with a couple of exceptions. The Hyatt, which you have seen on television, is closed down for a year. We have two other properties that will be closed until next summer. But the rest of them really had very little water damage. Mostly it was some windblown rain and normal storm damage. You are looking at 30 to 45 days of basic repairs.

Mr. SHUSTER. If the Hyatt would have built differently, could they have prevented that?

Mr. PERRY. You know, it was interesting, in many of the newer buildings, many of the newer high rises, you had more window explosions from pressure than you did, for example, I live in a warehouse in the arts district, in a building that was built in the 1870s. It was an old harness and saddlemaking—we didn't lose one window pane. Yet brand new buildings had windows exploding all over. So it was kind of interesting.

And of course, the French Quarter, with 250 year old, 150 year old and older structures that appeared very fragile, the grillwork, all of the famous French and Spanish grillwork, it all survived beautifully.

Mr. SHUSTER. And the Convention Center didn't take any water, is that correct?

Mr. PERRY. The Convention Center was high and dry the whole time. The damage that it took was from the wind, with some real damage to the roof. We had some windblown rain damage and a lot of glass damage. But a lot of the problems that we suffered were from the very unfortunate human misery that was suffered there when about 15,000 people were basically abandoned, because the Convention Center was not a site, an official site for a shelter.

Mr. SHUSTER. Do you know why that was? Was it above sea level or below sea level?

Mr. PERRY. Yes, the area along the riverfront is actually higher. So all the way uptown, along the waterfront in the downtown area, they did the best in terms of flooding.

Mr. SHUSTER. I have heard reports, I haven't had this verified, that actually the SuperDome, the first 10 or 15 rows are below sea level, is that accurate?

Mr. PERRY. Because it is actually dug down into the ground, the playing surface is below the ground. The arena next door where the New Orleans Hornets and the NBA team plays took about two feet of water. That has all been pumped out now, and that facility will be back online by the end of February.

Mr. SHUSTER. All right. I appreciate everybody coming up here, having made the trip up here, thank you very much. This Committee, as well as other subcommittees within the full Committee, will be relying on your expert testimony. Hopefully we will get to talk to you from time to time to get further information.

As I said, your full testimony will be in the record. I ask unanimous consent that the record remain open for such time as nec-

essary for witnesses to submit written responses to questions for the record. I know we have a couple of members who came in here and wanted to submit some questions. I am not sure exactly who to, but they will be forthcoming.

So again, thank you all very much. It was very enlightening, and we look forward to seeing you and working with you. The Committee is adjourned.

[Whereupon, at 1:45 p.m., the subcommittee was adjourned.]

**Testimony of Governor Kathleen Blanco
before the Subcommittee on Water Resources and Environment and the Subcommittee on
Economic Development, Public Buildings, and Emergency Management
Committee on Transportation and Infrastructure
U.S. House of Representatives**

October 18, 2005

Mr. Chairman, Mr. Ranking member, committee members, thank you for this opportunity.

In the worst natural disaster in this nation's history, Hurricanes Katrina and Rita hit New Orleans and most of South Louisiana hard. You've all seen and read about the devastation.

Hundreds of thousands of our citizens remain scattered all across the nation. Over two hundred thousand homes have been destroyed, leaving tens of thousands still homeless.

The hurricanes shuttered or displaced almost 81,000 firms – that is 41 percent of Louisiana businesses. The Congressional Budget Office reports that more than 375 thousand Louisiana citizens lost their jobs.

The task of rebuilding Louisiana is massive and complex.

Many schools, universities, hospitals, churches, businesses, utility systems have been destroyed.

Much of our transportation and port infrastructure (both sea and air) has been damaged or destroyed. Indeed, entire communities, entire parishes have been destroyed.

These mothers and fathers and sisters and brothers and their children want to come home and I want them to come. They want us to rebuild and I insist that we rebuild. But, we must protect what we rebuild. Our people of coastal Louisiana must feel safe. They must be safe. They deserve no less.

We must build newer, higher, stronger levees to protect New Orleans and other South Louisiana communities.

Repairing the damaged levees is only a step ... only the first step. New Orleans must be protected. Without better levees who will invest ... who will insure ... who will return?

Without restoring and improving the critical infrastructure – levees and drainage canals, roads and bridges, hospitals and schools – we can't rebuild New Orleans.

Let there be no doubt about the importance of the New Orleans area to the economic health of this nation. America's economy must have a vibrant commercial port at the mouth of the Mississippi River, its most important waterway.

South Louisiana is the center point of the nation's energy economy. This is the export hub of the nation's breadbasket. This region fills the nation's restaurants and supermarkets with seafood.

Indeed, the quality of life of our country depends on a vibrant Louisiana economy. Just as the nation recreated the economic greatness of New York City after 9-11, the nation needs New Orleans and South Louisiana.

America needs that region not only for our rich culture, but also for its unparalleled and unique contribution to America's economy.

We are working hard to restore Louisiana and to bring our people back ... back to sound homes, quality jobs and revived neighborhoods.
But we must have help from Congress.

We are dealing with a crushing blow to the revenues of both state and local governments.

Jobs and businesses are at the heart of our recovery efforts. Without a thriving business community providing quality jobs, our people will have no reason to come home.

In the first 18 months of my administration, we scored success after success as we brought in new industries and retained existing businesses worth 3 billion dollars of new capitol investment.

We scored those successes with targeted state tax credits and tax incentives that reward companies for investing in Louisiana and creating quality jobs.

We are proposing to use the same kinds of economic development tools in the recovery of Louisiana, but we need additional help.

We need:

- Direct incentives to help businesses and individuals move back home into the storm zone. That's an idea that President Bush included in his Gulf Opportunity Zone proposal.
- Up to 30 billion dollars in tax-exempt "Hurricane Recovery" bonds. This will dramatically lower the cost of capital to companies of all sizes.
- A job-creation tax credit will motivate large companies with significant payrolls to remain in the region.
- A 10 billion dollar Louisiana Business Development Fund to provide grants to small businesses that return to the affected areas of our state.

We need your help with these important incentives in order to regain our footing.

We project a twenty percent shortfall in state tax collections because our economy has been stopped in its tracks.

Just yesterday, I announced the creation of a bridge loan program to help our small businesses with much-needed cash flow.

The need for financial assistance is so great in the damaged areas that this program will be tapped out in two to three days.

Our businesses need more of this kind of immediate help and I've already asked the Senate and President Bush for \$200 million to fund bridge loans – that's the size of our need.

We're making other advances. Days ago, we reopened an important bridge on Interstate 10 east of New Orleans.

This temporary repair was completed earlier and at a lower cost than we estimated and by Louisiana contractors, I proudly add. A permanent repair to this section of I-10 will cost about \$600 million.

That is just one part of the needed repairs to the infrastructure in and around New Orleans.

Roads and bridges that are not normally eligible for federal aid suffered about \$845 million worth of damage.

South Louisiana's port system is functioning but only at a fraction of its capacity. Damage to public port and rail facilities alone total more than \$825 million. The federal navigation system on the river suffered more than \$300 million in damage.

Those are just part of this massive recovery effort, an effort that requires a daring, yet realistic plan ... To recover from the trauma of this devastation, we cannot simply re-create the protection levees that those storms destroyed ... we MUST rebuild the new Louisiana, smarter, safer and stronger.

To coordinate the continuing rebuilding effort, I have created the Louisiana Recovery Authority. They will function as board of directors of my recovery effort.

I have selected some of the best minds from -- or with connections to -- Louisiana.

I have appointed as chair, Dr. Norman Francis, president of Xavier University in New Orleans and one of our state's most respected leaders.

As vice chair, I have appointed Walter Isaacson, a New Orleans native who has served as managing editor of Time magazine, Chairman and CEO of the Cable News Network (CNN) and is now president of the Aspen Institute.

I have directed these members to ...

- act boldly ...
- reach out for new ideas ...
- forget old limits ...
- ignore the ancient rivalries of politics, race and region ...
- imagine a better Louisiana ...
- and help me create it.

This authority will go to work immediately and they will focus on prioritizing key issues: safety, housing, jobs, transportation, education, infrastructure, economic and workforce development, health, the environment and family services.

I am confident that this authority can deliver tangible results on time.

I want to spend a moment addressing the issue of financial accountability. I understand the questions that some in Congress have about how our state will handle the federal funds that are coming to us for disaster relief and recovery.

First, during my administration, the financial operations of the state of Louisiana have been highly rated for governmental accountability. But I want to emphasize that the financial affairs of Louisiana will be transparent and wide open. I believe that we will stand well to the expected scrutiny by the public, the Congress and the media.

Second, in addition to our normal auditing processes, we will hire a big-four accounting firm to audit every single recovery dollar that the state receives.

We will then have a second big-four accounting firm audit the audit of the first firm. And finally, on top of that, I directed the Louisiana Recovery Authority to appoint an audit committee to add further oversight to this financial accountability process.

I expect to account for every single penny of federal money that is received by the state of Louisiana and I believe this process will enable us to do it in a way that inspires public confidence.

Only with the confidence of the public and this Congress can we properly restore New Orleans and South Louisiana, a task that is vital to the future of this nation.

I come to you today to ask on behalf of the hundreds of thousands of United States' citizens who call Louisiana home to continue your generous support of our recovery efforts.

Without the financial support of Congress and the American people, we cannot adequately meet the challenges before us. But I am confident that with the support of our president and each of you, we will be able to bring our people home, restore our communities and reunite our families in a stronger, more vibrant Louisiana.

President Bush has repeatedly expressed his desire that we succeed in these rebuilding and restoration efforts. He is fully committed and Louisiana appreciates his commitment.

That is our task and I hope each of you will become our partners in this historic undertaking.



OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (MO-03)
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
U.S. HOUSE OF REPRESENTATIVES

Hearing on
*Expert Views On Hurricane and Flood Protection and Water Resources Planning For
A Rebuilt Gulf Coast*

Thursday, October 20th, 10:00am
2167 Rayburn House Office Building

Mr. Chairman, thank you for holding this hearing, the second our subcommittee is conducting, regarding the rebuilding of New Orleans. As we all have seen over the past weeks, and in Tuesday's hearing, the enormous task of rebuilding the city lies ahead of us. We face many challenges in not only rebuilding New Orleans, but doing so in such a way that protects the lives and property of all the residents from future flooding. Because our subcommittee is charged with hurricane and flood damage reduction, we must play an active role in ensuring that the infrastructure of the city is restored in a cost-effective and environmentally friendly way.

With the billions of dollars being spent by the Federal government on disaster recovery, we have the opportunity and the responsibility to ensure that the flood control infrastructure is adequately rebuilt throughout the city. We should heed the calls of local officials in both New Orleans and Louisiana for funding, but we should do so with a clear plan to protect the entire city.

The flood control systems in place before Hurricane Katrina failed city - wide. However, certain areas of the city, such as the Lower Ninth Ward, were struck particularly hard. I am especially interested in hearing what each of the panelists envision for the city as a whole, but also what each sees as the future for low-income areas like the Lower Ninth Ward.

I also urge everyone to pay particular attention to meeting these goals in a fiscally responsible manner.

I look forward to hearing the testimony of the panelists. Thank you for being here today.

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STATEMENT OF
THE HONORABLE JERRY F. COSTELLO, RANKING DEMOCRAT
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
JOINT HEARING ON A VISION AND STRATEGY FOR REBUILDING NEW ORLEANS
TUESDAY, OCTOBER 18, 2005 10:00 A.M.

Thank you, Chairman Duncan and Chairman Shuster for calling today's hearing. I would like to welcome our witnesses and look forward to their testimony on a strategy for rebuilding New Orleans.

To get the local economy and jobs improving and moving again, fully functional transportation infrastructure is needed. I recently visited the Gulf Coast region and saw the devastation and destruction Hurricanes Katrina and Rita left in their wake firsthand. I listened to state and local officials describe their immediate infrastructure needs and the resources to address these immediate needs. Those affected by these hurricanes should be commended as they continue to display tremendous courage and persistence.

However, Katrina underscores the urgent need to build a robust national preparedness and response system that can bend and flex to the unique circumstances of natural or human-caused catastrophes. I am going to focus on a couple of issues today, trying very hard for the most part, to look forward to what do we can do from here.

Like everybody else here, I am not particularly interested in playing the blame game, but I do think that there needs to be some understanding of some of the problems that we faced and why the results have not been what everybody would have wanted them to be in order to understand what is necessary going forward.

We have also had a lot of debate in this country over the last several weeks following Hurricanes Katrina and Rita about the respective responsibilities of state, local, and federal government and what lessons this holds in terms of coordination, efficiency, and effectiveness. We are at a critical point where we need to take stock in our current programs and process and see if they are achieving their intended goals and objectives.

Finally, I am also concerned with the set of issues surround both funding and strategy for prevention, recovery, and reconstruction. I am interested in hearing from the State and local community to understand their thoughts on rebuilding New Orleans and will examine all options for

providing emergency planning, mitigation, response, hurricane and flood protection and rebuilding efforts for New Orleans and the Gulf Coast.

I welcome the witnesses to today's hearing, and I look forward to their testimony.

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TESTIMONY OF

MR. W. PAUL FARMER, AICP
EXECUTIVE DIRECTOR & CEO
AMERICAN PLANNING ASSOCIATION

On behalf of

THE AMERICAN PLANNING ASSOCIATION

Before the

**HOUSE TRANSPORTATION & INFRASTRUCTURE SUBCOMMITTEES ON
WATER RESOURCES AND ENVIRONMENT, and ECONOMIC
DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT**

On

“A Vision and Strategy for Rebuilding New Orleans”

October 18, 2005

Chairman Shuster, Chairman Duncan and distinguished members of both subcommittees, thank you for hosting this hearing. I appreciate having the opportunity to speak on such an important topic and one that is central to my profession and my passion.

I am Paul Farmer, Executive Director of the American Planning Association (APA). On behalf of APA, we appreciate having this opportunity to discuss post-disaster recovery efforts in New Orleans and their inherent relationship to planning and policymaking.

I appear today both as CEO of the nation's oldest and largest association dedicated to the promotion of good planning that creates communities of lasting value, and as a professional planner having served cities as varied, interesting, and challenging as Pittsburgh, Minneapolis, and Eugene, Oregon. I first learned of city planning as a high school student in Shreveport, Louisiana, where I was fascinated by changes in my city. This was when I learned that a profession existed that was dedicated to improving choices for our communities and bettering peoples' lives.

APA represents 38,000 professional planners, planning commissioners, and engaged citizens interested in shaping the vision for the future of their communities. Our members are involved, in the private sector and at all levels of government, in formulating and implementing plans that engage citizens in a thoughtful and careful process designed to create a blueprint for the future. These plans reflect local values, promote wise stewardship of resources, increase choices for how we work, live and play, and enhance local quality of life.

I am pleased to see so many people here today representing the backbone of New Orleans' economic, social and political successes. Our discussion today is critical to advancing sound policies for rebuilding communities of lasting value in the affected region. I think it's a good sign that we already have two subcommittees working together here today. Your oversight of FEMA, the Army Corps of Engineers and other key emergency relief and community protection agencies is noteworthy and vital to all of our

work. This rebuilding effort is going to take a lot of collaboration, both on Capitol Hill and on the ground in Louisiana.

Hurricane Katrina and subsequent flooding was among the greatest urban and regional disasters in U.S. history. The disaster was soon made worse by Hurricane Rita. The rebuilding of New Orleans and the Gulf Coast will involve the largest and most complex planning effort in our lifetime. It will involve substantial analysis and public debate regarding trade-offs between idealistic goals and expediency. It will include some of the most difficult planning issues of our time – environmental justice, racial equity, restoration of natural systems, infrastructure repair, property acquisition and condemnation, environmental clean-up, cultural heritage preservation, hazard mitigation, economic development and urban redevelopment – all at a scale never before seen.

I'd like to talk today about the importance of the planning profession and the planning process, particularly as they relate to post-disaster recovery efforts. I will discuss the fundamentals of comprehensive, long-term planning, how these principles can be applied and integrated effectively in New Orleans, what APA is doing to help on the ground and institutionally, and finally our views on the role of the federal government in this coordinated effort and recommendations moving forward.

The Value of Comprehensive Planning and Public Participation

Planning and the special skills of planners are used to help diverse groups find common ground and mutually agreeable solutions to community issues. Planning is the way communities bring elected officials, constituents and other interests together to define and implement a plan based on common goals and values.

Planning provides a way for engaged citizens to exercise their voice about how they want their community rebuilt. In this way, planning is just as valuable to a healthy democracy as voting privileges. No other public process enables citizens to become so directly involved in helping shape the future of the places where they live. Planning is truly democracy in action. Part of this democratic process involves residents, development

interests and other stakeholders coming together to create a shared vision of their community's future.

Rebuilding at this magnitude must be a collaborated effort among the community, state and the federal government. The goal is to rebuild communities that are safe, and to give residents choices on where to live and work. Given the significant changes happening in our cities and the changes portended by many studies and indicators, planning is more vital than ever as a tool for informed municipal decision-making.

Planning decisions are among the most quintessential local government responsibilities. Planning affects the lives of every citizen in a community. Local involvement and control are essential to maintaining public trust and accountability. Planning in New Orleans should make full use of existing local bodies and institutions. The federal government, APA, and other institutions can provide technical assistance and new tools to replace lost local capacity, but working within the structure of the local planning commission and regional metropolitan planning organization is vital to a good redevelopment plan that reflects local values.

Planners are trained to examine a situation and provide a comprehensive perspective. This viewpoint enables planners to identify both intended and unintended consequences of growth and change. Planning is, at its core, about managing change in a way that engages citizens, reflects their vision, and results in increased value.

Communities cannot afford to forgo good planning in the rush to rebuild. Now is the time to consider all of the planning questions to ensure communities of lasting value are rebuilt. Planners are vital resources to devastated communities to help assess risk, rebuild safely and reduce vulnerability to man-made or natural hazards. Planners help communities see the big picture and take a long-term approach to guiding growth and change.

Every resident must have a voice in the rebuilding process. This will take coordination of community town halls and meetings to an unprecedented level given the geographic dispersion of residents. Community involvement will be a challenge, but one that cannot be ignored. To truly rebuild communities of lasting value, residents, business interests and elected officials must make decisions about their community together.

Investments of time, talent, creativity and, of course, money, are central to a city's success. Engaging the business community will be particularly important for New Orleans, and good planning is what ultimately drives investor confidence. Good planning is what investors need to feel confident that their work will be rewarded not undermined. Plans can provide investor confidence by creating certainty in the development process.

Great communities don't occur overnight or by accident. They are planned and thought out. They involve commitment, collaboration, and civic participation. They encourage inclusiveness and opportunity for all, not just a few. APA celebrates and advocates engagement because good ideas come about when many people participate. No great community is ever the result of one person or a small group of people.

A Multi-Faceted Approach is Necessary

The key to rebuilding the devastated regions requires a multi-faceted approach. This means considering the environmental issues, assessing the potential for risk, implementing disaster mitigation plans, engaging in participatory planning practices and supporting good planning decisions.

We cannot forgo good planning in the rush to rebuild. Rushing the rebuilding process will only place communities at greater risk. Rebuilding must be done carefully, expedited at a speed that will bring residents safely home. Above all, the rebuilding process must maintain the unique fabric and culture of the region.

Urgency in the response and rebuilding after the hurricanes must be balanced with informed decisions. The best examples of past studies, good planning, and the lessons of

history must be utilized, so that the same environmental and rebuilding errors will not take place. Regulatory and environmental processes must not be bypassed in the name of expediency; the building and infrastructure review process, however, must expedite priority projects that will help everyone.

We cannot afford to ignore the lessons Hurricane Katrina has taught. Ignoring the potential for risk is dangerous for our communities. Now is the time to assess community vulnerabilities to man-made and natural hazards and simultaneously implement disaster mitigation plans to reduce those risks while rebuilding. Let's put the planning tools available to good use to build solid foundations for these communities. Effective disaster prevention, response and mitigation measures can occur only with adequate and effective investment in infrastructure for all our communities and for this specific region.

How and what should be rebuilt is perhaps the most challenging question being asked right now. From the planning perspective, these decisions must involve the local citizens – the people who lived in the area prior to the hurricane, the housing community, the business community, the energy sector, folks with expertise in environmental planning as well as the state and local governments – as they decide where best to relocate schools, homes, transit routes, highways and corridors.

I'd like to start with public open spaces. I think that far too often we start with the hard infrastructure and deciding where we are going to put the roads and the freeways and the overpasses and things of that nature. That's important, but I think that the civic spaces of where people come together are extremely important in any city, and those should not be added on after the fact.

I was planning director of Minneapolis for many years, and a hundred years ago some very wise people in Minneapolis decided that the diagram that was to define that city was going to be along where the chain of lakes would be forever public, and so all the lands around the lakes and Minnehaha Creek and much of the Mississippi River is all public.

This gives me reason to believe that there's room for revisioning New Orleans while still respecting the history of New Orleans.

A key element of any comprehensive planning effort includes building or maintaining an area's unique sense of history and culture. Part of the reason New Orleans and its surrounding region have attracted so many tourists over the years is thanks, in large part, to its strong historical and cultural influences. People want to experience the rich culture of French, Southern and Creole heritage; they want to taste the generation-old recipes for local food, hear the legendary zydeco and jazz musicians, see the local artists and their artwork throughout the city and be surrounded by the intricate iron work and diverse architecture.

Historic preservation and building rehabilitation are an essential part of the redevelopment of New Orleans. More here than in most any city in the nation, historic structures are a critical part of both culture and economy. We should use New Orleans as a laboratory of innovation in these areas by expanding traditional rehabilitation tax credits to spur reuse of vital structures in the city. Additionally, we should include a residential historic tax credit for New Orleans homeowners to assist in rebuilding in a way that preserves the vitality of existing neighborhoods.

As we talk about this, we cannot forget the intellectual capital of the local population. One of the most effective ways to respect traditional community character is by acknowledging the value of "social infrastructure" in the area. Open, transparent and participatory planning is critical to rebuilding social networks that are stronger and more inclusive than before.

APA Involvement

Now is the time to help shape these immediate and long-term planning processes, because they will be affected by decisions made over the next few weeks and months. We are focused on building planning capacity to address immediate rebuilding needs, and

assist other communities with disaster preparedness planning. Consideration must be given to temporary solutions so they do not become permanent bad decisions.

It is important to recognize that our colleagues in Louisiana will require assistance from external sources, because their community and personal resources are severely depleted at a time when they are most needed by their communities.

In response to this challenge APA has posted numerous resources available online to help guide the rebuilding process, including model plans, planning tools, sample ordinances and lessons learned from other natural disasters. In addition, APA immediately launched a series of initiatives, including providing news media with contact names of members knowledgeable about disaster recovery, organizing a special Katrina recovery workshop at the Louisiana state chapter annual meeting, issuing an edition of our electronic publication *interact* focused on what planners can do within their own reach to help speed recovery, arranging a nationwide audio/web recovery conference for our members, and creating a Katrina section of the web with many educational resources made available.

At APA's National Planning Conference in San Antonio in April 2006, we will host a conference session track on disaster recovery to educate attendees about the issues involved. Since Texas has absorbed so many evacuees, we also will host an all-day workshop on Saturday addressing the issues of disaster recovery and rebuilding.

We will use all existing APA opportunities, conferences and venues to focus on these issues, and to articulate how our members can be involved on a personal basis and help build the capacity for planning.

APA will likely send a team of planners to New Orleans to focus on rebuilding the city's planning capacity. Planning Assistance Teams of APA's Professional Institute, AICP, will work with the impacted communities, on location, offering their assistance, expertise and knowledge. The experts will help community leaders address a variety of planning, rebuilding, hazard mitigation, and other needs. Many of our members have experienced

floods, wildfires, earthquakes and other disasters and can offer valuable assistance to their colleagues and communities in these states.

Obviously, the New Orleans planning function today and in the future is very different from the function before Hurricane Katrina. Local implementation will follow as determined by local officials. Local involvement will be inclusive and extensive.

The team will assess the strengths, weaknesses, opportunities, and challenges associated with the city's planning function as it existed before the disaster, and assess the capacity of current resources for city planning. They will consider the coordination of planning activities within city government, and between city government and local institutions, such as schools, universities, and hospitals, look at the unique challenges that New Orleans now faces and the extent to which those challenges might call for nontraditional solutions in order to assure a strong and effective planning function.

The team will prepare a business plan for the city's planning department, including budget and staffing recommendations, so as to assure a planning function that is comprehensive in scope, and can assist city staff as they begin to implement this plan.

The team may also prepare policies and procedures for development review, including land use regulation, permitting, and inspections, and provide general recommendations on major policy issues, such as the city's comprehensive plan, floodplain management, urban design, environmental justice, and citizen participation.

The Federal Role and Policy Recommendations

APA exercises planning leadership and helps communities have more choices through our federal policy initiatives and public outreach efforts. These activities address a wide range of issues, including transportation spending, energy conservation, environmental protections, housing and economic development.

The rebuilding effort in New Orleans will require support for data collection and analysis, including mechanisms for sharing of data resources among agencies, as well as adequate staffing of municipal, regional, state, and federal planning institutions. We must also

develop technical materials and training programs that build local and regional capacity to engage in informed deliberations, and the development of a range of communication media, in order to ensure participation by all stakeholders, including displaced residents. The federal government must continue to work and collaborate with experienced planners in affected areas.

It is clear that now is no time for a 'business as usual' approach from government. The residents of New Orleans face enormous challenges and government must be a catalyst for redevelopment, not an obstacle. However, a blanket approach to waiving rules and regulations is equally perilous for a sustainable future in New Orleans. The key in my opinion is to link together an effective planning process with opportunities for regulatory relief.

We should allow for exceptions to certain procedures provided that the result is consistent with a locally-driven plan. Likewise, the underlying local land use regulations and relevant development codes should be consistent with the comprehensive redevelopment plan. These processes must work together seamlessly or else we risk a patchwork approach to redevelopment.

The members of this committee know better than anyone the vital role of transportation in building and sustaining communities. Transportation will be a key part of the redevelopment of New Orleans and federal response in this area is needed. FTA is to be congratulated to immediately stepping in to providing operating subsidies to local transit agencies to restore service. The lack of viable mobility options for many residents helped contribute to the magnitude of the crisis. Our federal response and local redevelopment planning should work to actively promote mode choice and mobility in New Orleans.

Because transportation issues are so important, additional support should be provided to the local Metropolitan Planning Organization and transit authority to not only resume full service but also to examine regional transportation problems exposed by the disaster, including protecting critical infrastructure and expanding transit options.

Temporary housing must be built as part of the long-term redevelopment of communities, so that people who do return can, as much as possible, begin to live and recover with their neighbors. Public funding must be provided for neighborhood and community planners to assist residents in planning and financing their reconstruction, to provide an opportunity to develop creative strategies for neighborhood improvement and evacuee community building, and to provide a communication link between local government and residents.

Reducing or eliminating potential risks for natural hazards must be factored into the rebuilding process to make communities safer. We encourage the federal government to become a stronger partner in promoting safe growth. Effective disaster prevention, response and mitigation measures can occur only with adequate and effective investment in infrastructure for all our communities and for this specific region.

Some areas of federal involvement are straightforward. FEMA must continue to improve its efforts at disaster mitigation, not just disaster response. The agency has made great strides in this area but more remains to be done. APA supports Pre-Disaster Mitigation grants (PDM) implemented by state and local governments to fund preventative measures that protect property and save lives. We also support the Hazard Mitigation Grant Program (HMGP) formula for states with Enhanced Mitigation Plans at 20% of disaster costs. Additionally, we encourage the federal government to restore the regular HMGP program to its 15% level. Reduced federal funding means a lost opportunity for communities and localities to act as partners and make positive use of the interest generated during the post-disaster period to reduce the costs of future catastrophes.

In addition to those obvious efforts, there is a range of innovative policies that Congress should consider. The federal government is the most important source of geographic and remotely sensed data. These information sources are vital to GIS systems and new scenario planning technologies. These technological tools can play a critical role at the local level in improving mitigation strategies and incorporating safety in the comprehensive planning process.

Although many data are available and tremendous advances have been made in technology, there's more work to do. APA will call on Congress to consider options to support planning for community safety. Among the key components of such a program would be bolstering federal data collection, establishing support for local code reform, promoting security planning, and assisting communities with the acquisition and implementation of new technologies for security planning. The 'Safe Communities Act of 2005' (H.R. 3524) goes a long way in addressing the need for disaster preparedness and mitigation strategies through grants to local planning authorities.

Lastly, I would suggest that Congress provide new support for expanding community planning capacity. While GIS systems and scenario planning are becoming more commonplace, there are vast disparities in access to this technology and training in its full implementation. Promoting better planning and improving local planning capacity through technical assistance and other incentives does not mean intruding on the traditional deference given to localities in planning. Rather it would make other federal programs more effective and improve local policy making.

You know, I was just down in my hometown of Shreveport, Louisiana for APA's annual chapter conference there. The title of the special conference, "Planning for Prosperity: Opportunities in Post Katrina Louisiana" speaks volumes for the local attitude in that region and also of the great opportunity and responsibility that we all have right now. We, as planners, lawmakers, business leaders, and private and public sector professionals have the chance to rebuild New Orleans in a manner that creates real prosperity. We can help ensure that communities of lasting value are the end result of this nationwide effort.

I believe that working together, with a comprehensive vision for the area, we can create a city of economic, social and political prosperity and long-term success. This isn't about a quick fix. Our efforts are sure to leave a lasting and permanent effect. This is precisely why we need to go about this rebuilding process systematically and comprehensively, all the while incorporating the voices and needs of the local community. The rebuilding

process requires ongoing participatory planning that involves all community members, regardless of their current location.

Planners have historically been at the forefront of designing places and standards that ensure safety while bolstering vitality and a sense of community. It's a balancing act. We stand ready to continue playing that important role in the face of new challenges that confront our communities. APA will continue to dedicate resources to assist in an effort that must be commensurate with the challenges and opportunities presented by this unprecedented disaster.

**Statement of John Felmy, Chief Economist,
American Petroleum Institute, before the
House Transportation and Infrastructure Subcommittees on
Water Resources and Environment and Economic Development,
Public Buildings, and Emergency Management**

October 18, 2005

I am John Felmy, Chief Economist of the American Petroleum Institute -- the national trade association for the U.S. oil and natural gas industry, representing all sectors of the industry, including companies that make, transport, and market gasoline.

I. INTRODUCTION

The oil and natural gas industry recognizes the catastrophic impact of Hurricanes Katrina and Rita on millions of Americans, and our industry has been working around the clock with all levels of government and the private sector to restore operations and ensure that consumers have adequate fuel supplies.

As I will explain, our companies have made much progress in recovering from the hurricanes, but much remains to be done. While many refineries, pipelines, and other facilities are back in operation, or are about to be, some facilities remain damaged and out of service. Fuels are flowing to consumers nationwide, but not at the normal levels. Thus, our companies are facing a more difficult challenge in keeping up with demand for gasoline and other products. We are facing tight supplies, making it all the more important to heed the President's recent call for consumers to use energy wisely.

Energy conservation and efficiency in this time of tight supply are crucial – as important as our efforts to bolster supply. Companies are working 24/7 to get fuels to where they are needed in the quantities they are needed. And they are supplementing domestic production with increased imports of gasoline to help alleviate tight supplies.

API has run full page ads in major metropolitan newspapers across the nation urging industry and consumers to use available supplies wisely. We have urged these steps:

- Plan trips carefully. Combine multiple trips into one to do your errands. Minimize stop-and-go driving by avoiding rush hours. Consider car pooling.
- Maintain your car. Under-inflated tires can rob up to one mile per gallon from fuel economy.
- Drive efficiently. Unnecessary speedups and slowdowns can decrease fuel economy by up to two miles per gallon. Accelerate slowly and avoid engine idling.
- Slow down. Typically the faster you drive, the more fuel you use.
- Use energy wisely at home. Turn down thermostats, seal window and door leaks, clean furnace filters and replace less-efficient furnaces and hot water heaters.

The Gulf Coast is the very heartland of our industry. And New Orleans has been a hub of our industry for many decades. We are not just responding to this disaster, we are living it.

Thousands of our employees and their families and friends are also suffering the hardships of living in New Orleans and throughout this devastated region they call home. Many are still without homes. In concert with fire and police officials, neighbors, suppliers, and government

authorities, our companies are restoring the production, bringing the refineries back online, and restarting the pipelines – while at the same time grieving over the loss of homes, neighborhoods, and even loved ones.

The Gulf Coast region includes some 4,000 offshore platforms in federal waters, dozens of refineries, and hundreds of production, transportation and marketing facilities. These federal waters account for nearly 30 percent of the nation's crude oil production and approximately 20 percent of the natural gas production. There is a reason for this geographic concentration. Government policies have largely limited offshore exploration and production to the Central and Western Gulf – and our onshore facilities, including refineries, have been welcomed in communities in the region. Unfortunately, offshore oil and natural gas development has been barred elsewhere – including the eastern portion of the Gulf and the entire Atlantic and Pacific Coasts. Onshore construction has been held back by government restrictions, permitting delays, and not-in-my-backyard (NIMBY) sentiments.

An area of much recent concern is the need to bring additional clean-burning natural gas to industries and consumers nationwide. Yet, efforts to increase domestic natural gas production, both in the Rocky Mountain West and offshore, have been stymied – and efforts to build more terminals outside the Gulf region to permit increased imports of liquefied natural gas (LNG) have also been largely blocked.

II. THE IMPACT OF HURRICANES KATRINA AND RITA ON THE U.S. OIL AND NATURAL GAS INDUSTRY

I know that I speak for every one of our member companies when I say that our first concern – from the moment it becomes evident that a hurricane is approaching the Gulf – is for the well-being and safety of the thousands of men and women from across the country who work on offshore facilities, on the vessels that serve them, and in the refineries, distribution networks, and retail outlets around the Gulf coast.

Equally as important is the welfare and recovery of the communities in the Gulf region. Millions of people in the area are experiencing firsthand the physical and emotional hardship of the death and devastation caused by these two hurricanes, and our hearts and our prayers are with them.

API is working with the American Red Cross to facilitate U.S. oil and natural gas industry efforts to help people throughout the Gulf region. Our member companies are helping relief efforts through corporate contributions and by encouraging customer and employee contributions.

The companies are donating millions of dollars to humanitarian relief efforts to assist evacuees and help rebuild lives and communities. They are supporting national, state and local initiatives in recovery and relief through contributions of products, services, and technology. API and its members, in conjunction with the Gulf Coast Workforce Board and the U.S. Department of Labor, are working with employers in Texas and the surrounding states to help people displaced by the hurricanes to find new jobs.

We want to thank President Bush for making available more than 24 million barrels of crude oil from the Strategic Petroleum Reserve (SPR) to help offset supply shortfalls after Katrina and Rita -- truly a circumstance for which the SPR was intended -- and we appreciate the International Energy Agency (IEA) member nations' contributions of additional strategic reserves. We are also grateful that the Environmental Protection Agency (EPA) and the Department of Transportation, in conjunction with the involved states, have granted waivers to expedite the flow of fuels, particularly to emergency responders -- an action that is very helpful at a time when logistics and distribution of fuels are extremely difficult and critical.

In addition, the Department of Homeland Security's waivers of the Jones Act have helped to provide fuel supplies by enabling foreign as well as U.S. vessels to transport crude oil and refined petroleum products between domestic ports. And, through both hurricanes, the Department of Energy has played a central and invaluable role in leading and coordinating overall efforts by all levels of government to respond to the energy impacts of Katrina and Rita.

These and other positive steps by government are most helpful in dealing with this catastrophe. We also believe it is particularly important for government officials at the federal, state and local levels to urge citizens nationwide to use energy wisely, particularly in terms of not hoarding gasoline and not "topping off" their vehicle tanks. We welcomed the President's recent comments on the need to use fuel wisely and avoid unnecessary travel.

In attempting to meet the challenges we face, it is also most important to do no harm. The worst thing Congress could do in these challenging times would be to repeat the mistakes of some past

energy policies by overriding the structures of the free marketplace. Imposing new controls, allocation schemes, new taxes on industry, or other obstacles will only serve to make the situation much worse -- for the very individuals who are being relied upon to bring our energy systems back to full operating order.

Effects of Hurricanes Katrina and Rita on Industry Facilities

While our companies are still assessing the full effects of the hurricanes on production, refining, and pipeline facilities in the Gulf region, the storms clearly had a significant and widespread impact on our operations. Thanks to the around-the-clock work of company employees and contractors, facilities are coming back online and fuel is flowing from refineries through pipelines to consumers.

While I will attempt to provide you with the latest information we have, I would caution you that the situation can change markedly from day to day, from the standpoint of what we know and what actual progress has been made.

Our latest information from the Department of Energy (DOE), the Minerals Management Service (MMS), the Association of Oil Pipe Lines (AOPL), and member companies on the status of our industry and its facilities is as follows:

OFFSHORE PRODUCTION

-- Summary of Impact of Hurricanes Katrina and Rita

Recent hurricanes have reinforced the important role domestic energy supplies play in our economy. Shut-in oil and natural gas production from Hurricanes Ivan (2004) and Katrina and Rita this year, combined with growing demand for petroleum products and natural gas, have increased costs for all energy consumers. And, the tight supply/demand balance has made energy markets more volatile.

It had taken almost a year for the last of the offshore facilities to near recovery from Hurricane Ivan, when Katrina struck. Cumulative shut-in production from Ivan was 40 million barrels of oil and 160 billion cubic feet of natural gas. Ironically, API, along with the Minerals Management Service and Coast Guard, had just convened a workshop at the end of July to evaluate the experiences of Hurricane Ivan and examine whether new policies/practices should be considered.

Hurricane Katrina initially shut in virtually all oil production (about 1.5 million barrels per day) from the Gulf of Mexico (GOM) and 88 percent (about 8.8 billion cubic feet per day) of the Gulf's natural gas production. Just prior to Hurricane Rita's entry into the region, oil production had recovered with about 55.8 percent (837.6 MMB/D) still shut in and about 33.7 percent of GOM natural gas shut in (3.375 billion cubic feet per day).

The advent of Hurricane Rita forced offshore facilities to shut down again to protect employees. It has been estimated that about 75 percent of the offshore facilities in the Gulf were in the path of Hurricane Rita. Once again, as of 9/30/05, virtually all (97.8 percent) GOM oil production was offline (1.47 million barrels per day) and about 80 percent of the natural gas (7.9 billion

cubic feet per day). This situation has improved, albeit slowly. As of 10/14, shut-in oil production was equivalent to 67.26 percent (1.0 MMB/D) of daily Gulf production and 56.4 percent (about 5.64 billion cubic feet per day) of natural gas production. The cumulative production shut-in from both Katrina and Rita (8/26/05 – 10/14/05) is 57.64 million barrels of oil (about 10.5 percent of yearly GOM production) and about 283.3 billion cubic feet of natural gas, (about 7.91 percent of yearly GOM production).

Companies continue to diligently assess their platforms and subsea production and delivery systems to assess damage and ensure that it is safe for employees to work on offshore structures and for production to resume without any environmental impacts. Considering the magnitude of the hurricane and its path, damage to offshore platforms seems somewhat less than anticipated. However, while damage reports are still being collected, we do know that Chevron's Typhoon platform was severed from its moorings and suffered severe damage. According to news reports, Typhoon accounted for less than 3 percent of Chevron's net production in the Gulf of Mexico.

Recovery from Hurricane Rita in terms of offshore oil and gas production will be dependent on the other vital parts of the supply chain downstream of the production site. Subsea gathering pipelines and delivery systems must be operable. For natural gas, onshore processing plants must be up and running before that gas can be placed in pipelines for delivery to consumers. For crude oil, pipelines and terminals associated with shipping the oil must be working – not to mention the refineries that will transform the oil into products like gasoline, heating oil and jet fuel as well as the pipelines that will deliver those products to consumers. And, for all of these parts of the supply chain, electricity must be available to power operations.

It may seem self-evident, but it is worth remembering that every hurricane is unique and their impacts can differ substantially. Last year, Hurricane Ivan's impacts were most notable on the seafloor, as it triggered undersea mudslides. Hurricane Katrina seemed to have its greatest impacts onshore, although it did damage deepwater facilities serving the Mars, Ursa, Cognac and West Delta 143 fields. Shell has indicated that production from these fields may not be feasible the rest of this year. According to *Bloomberg News*, Mars produced 220 MB/D of oil and 220 million cubic feet per day of natural gas. Prior to Hurricane Rita, Shell had indicated that about 60 percent of total production would be restored to pre-Katrina level within the fourth quarter.

Katrina's impact was also notable in terms of damage to older facilities operating in shallower waters. These were mostly low-volume producing wells. Overall, Katrina destroyed about 45 producing structures and 20 structures incurred extensive damage. To put these figures in perspective, there are some 4,000 platforms in the Gulf of Mexico's federal waters.

While the industry is working around the clock to restore production, damage from Hurricane Rita continues to be assessed. And, damage to the drilling fleet and platforms may turn out to be somewhat greater than initially thought. Based on the latest data available, Rita destroyed 65 platforms and extensively damaged 32 others.

In all of the hurricanes, drilling rigs were impacted – often photographs of drifting rigs were the most visible impact in terms of news coverage. Putting this in perspective, during Ivan, 5 rigs went adrift; 6 during Katrina; and 13 during Rita. In terms of damage, Katrina destroyed 4

drilling rigs, while 9 incurred extensive damage. Based on preliminary reports, Rita destroyed 4 drilling rigs and significantly damaged 10 others.

Offshore Production Observations/Lessons Learned

- It is important to remember that the offshore infrastructure (4,000 platforms and 33,000 miles of pipeline) is sturdy and has weathered three powerful storms in the last 13 months without widespread major damage or environmental pollution. The majority of structures damaged by these hurricanes were older, lower volume producing facilities in shallower waters.
- Not only is resumption of production dependent on the downstream oil and gas supply chain, all parts of our infrastructure depend on other critical links such as electrical power. We must continue to make recovery of all parts of this critical infrastructure a primary priority.
- Additional attention should be placed on securing and tracking drilling rigs. We will incorporate the lessons of Katrina and Rita in our ongoing work initiated to assess and learn from Ivan. We will continue to work cooperatively with government to find ways to improve performance. The Department of the Interior is convening a meeting in mid-November to review mooring systems performance and API will participate.
- Communication and coordination between government at all levels and industry is vital to recovery. Prompt actions by government to, where necessary, temporarily remove regulatory obstacles have proved essential.

As a nation, we also must confront our energy needs and take the necessary steps to enhance domestic production of oil and natural gas. We can no longer afford to place “off limits” vast areas of the Eastern Gulf of Mexico, off the Atlantic and Pacific coasts, and offshore Alaska. Similarly, we cannot afford to deny Americans consumers the benefits that will come from opening the Arctic National Wildlife Refuge and from improving and expediting approval processed for developing the substantial resources on federal, multi-use lands in the West.

For example, there are about 300 trillion cubic feet of natural gas and 50 billion barrels of oil (technically recoverable resources) on the federal Outer Continental Shelf (OCS) off the lower 48 states with additional resources on the Alaskan OCS of 122 TCF of natural gas and 25 billion barrels of oil. Thus, the total recoverable resources with today’s technology is equivalent to the oil resources of Canada and Mexico combined and nearly three times the natural gas resources of these two countries. Yet, these estimates may be conservative since these areas are largely unexplored. Generally, the more an area is explored, the more its resource estimates grow. For example, the U.S. Geological Survey (USGS) estimates of undiscovered oil resources in the Central and Western Gulf of Mexico increased from 6.32 billion barrels of oil in 1995 to 33.39 billion barrels in 2003 – an increase of more than 400 percent. And, USGS estimates of undiscovered natural gas resources in those same areas increased from 88.1 TCF to 180.2 TCF over the same time period – an increase of more than 100 percent.

-- Natural Gas

The natural gas situation deserves special attention due to its key role in so many sectors of our economy and especially given its importance in heating homes throughout the nation. More than

60 million homes rely on natural gas. On October 12, natural gas prices set a record at \$14.43 per MMBtu. Although they settled down to \$13.103 the next day, natural gas prices are almost double what they were this time last year. Natural gas prices have been more than \$12 for 19 consecutive days. And, winter has yet to arrive.

Consumers can expect higher heating bills even in a mild/normal winter, according to the Energy Information Administration (EIA). EIA's *Winter Outlook*, released on 10/12, forecasts that, on average, households heating primarily with natural gas can expect to spend nearly 50 percent more this winter. EIA also warned: "Should colder weather prevail, expenditures will be significantly higher."

Unlike petroleum products where increased imports can help enhance available supplies, the ability to do that for natural gas is limited. Hurricanes Katrina and Rita have not only shut in a significant portion of the nation's natural gas supplies, the hurricanes have damaged natural gas processing plants which must be restored.

Hurricane Katrina damaged 7 gas processing plants along the Gulf Coast with a combined capacity of more than 5 billion cubic feet per day. This is equivalent to 9 percent of total U.S. natural gas production. Major issues affecting repairs and start-up of these plants include: access to facilities (standing water remains; some roads are not open); access to materials needed for repairs; and manpower issues.

Facilities in and near Houston do not appear to have sustained much damage. The Mont Belvieu area (about 25 miles east of Houston) is in the process of restarting. Natural gas liquid import/export facilities around the Houston Ship Channel have returned to service. Overall, Texas natural gas processing plants seem to have incurred little damage although some remain closed due to lack of electricity.

The area most impacted from a gas processing standpoint is Louisiana. A number of these plants were just recovering from damage due to Hurricane Katrina when Rita approached. Even those that did not sustain additional damage have been affected by the mandatory evacuations and other issues (e.g, access to Cameron Parish) related to Hurricane Rita. Repairs have resumed as conditions allow workers to return. In Alabama and Mississippi, plants in Mobile Bay and Pascagoula have been at heavily reduced recovery levels since the Tri-States pipeline has been out of service since Hurricane Katrina. This line crosses Lake Pontchartrain and many problems have been encountered in trying to return this line to service.

REFINERIES

-- Summary of Impact of Hurricanes Katrina and Rita

Based on the latest assessments (as of 10/12), 20 percent of U.S. refining capacity remains off-line or is restarting in the aftermath of Hurricanes Katrina and Rita. This divides between 15 percent from Rita and 5 percent from Katrina. Refineries in the Beaumont/Port Arthur area are still down, as is one in the Houston area. Others are back in normal operation or restarting. All refineries affected by the hurricanes now have partial or full power. The following is the latest information we have on the Texas/Louisiana refineries:

Houston area

| Normal operations | Capacity | |
|--------------------------|-----------------|------------------------------------|
| Marathon/Texas City | 72,000 | |
| Valero/Houston | 83,000 | |
| Astra/Pasadena | 100,000 | |
| ConocoPhillips/Sweeney | 229,000 | |
| ExxonMobil/Baytown | 557,000 | |
| Valero/Texas City | 209,950 | Total normal operations: 1,250,950 |

Reduced runs

Shell/Deer Park 200,000 (normal: 333,700)

Restarting

Lyondell-Citgo/Houston 270,200

Shut down

BP/Texas City 437,000 Total restarting or down: 707,200

Beaumont / Port Arthur**Restarting**

Valero 255,000

Shut down

Total Petrochemical 233,500

Motiva 285,000

ExxonMobil 348,500 Total restarting or down: 1,122,000

Lake Charles**Normal operations**

Calcasieu Refining 30,000

Restarting

Citgo 324,300

ConocoPhillips 239,400 Total restarting or down: 563,700

Others/normal ops

Valero, Ardmore, OK 83,161

Valero, Krotz Springs, LA 80,000

The four Katrina refineries, representing a little more than 5 percent of U.S. refining capacity, are: ConocoPhillips-Belle Chasse; ExxonMobil-Chalmette; Murphy Oil-Meraux; and Chevron-Pascagoula. Three are down; the fourth, Chevron-Pascagoula, is restarting.

Refinery Observations/Lessons Learned

- Refineries are complex. It takes more than a flip of a switch to get a refinery back up and running. In a normal situation, once the decision has been made that it is safe to start-up the refinery, it can take several days before the facility is back to full operating levels. This is because the process units and the associated equipment must be returned to operations in a staged manner to ensure a safe and successful start-up.
- Once a hurricane leaves the region, refinery managers assess what impact the hurricane had on their facilities. If any damage has occurred, repairs will need to be made before the refinery can be brought back online. Also, any flooding – a potentially significant problem – that has occurred will need to be dealt with before restarting the refinery.
- In the case of a start-up following a hurricane, other factors could cause further delay. These factors include the availability of crude oil, electricity to run the plant, and water used for cooling the process units. A refinery requires electricity to operate; if it is flooded, it cannot use electricity and cannot restart.
- Refineries have been prepared with hurricane preparedness and response plans for a very long time. Safety for neighboring communities and employees is a top priority. It takes a few days to shut down a refinery, and the better job done at shutdown, the more likely will be a smooth and safe startup.
- Most damage to refineries requires minor repairs, but it may take some time to completely assess and finish those repairs. Some refineries have been harder hit and are still awaiting power or repairing floor damage, and it will take more time to enable them to safely restart.

- Employees have shown incredible dedication, working on bringing the refineries back online. Some have lost their homes and are still focused on getting their refineries back up and running. Our member companies are proud of these efforts and are dedicated to finding employees temporary housing in cases where homes are lost.
- For example, ConocoPhillips' Alliance Refinery brought in two vessels to support operations. One sleeps 700. The company is operating the refinery like an offshore platform and sharing the vessel with some National Guardsmen to provide them shelter as well.
- Another example, is at Shell's Deer Park refinery, where the company gave one operator an emergency vehicle to join his distraught wife who had already evacuated the area. The company filled the vehicle with extra gasoline so he could help those whom he passed who had run out of gasoline.
- At ExxonMobil's Baton Rouge refinery, managers relied on creativity and improvisation to keep the facility functioning during and after Katrina. For example, loss of electric power shut off imports, particularly those coming through the Louisiana Offshore Oil Port (LOOP), which are vital to the refinery. As a stopgap, company officials located a foreign tanker full of oil that had ridden out the storm south of Baton Rouge and brought it to the refinery -- after quickly obtaining a waiver from the Jones Act that prohibits a foreign-flagged vessel from traveling between two U.S. ports. The company also created a ferry system using company barges to bring Strategic Petroleum Reserve (SPR) oil across the river from a Port Allen, Louisiana, refinery, which was the nearest location to which a pipeline could bring the SPR oil.

PIPELINES**-- Summary of Impact of Hurricanes Katrina and Rita**

Despite the severe conditions caused by Hurricanes Katrina and Rita, most pipelines recovered rapidly, with only limited damage done to the pipeline system – indicating that this is a robust, durable system capable of withstanding considerable stress. After Hurricane Katrina, the industry worked around the clock to restore full operations at all major crude oil and petroleum product pipelines. However, Hurricane Rita impacted many of these pipelines again, and several key pipelines once more were closed or operated at partial capacity. As of Friday, October 14, 2005, all on-shore interstate oil pipelines had resumed 100 percent normal operating capacity. However, some systems continue to experience reduced availability of products to transport.

-- Pipeline Observations/Lessons Learned

- Electricity. Commercial power availability is essential to pipeline operation. The ability of emergency response officials at the federal, state and local levels to facilitate, coordinate and prioritize the response of electric power utilities is essential. In-place backup generation equipment would be just as vulnerable as the local utility to major storm or attack, costly and difficult to accommodate in pipeline facilities.
- Communications. The lack of reliable telecommunications was a major issue in slowing response to the storms. In many cases land lines were out and cell coverage was spotty at best. Even when land lines were available, A/C-powered phones were useless. Satellite communication worked well, but the number of units available was limited and proper setup took some time. Loss of computing services removed email as a viable communications tool, except in some instances where personal data assistants

(Blackberries, etc.) allowed personnel to keep in touch. More clearly delineated contact points within the federal government made Rita response easier than Katrina response – there were fewer duplicate requests for updates and better use of designated contacts. This also made it easier to get federal help when needed as we had much improved channels into the government.

- Physical Security. Personnel and critical infrastructure assets must be protected -- generators and fuel supplies (to name only two) become valuable in a natural disaster.
- Aerial Reconnaissance. Many operators had difficulty getting clearance to conduct flyovers of their facilities to assess damage and stage repairs. It would be helpful if FAA could determine priorities and inform companies of what they are.
- Federal Fuel Waivers. The use of fuel quality waivers to allow the allocation of available fuels was helpful.
- Operations. A backup control center in a different building in the same city may be suitable in the event of terrorist attack (especially with backup generation capability), but not when dealing with a major area-wide event like a hurricane. The New Orleans pipelines that had a backup control center outside of the area and Houston pipelines with the same did not experience the same upset / contingency planning problems as did pipelines that had their backup centers in the same city.

-- Government-related Issues

In the aftermath of Hurricanes Katrina and Rita, consideration should be given to:

- Improve telecommunications and electric power contingency operations for crude and petroleum product lines and establish protocols for continued service and prioritized restoration of service in emergencies.
- Governments should be prepared to provide security around critical infrastructure and military or police escorts for response personnel, critical equipment transport, and fuel delivery.
- Short-term relaxation of federal, state and local regulatory and permit requirements in the event of natural disasters to expedite recovery of pipeline service.
- Permit streamlining with DOT's Pipeline and Hazardous Materials Safety Administration (PHMSA) as the lead coordinating agency for oil pipelines, would be helpful in speeding repairs and making capacity expansion projects more attractive.
- Support for pipeline industry recommendations on FERC oil pipeline rates.
- Designation of National Energy Corridors for rights-of-way would encourage increased pipeline and electrical capacity.
- FAA should determine priorities and request procedures for flyovers to aid in assessment and repair of critical infrastructure and better communicate those priorities.
- Expedite and streamline deployment of housing for emergency responders.
- Develop an integrated refueling strategy for emergency responders (FEMA, National Guard, state and local authorities) and stranded motorists to minimize conflicting priorities, prioritize short-term emergency (re)supply focus, and ensure emergency responder refueling equipment is compatible with industry safety standards.

- Deployment of government-owned power generation and pump units.

MARINE TRANSPORTATION

-- Impact of Hurricanes Katrina and Rita

The Houston Ship Channel and Texas City Channel have reopened for 24-hour navigation.

The Gulf Intercoastal Waterway is fully open as a result of the operational agreements reached with the Corps of Engineers. The flooding in the Texas/Louisiana border area temporarily shut down the Calcasieu Locks in Calcasieu Parish, Louisiana, and the Leland Bowman Locks in Vermillion Parish. The Gulf Intercoastal Waterway is a critically important artery for both the oil and chemical industries. API worked with various government entities to ensure top priority for returning these locks to normal operations.

-- Marine Transportation Observations/Lessons Learned

In responding to the hurricanes, the industry has worked in close cooperation with the U.S. Coast Guard, the Department of Energy, and the Maritime Administration to address marine transportation concerns. It has built on strong relationships that already existed between the industry and government in this area.

-- Government-related Issues

- It was helpful to the industry's efforts that the President directed Homeland Security Secretary Chertoff to waive the Jones Act to facilitate transportation of materials from the Gulf Coast in the aftermath of Hurricanes Katrina and Rita. The Jones Act requires that

all vessels used to transport cargo and passengers between U.S. ports be owned by U.S. citizens, built in U.S. shipyards, and manned by U.S. citizen crews. The original Hurricane Katrina waiver was through September 19; following Hurricane Rita, the waiver was extended until October 24 for both crude oil and products.

- It was also helpful that the Coast Guard gave port captains permission to waive requirements related to Oil Spill Response Operator requirements in the Gulf. Shippers were faced with possibly being out of compliance with their Vessel Response Plans because of the widespread commitment of response equipment for hurricane clean-up operations.

INDUSTRY SECURITY/EMERGENCY RESPONSE

-- Impact of Hurricanes Katrina and Rita

Providing security in the aftermath of a hurricane is particularly important and difficult. In the aftermath of Katrina and Rita, the ranks of local law enforcement were significantly depleted as officers elected to look after their families, which in many instances meant leaving the area. There are, of course, a great number of other interests competing with the need to protect critical infrastructure. Nevertheless, refineries and other similar infrastructure are at an elevated risk during a hurricane emergency and require protection by local law enforcement, state police, National Guard, or other entities that can fill the void.

In the aftermath of a hurricane, companies' priorities are to gain access to the facility to conduct an assessment of the damage, provide security and control access to the site, facilitate any

immediate safety and/or environmental remediation, undertake cleanup, make repairs of critical operating elements, and initiate restart of the facility.

The first requirement is to conduct an assessment of the site. This necessitates access by personnel to the site. In some instances, public sector personnel attempt to restrict access based upon the need to maintain law and order. In the aftermath of Katrina and Rita, roadblocks and other impediments were established to ensure that only first responders were provided access. However, it did pose some challenges for companies attempting to transport necessary supplies via ground transport. Generally, these challenges involved coordinating with law enforcement officials to obtain permits authorizing access into affected areas.

One concern was that emergency electrical generators, gas, food, and other necessities that companies were attempting to deliver to their locations would be seized by local agencies. Companies made special arrangements for materials to be carried in convoys comprising several vehicles and escorted by local law enforcement

-- **Industry Security/Emergency Response Lessons Learned**

- Housing for rescue, response and facility and infrastructure repair personnel in the storm-affected areas can be a major bottleneck to beginning recovery operations.
- Development of a formal communications channel into governmental response organizations/departments would be helpful.
- Development of an established process to expedite access to those areas shut down after a major disaster to begin rebuilding of critical industries is needed.

Additional Industry Security/Emergency Response Observations

- Companies report that the U.S. Coast Guard did an outstanding job in every area and on every level in responding to Hurricanes Katrina and Rita. Considering its diverse and demanding portfolio, which includes search and rescue, safety and security of ports and waterways, vessel inspections and response plans, the Coast Guard continues to provide the necessary leadership for a comprehensive and effective response.
- Companies provided their own officers for their facilities' protection in the affected areas and in support of their relief efforts; local law enforcement priority was public health and safety.
- Companies provided humanitarian response for their employees and contractors in the high impact areas due to lack of other support and response. Support was also provided to some police and other emergency responders from company distribution sites.
- Companies have been operating toll-free phone numbers for employees since before Hurricane Rita. Employees are encouraged to call the toll-free number to update the company on their welfare and status.
- ConocoPhillips provided fuel to National Guard and local government (including police) in storm-affected areas. The company is working with local hotels in storm-affected areas, providing generator power to allow them to open up prior to the power grid being restored. The hotels are being used to lodge response and repair crews.

-- Government-related Issues

- In general, there is a need for more coordination and more timely issue of information about the situation on the ground.
- Companies need assurances that materials intended for production and delivery of gasoline, diesel, and other fuels necessary for operation of emergency generators and vehicles would not be diverted from their intended purpose.
- Difficulty was experienced in getting air restrictions lifted in a timely manner to fly over affected areas and operations to assess damage to our facilities, although government agencies were requesting information.

III. GASOLINE PRICES AND RELATED ISSUES

Impact of Hurricanes on Gasoline Prices

We know that the effects of Hurricanes Katrina and Rita on our industry are having a nationwide impact. We understand how Americans throughout the country have faced increased prices for gasoline and other fuels. However, we believe the market is working, as prices have moderated in recent weeks and are now well under the post-Katrina highs. What follows is background on two key components of the price of gasoline: crude oil price and taxes.

Crude Oil Price. Before Hurricanes Katrina and Rita struck, the price of gasoline was rising primarily because U.S. refiners are paying more for crude oil, the principal cost component of a gallon of gasoline. In fact, the Federal Trade Commission noted this exact point in a report this July: "To understand U.S. gasoline prices over the past three decades, including why gasoline prices rose so high and sharply in 2004 and 2005, we must begin with crude oil. The world price of crude oil is the most important factor in the price of gasoline. Over the last 20 years, changes

in crude oil prices have explained 85 percent of the changes in the price of gasoline in the U.S.” The crude oil price is set in the international oil marketplace by the forces of supply and demand for oil worldwide.

Tax Component. While more than half the cost of gasoline is for crude oil, every time a motorist pulls up at the pump, he or she pays 46 cents in federal and state taxes per gallon of gasoline. The remainder is the cost to refine and market the gasoline. The average price of a gallon of regular gasoline reached \$2.85 for the week ending October 10, according to the U.S. Energy Information Administration (EIA). When the price of a barrel of crude oil is \$63, as it averaged in early October, a refiner paid about \$1.50 per gallon for the crude oil in order to make petroleum products. As noted above, taxes average 46 cents per gallon nationwide. The remaining amount includes the cost of running refineries, transporting the finished gasoline to markets via pipelines and tank trucks, and operating retail outlets. The cost to refine, market and distribute gasoline has been trending downward for many years. The recent price spikes are a direct consequence of disruptions in crude oil and gasoline supplies. (Attached is a chart showing combined federal, state and local gasoline taxes for each state.)

Our industry has never experienced back-to-back events like Hurricanes Katrina and Rita and their brutal aftermath. The hurricanes hit an industry that was already stretched to its limit by an extraordinarily tight global supply and demand balance. As EIA notes in its October *Short-Term Energy Outlook*, “The impact of the hurricanes on oil and natural gas production, oil refining, natural gas processing, and pipeline systems has further strained already-tight natural gas and petroleum product markets on the eve of the 2005-2006 winter heating season.” EIA anticipates

crude oil prices to average about \$64.50 per barrel through the end of 2006. The damage wrought by Katrina and Rita has clearly exacerbated the very market conditions that have led to today's higher prices.

Oil and gasoline prices jumped immediately after Katrina due to the widespread damage to energy infrastructure, but have moderated slightly as the industry restores operations. Oil prices rose to nearly \$70 per barrel, but have moderated somewhat to around \$65 per barrel. Similarly, the average price for gasoline nationwide jumped 46 cents per gallon in the week after Katrina hit, rising from \$2.65 to \$3.11 per gallon. However, as companies restarted some affected refineries and pipelines and the damage from Rita appeared less severe than expected, gasoline prices moderated. As of October 10, nationwide gasoline prices (for all grades) averaged \$2.90 per gallon, down 8 cents per gallon from the prior week.

EIA now forecasts that typical per-household expenditures for home heating oil will be significantly higher this winter when compared with last year: \$350 (48 percent) more for natural gas users; \$378 (32 percent) more for heating oil users; and \$325 (30 percent) more for propane users. To help the most economically vulnerable cope with higher bills during this time of crisis, we urge Congress to fully fund the Low-Income Home Energy Assistance Program (LIHEAP).

Zero Tolerance for Price Gouging

In the aftermath of Hurricanes Katrina and Rita and their effects on gasoline prices, some accused the oil and natural gas industry of price gouging. Let me be clear and direct: the

American Petroleum Institute and its member companies condemn price gouging. There is zero tolerance for those who break the law.

History provides an important guide here. Our industry has been repeatedly investigated over many decades by the Federal Trade Commission, other federal agencies, and state attorneys-general. None has ever found evidence that our companies have engaged in any anti-competitive behavior to drive up fuel prices.

The gasoline marketing system has the complexity and flexibility required to meet the varying needs of both companies and consumers. Companies have three basic types of outlet options and may employ any and all in their marketing strategies to maximize efficiencies and compete in the marketplace. First, they can own and operate the retail outlets themselves (company owned and operated outlets). The second option is to franchise the outlet to an independent dealer and directly supply it with gasoline. This option may have three different forms of property ownership: The operator can lease from the refiner, lease from a third party, or own the outlet outright. The third option is to utilize a "jobber," who gains the right to franchise the brand in a particular area. Jobbers can choose to operate some of their outlets with their own employees and franchise other outlets to dealers. The mix of distribution methods varies widely across firms. Different refiners, depending on which type is perceived as most efficient, use different types of outlets.

Retailers are typically categorized as branded and unbranded sellers of fuel. Those who are retailers of unbranded gasoline generally pay lower wholesale prices for gasoline and they attract

customers with generally lower retail prices. These retailers price gasoline at retail based on an unbranded “rack” price. They typically shop around in the marketplace, without any binding long-term contracts, in order to obtain the best price. Understanding up-front that there is a certain degree of supply and price risk associated with this method of petroleum retailing, gasoline purchased by an unbranded retailer and priced off an unbranded rack price thus entails no long-term relationship or security of supply between buyer and seller. Most importantly, unbranded purchases do not typically allow the purchaser the use of the supplier’s brand name.

In contrast, a branded retailer is obligated by a contract to buy branded gasoline and pay a “dealer tank wagon” (DTW) price, which is generally higher than the rack price. Branded product is typically priced somewhat higher because it offers the dealer greater security of supply and the right to use the supplier’s brand name. This makes sense when one considers the investment in the brand name and the importance to both the supplier and retailer of assuring reliable and uninterrupted supply to customers.

In periods of market tightness, however, when a supplier may not have enough product to supply all branded dealers plus the unaffiliated, unbranded buyers, the unbranded retailers, without supply contracts, may pay higher wholesale prices than name-brand retailers. This typically occurs when there is a supply disruption caused by a pipeline or refinery breakdown – such as was caused by the two recent hurricanes.

Gasoline Prices and the World Oil Market

As noted above, prices are rising because of the forces of supply and demand in the global crude oil market. Supply and demand is in a razor-thin balance in the global market. Small changes in this market have a big impact.

World oil demand reached unprecedented levels in 2004 and continues to grow. Strong economic growth, particularly in China and the United States, has fueled a surge in oil demand. The U.S. Energy Information Administration (EIA) reports that global oil demand in 2004 grew by 3.2 percent – the strongest growth since 1978 – and projects growth to average 1.8 percent this year and next. By comparison, world demand between 1993 and 2003 grew at an average rate of 1.6 percent.

At the same time, world oil spare production capacity -- crude that can be brought online quickly during a supply emergency or during surges in demand -- is at its lowest level in 30 years. Current spare capacity is equal to only about 1 percent of world demand. Thus, the world's oil production has lagged, forcing suppliers to struggle to keep up with the strong growth in demand.

The delicate supply/demand balance in the global crude oil market makes this market extremely sensitive to political and economic uncertainty, unusual weather conditions, and other factors. Over the past several years, we have seen how the market has reacted to such diverse developments as dollar depreciation, cold winters, the post-war insurgency in Iraq, hurricanes in the Gulf of Mexico, the Venezuelan oil workers' strike in 2002-2003, uncertainty in the Russian

oil patch, ongoing ethnic and civil strife in Nigeria's key oil producing region, and decisions by OPEC.

While consumer concern about high gasoline prices is very understandable, we must recognize that gasoline prices mirror crude oil prices. Crude oil costs make up more than 50 percent of the cost of gasoline. Retail gasoline prices and crude oil prices have historically tracked, rising and falling together. When supply is abundant and demand is low, we see the opposite of today's situation: in late 1998, crude oil was selling under \$11 per barrel – and gasoline was selling for less than \$1.00 a gallon.

We currently import more than 60 percent of the crude oil and petroleum products we consume. American refiners pay the world price for crude and distributors pay the world price for imported petroleum products. U.S. oil companies don't set crude oil prices. The world market does. Whether a barrel is produced in Texas or Saudi Arabia, it is sold on the world market, which is comprised of hundreds of thousands of buyers and sellers of crude oil from around the world.

Earnings

There is considerable misunderstanding about the oil and natural gas industry's earnings and how they compare with other industries. The oil and natural gas industry is among the world's largest industries. Its revenues are large, but so are its costs of providing consumers with the energy they need. Included are the costs of finding and producing oil and natural gas and the costs of refining, distributing and marketing it.

The energy Americans consume today is brought to us by investments made years or even decades ago. Today's oil and natural gas industry earnings are invested in new technology, new production, and environmental and product quality improvements to meet tomorrow's energy needs. *Oil & Gas Journal* estimates that the industry's total U.S. spending this year will be \$85.7 billion, compared with \$80.7 billion in 2004 and \$75.5 billion in 2003. It also estimates that exploration and production spending in the U.S. will grow 6 percent this year and that total upstream oil and gas spending in the U.S. will reach nearly \$66 billion.

The industry's earnings are very much in line with other industries and often they are lower. This fact is not well understood, in part, because the reports typically focus on only half the story – the total earnings reported. Earnings reflect the size of an industry, but they're not necessarily a good reflection of financial performance. Earnings per dollar of sales (measured as net income divided by sales) provide a more relevant and accurate measure of a company's or an industry's health, and also provide a useful way of comparing financial performance between industries, large and small.

For the second quarter of 2005, the oil and natural gas industry earned 7.7 cents for every dollar of sales compared to an average of 7.9 cents for all U.S. industry.¹ Many industries earned better returns in the second quarter than the oil and natural gas industry. For example, banks realized earnings of 19.6 cents on the dollar. Pharmaceuticals reached 18.6 cents, software and services averaged 17 cents, consumer services earned 10.9 cents and insurance saw 10.7 cents for every dollar of sales. Last year, the oil and natural gas industry realized earnings of 7 percent compared

¹ Earnings equal profits divided by sales calculated from "Corporate Scorecard," *Business Week*, August 22/29, 2005; and from company financial reports for oil and natural gas figures.

to an average of 7.2 percent for all U.S. industry. Over the last five years, the oil and natural gas industry's earnings averaged 5.7 cents compared to an average for all U.S. industry of 5.5 cents for every dollar of sales.

Some are calling for reinstatement of a windfall profits tax as a response to the nation's energy challenges. However, our industry's earnings are hardly a "windfall." Strong earnings enable our industry to remain competitive globally, benefit millions of shareholders and enable the industry to invest in innovative technologies that improve our environment and increase energy production to provide for America's future energy needs. Levying new taxes would likely end up harming consumers. As *The Wall Street Journal* editorialized recently, ("China Does Cartonomics," August 19), "A windfall profits tax only discourages increases in supply by disincentivizing further production."

According to the Congressional Research Service (CRS), the windfall profits tax drained \$79 billion in industry revenues during the 1980s that could have been used to invest in new oil and natural gas production. In fact, 1.6 billion fewer barrels of oil were produced domestically due to the windfall profits tax – barrels that instead had to be secured from foreign sources. CRS found that the tax reduced domestic oil production from between 3 and 6 percent, and increased oil imports from between 8 and 16 percent.

Gasoline Prices: What Can Be Done?

The solution to high gasoline prices is more supply of crude oil and gasoline and less demand, but there is no simple strategy to make that happen. The United States is at a critical turning

point in shaping its future energy policy. The Energy Policy Act of 2005, signed by the President in August, signals a first step in a much-needed effort to enhance energy security and ensure the reliable delivery of affordable energy to consumers. But much remains to be done.

The problems we face are very real: growing world demand for energy at a time when many oil-producing countries around the world are increasingly limiting or restricting our industry's access to new resources; a lack of national commitment to develop our abundant domestic energy resources and critical infrastructure; and scant attention to energy efficiency. These factors have resulted in a tight supply/demand balance for U.S. consumers, causing recurring price spikes, greater market volatility, and overall strain on the nation's energy production and delivery systems.

Energy demand continues to grow. The Energy Information Administration (EIA) forecast that by 2025, U.S. energy consumption will increase by 35 percent, with petroleum demand up by 39 percent and natural gas up by 34 percent. These demand increases occur despite expected energy efficiency improvements of 33 percent and renewable energy supply increases of 41 percent.

Additional EIA forecasts point out our basic problem: Domestic energy supplies are not keeping up with increased demand; and we are relying more and more heavily on imports to meet our energy needs. EIA projects that U.S. crude oil production will fall by 17 percent by 2025 (assuming no production from ANWR), while crude oil imports will increase by 67 percent, and net petroleum product imports increase by 90 percent. Given these trends, it comes as no surprise

that EIA forecasts that our nation's dependency on foreign sources of petroleum will rise from 59 percent today to 68 percent in 2025.

This increase, to the extent that it reflects import costs lower than domestic supply costs, would represent a gain from trade which should be encouraged. However, when we have resources that can be developed at prices competitive to imports, and we choose not to do so, we place a wasteful and unnecessary burden on our own consumers.

In fact, we do have an abundance of competitive domestic oil and gas resources in the U.S. According to the latest published estimates, there are more than 131 billion barrels of oil and more than 1000 TCF of natural gas remaining to be discovered in the U.S.

However, 78 percent of this oil and 62 percent of this gas are expected to be found beneath federal lands and coastal waters.

Federal restrictions on leasing put significant volumes of these resources off limits, while post-lease restrictions on operations effectively preclude development of both federal and non-federal resources. The most comprehensive study of the effects of such constraints was the 2003 National Petroleum Council study of natural gas, which included an analysis of federal constraints on U.S. gas supply in two key areas – the Outer Continental Shelf (OCS) and the Rockies. The study found that in key areas of greatest supply potential, federal policy precludes or seriously constrains development. For instance, of the 209 TCF of estimated undiscovered gas in the Rockies, 69 TCF is completely off limits, while another 56 TCF is seriously

constrained by federal policy. On the OCS, the entire Atlantic, Pacific, and most of the Eastern Gulf of Mexico are off limits to development. Furthermore, the study found that sustaining these constraints over the next 20 years would cost U.S. consumers more than \$300 billion in increased energy costs.

We are aware that opponents of oil and natural gas development still raise environmental concerns. However, we would point out that history provides overwhelming evidence that our industry can find and develop oil and natural gas resources safely and with full protection of the environment, both on land and offshore. For example, according to the U.S. Coast Guard, for the 1980-1999 period, 7.4 billion barrels of oil were produced in federal offshore waters, with less than 0.001 percent spilled. That's a 99.999 percent record for clean operations – a statistic few others can likely match or best, and far less than the volumes of natural seeps that occur on ocean and gulf floors. The industry's leak prevention performance in offshore production during Hurricanes Ivan, Katrina and Rita continues this remarkable environmental record.

Using advanced technology and sound operational practices, our industry has steadily reduced the environmental impact of oil and gas development, both onshore and offshore. The surface presence for exploration and development wells has shrunk significantly. For example, a drilling pad the size of the Capitol is all that is needed to access any oil reserves that might exist in the entire 68.2 square mile District of Columbia. Horizontal and directional drilling now enables our industry to drill multiple underground wells from a single pad, sometimes reaching sites as far away as 10 miles from the drilling pad.

Additionally, the U.S. oil and natural gas industry is among the most heavily regulated industries in our country. Every lease contains a standard stipulation to protect air, water, wildlife and historic and cultural resources, but leases may also include up to nearly 1,000 additional stipulations to further protect resources.

The recently enacted Energy Policy Act of 2005 takes a positive step by requiring an inventory of OCS oil and natural gas resources. It will not, by itself, result in new energy supplies.

We need to build on the energy legislation by encouraging the flow of more natural gas and oil to the marketplace. And, while we must focus on producing more energy here at home, we do not have the luxury of ignoring the global energy situation. In the world of energy, the U.S. operates in a global marketplace. What others do in that market matters greatly.

For the U.S. to secure energy for our economy, government policies must create a level playing field for U.S. companies to ensure international supply competitiveness. With the net effect of current U.S. policy serving to decrease U.S. oil and gas production and to increase our reliance on imports, this international competitiveness point is vital. In fact, it is a matter of national security.

We can no longer wait 12 years, as we just did, to address our nation's energy policy. The energy legislation is a foundation, but it must be built upon. More needs to be done and more quickly, particularly increasing access to offshore resources. We have the ingenuity, the technology, and

environmental protections. If enactment of the energy legislation means we have a commitment to continued action, then it will truly be a turning point in reshaping U.S. energy policy.

Refineries

We cannot understand or deal with high gasoline prices if we do not consider the state of refineries in the United States. During the 1980s-90s, the oil industry earned relatively poor rates of return on their investments. This was especially true in the refining sector, which was hard hit with the need for new investment in technology and equipment to produce cleaner burning fuels to meet clean air standards set by the Clean Air Act of 1990. The Act had a major impact on the operation of refineries in the U.S. and the return on investment realized at the time.

From 1994 to 2003, the industry spent \$47.4 billion to bring refineries into compliance with environmental regulations. That included \$15.9 billion in capital costs and \$31.4 billion in operations and maintenance costs to comply with regulations covering air, water and waste rules. Moreover, by 2010, the U.S. refining industry will have invested upwards of \$20 billion to comply with new clean fuel regulations. This is in addition to the cost of compliance with many dozens of other environmental, health, safety and security regulations. All this investment severely reduces the funds available for discretionary capacity expansion projects.

Technological advancements have helped refineries produce more from existing facilities than they did in the past. Refineries are doing a better job of bringing product to market for less – and the consumer has benefited. Even though a new refinery has not been built from scratch in 30 years, existing refineries are continually being upgraded and reworked to improve efficiency.

Inefficient process units are replaced and new units are built to provide more fuel processing flexibility.

We can see this in the decline in the refiner/market margin (measured as the difference between the retail price of gasoline minus taxes and minus the refiner's composite crude oil price). Back in 1980, the cost to refine and market and distribute gasoline averaged about 95 cents per gallon (in inflation-adjusted terms). By 1990, it averaged more than 61 cents per gallon, and, by 2000, it was 52 cents per gallon, which is about where it has averaged over the last five years.

Multiplying these reductions by the 330 billion gallons of petroleum products consumed translates into billions of dollars of savings for consumers. We all benefit every day from these improvements and efficiency gains.

The Need to Remove Refinery Capacity Constraints

The record-high gasoline prices, while primarily caused by increased crude oil prices and exacerbated by Hurricanes Katrina and Rita, have underscored the fact that U.S. demand for petroleum products has been growing faster than – and even exceeds – domestic refining capacity. While refiners have increased the efficiency, utilization and capacity of existing refineries, these efforts have not enabled the U.S. refining industry to keep up with growing demand.

The fact is that -- faced with increasingly more challenging fuels regulations -- only major refineries have the resources needed to expand their capacity. Smaller refineries are increasingly

unable to afford to expand. Moreover, local opposition and not in my backyard (NIMBY) attitudes persist and prevent new refineries from being constructed.

The U.S. refining industry has been expanding at a rate of approximately 1 percent over the past decade – the equivalent of a mid-size refinery. In order to create the opportunity for increasing the growth of U.S. refinery capacity, government policies are needed to create a climate conducive to investments to expand domestic refining capacity.

In addition, many of the steps the federal government could take to help the refinery capacity situation are covered in the December 2004 National Petroleum Council (NPC) study, *Observations on Petroleum Product Supply – A Supplement to the NPC Reports “U.S. Petroleum Product Supply – Inventory Dynamics, 1998” and “U.S. Petroleum Refining – Assuring the Adequacy and Affordability of Cleaner Fuels, 2000.”* For example, that NPC study suggested that the federal government should take steps to streamline the permitting process to ensure the timely review of federal, state and local permits to expand capacity at existing refineries.

New source review (NSR) requirements need to be reformed to clarify what triggers these reviews. Some refineries may be able to increase capacity with relatively minor adjustments, but are unsure if the entire facility’s permit review would be triggered – a burdensome and time-consuming process.

In addition to the myriad of other issues deterring new refining capacity investments, there are financial constraints as well. Attracting capital for new refinery capacity has been difficult with

refining rates of return historically averaging well below the average for S&P Industrials. Over the 10-year 1994-2003 period, the return on investment for the refining and marketing sector was 6.2 percent or less than half as much as the 13.5 percent for S&P Industrials. In only one year between 1977 and 2003 did the average return of refiners exceed the average for the S&P Industrials.

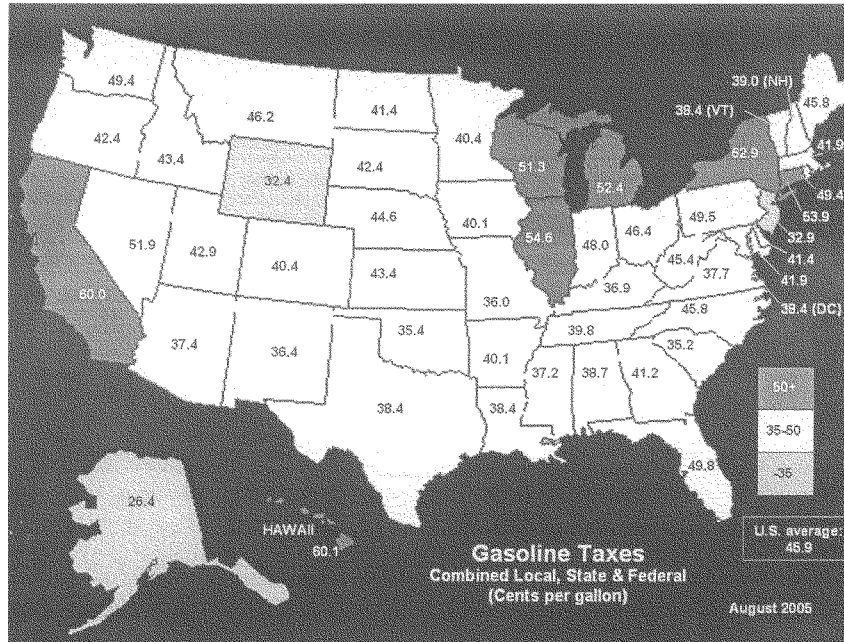
It is important to remember that the oil and natural gas industry operates in a global marketplace. Many oil and gas companies are global companies, whose U.S. investment decisions compete not only with decisions as to how to allocate capital investments in the U.S. among various sectors of the industry, but also with competing demands and investment needs overseas. In a global marketplace, companies will make the best economic investment decisions in order to bring affordable petroleum products to consumers. Imports may be the more economical option than new U.S. refineries, but that is a decision to be left to the global marketplace. Government policies must encourage, not interfere with, the global marketplace.

Conclusion

The U.S. oil and natural gas industry recognizes the catastrophic impact that Hurricanes Katrina and Rita have had on millions of Americans and our industry is working with government and others in the private sector to do all we can to alleviate their suffering.

If we all do our part – industry providing supplies and repairs as expeditiously as possible, government facilitating needed approvals, and consumers adjusting their driving habits to

consume less fuel – Americans can overcome this challenge as we have others in our nation's history.



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**Statement of
U.S. Representative William J. Jefferson
on
Legislative Efforts to Revive and Rebuild New Orleans
Before the House Transportation Committee
Subcommittee on Water Resources and Environment
And
Subcommittee on Economic Development, Public Buildings, and
Emergency Management**

October 18, 2005

I would first like to thank the Chairs and Ranking Members of the
Subcommittees represented here today for allowing me the opportunity to appear before
you to give testimony on Congressional efforts to revive and rebuild New Orleans in the
wake of Hurricanes Katrina and Rita.

I need not spend much time cataloguing the devastation that we have
experienced as a result of Hurricanes Katrina and Rita and the consequent flooding of
huge portions of southeastern Louisiana. As we have all seen, these terrible storms were
indiscriminate in the destruction they wrought—leaving behind unprecedented amounts
of property damage, human casualties and economic losses.

It is estimated that nearly 228,000 occupied housing units, representing more
than 45 percent of the total housing stock in the metropolitan New Orleans area, were
flooded. This total included 120,000 owner-occupied units and 108,000 units occupied
by renters, representing 39 and 56 percent of those respective stocks.

Moreover, New Orleans and a number of surrounding towns have been virtually
shuttered for almost six weeks—decimating the revenue base and forcing dramatic

reductions in the labor force just at a time when those workers are desperately needed to assist in the recovery efforts.

A further effect of the storms was the disproportionately adverse impact on the state's most vulnerable and poor citizens. Thirty-eight of the metropolitan area's forty-nine extreme poverty census tracts were flooded. All thirty-eight of the flooded poverty tracts were in the city of New Orleans.

Sadly, these tragic effects were not inevitable. They represent an unfortunate intersection of weather and water with a socioeconomic geography that had evolved over decades. Accordingly, as we confront the future, our goal should not be merely recovery but transformation—a socioeconomic revolution that leaves the region not just like it was, but better. Those impacted by the storms deserve no less. The limited federal resources we can garner to meet New Orleans' needs must target quality outcomes, relying on existing, proven tools that meet the scale of the task.

To that end, we should focus on four principal goals. First, we must create a region that is survivable for the long term against storms that are ever more frequent and ferocious each year. Second, we must commit to turning the region into an example of high-quality, sustainable development. Third, we must replace neighborhoods of concentrated poverty with neighborhoods of choice and connection. Finally, we must transform the region from a low-wage economy to one of a higher skilled workforce commanding among the highest salaries in our region.

Without question, these are daunting goals. This is clear: Reconstructing New Orleans and southern Louisiana in a proper way is going to require a sustained, serious, and, even visionary concentration over many years from the grassroots level to Capitol

Hill, but I am confident that the will exists both among my colleagues in Congress and among my fellow Louisianans to achieve them all.

With this firm commitment, we can rebuild those areas shattered by the hurricanes in a way that makes them more survivable, more sustainable, more inclusive and more competitive in the global economy than they were before the storms.

To enhance survivability, the Army Corps of Engineers recently testified before Congress that it could build a levee system to withstand a Category 3 hurricane by next June, at a cost of \$1.6 billion, and to protect New Orleans against a Category 5 hurricane over 8 to 10 years at a cost of another \$5 billion or so.

However, it is not enough merely to rely entirely on an engineering-oriented, seawall- and levee-oriented approach to flood protection. If Hurricane Katrina taught New Orleanians anything, it is that attempting to dominate nature solely with structural barriers is insufficient to say the least. Moreover, given the time required to enhance those barriers to protect against a Category 5 storm, as we rebuild in the interim, we must ensure that survivability and sustainability remain at the fore of any decision-making.

As we move forward, we must plan where and how to rebuild scientifically, systematically and democratically. State and local government should call upon leading environmental, engineering and urban design experts to provide guidance both to government and to the citizens of New Orleans as to the best path forward. Planning in a systematic, transparent and objective way with an open and honest discussion of the costs and benefits of each approach will ensure that the city has a solid foundation

on which to rebuild. Sound land use and world-class urban design are among the keys to a better future for my constituents.

Of course, while these are laudable first principles, we must confront perhaps the most extraordinary urban housing crisis our country has ever witnessed. We must move forward aggressively and creatively to resettle those displaced by the deluge in safe, comfortable homes in economically integrated neighborhoods—or, as a recent Brookings Institution report describes them, neighborhoods of choice and connection.

The images that pervaded media coverage in the days after Hurricane Katrina struck New Orleans exposed what President Bush has described as a “deep, persistent poverty.” As we move forward with the rebuilding of New Orleans, therefore, we must replace neighborhoods of extreme poverty with neighborhoods of choice and connection.

The Brookings Institution report I referenced describes *neighborhoods of choice* as “desirable communities that families of all income levels seek out for their quality, distinctiveness, sociability, location and amenities.” These neighborhoods are most importantly economically integrated—or, mixed-income neighborhoods.

The same report defines *neighborhoods of connection* as those “that link families to opportunity rather than isolate their residents. These neighborhoods offer their residents good schools and timely services [and] . . . provide their citizens easy access to nearby or distant job markets, as well as connection to the mainstream life of the region.”

Shortly after Katrina hit, the American Institute of Architects reached out to me and others in government to offer their expertise in planning and helping to develop just such neighborhoods in a renewed New Orleans.

Such neighborhoods may represent the best hope to solve many of the city's urban dilemmas. They reject the concentrated poverty, residential segregation and economic isolation that characterized too much of the city. They also represent a vision of a city rich in economically integrated neighborhoods attractive to all classes of people, with schools on a path to excellence, traversed by a notably better public transportation system, and tightly linked to greater economic opportunity.

So, obviously, the question becomes how to convert this vision into reality. That is, of course, why we're all here today. This Committee will play an essential role in this rebuilding process. This Committee holds the charge of ensuring that New Orleans is able to access all of the federal tools and resources necessary for it to build a first class infrastructure as it is rebuilt. Be it flood and hurricane protection, transportation, port system, roads or rail, New Orleans will need to implement a comprehensive plan to ensure that and your Committees support will be key to those efforts.

Since Congress returned from its August work period to confront the effects of Hurricane Katrina and now Rita, we have made significant progress. While Congress cannot write the individual recovery plan for each city and parish in our state, but it can—and must—create a box of tools that gives our state and local governments the authorities they need to make and carry out local plans for recovery. Congress has begun that weighty task.

First, we have passed the largest disaster recovery appropriations package in our nation's history—already committing direct spending of more than \$60 billion to the recovery and reconstruction efforts. As of the end of last week, \$21.7 billion of that amount has been obligated or spent, leaving around \$38 billion still unobligated. Those FEMA dollars can be used for a wide range of purposes, including replacement and rehabilitation of infrastructure, water and sewage systems, fire and police stations, public hospitals and clinics, and schools; housing assistance; loans to state and local governments to operating expenses; and certain health care expenses. We have also passed several pieces of legislation providing individual tax relief, enhancing housing programs in an effort to meet the needs of the displaced, reforming education formulas and programs to ensure continuity of study for the tens of thousands of students ejected from the region by the storms, and expanding health care access for our neighbors, families and friends.

For individuals, we passed, and I was pleased to handle on the floor, the Hurricane Katrina Emergency Tax Relief Act, which the President signed into law and which begins to address the unique problems confronted by our state's most disadvantaged families. This legislation preserves tax benefits for impacted residents and it ensures that the victims of Hurricanes Katrina and Rita are able to count fully the losses they have suffered in the aftermath of the hurricanes. Finally, the law exempts the value of forgiven mortgages and other debt from taxable income. These two very important provisions demonstrate compassion by prohibiting the IRS from further burdening these families when, for many, they're at the lowest points in their lives.

There can be no question that the recovery, reconstruction and revival of the devastated areas of our state will require an unprecedented federal commitment. The new law takes two other important steps toward that recovery.

It expands the availability of low-interest mortgages for the building and purchasing of homes in the affected areas. We all understand that the most solid foundation for the economic security of our nation's families is homeownership. By lifting some of the restrictions on the use of mortgage revenue bonds, this bill will help to build a solid economic foundation for the families whose lives have been turned upside down by Hurricanes Katrina and Rita. Just last week, we witnessed the effects of this change in law when Freddie Mac committed to buy at least \$1 billion in mortgage revenue bonds to greatly expand the availability of below-market loans throughout the Gulf Opportunity Zone, the GO Zone.

In addition, the Katrina Emergency Tax Relief Act also provides targeted incentives for returning businesses and new businesses to employ the thousands of hard working Americans who have been displaced or lost jobs to Hurricane Katrina, and now Rita, through work opportunity tax credits. By encouraging businesses to hire workers from the affected areas, the new law takes another very important step toward our uniform goal of rebuilding and resettling New Orleans and other areas tragically struck by the hurricanes.

While the new law we have passed moves the ball forward, we are still far from reaching our ultimate goal. With that in mind, I continue to work daily with my colleagues from the Louisiana delegation and key Congressional Committees on additional legislation that will make important inroads toward reviving the businesses in our state and, equally important, restoring the fiscal integrity of the state and the

most affected parishes with significant municipal finance relief. This relief will be designed to allow the maximum flexibility for infrastructure and operating expenses, for local match purposes from levees to Medicaid to FEMA requirements, among others.

Among the most important proposals that we have been working to enact are three that will significantly improve the financial outlook for the state. First, we would provide an additional opportunity for bond issuers to refund their debt obligations. In so doing, we permit the issuers to reduce their immediate debt service requirements, thereby freeing up resources to address other critically important needs. Second, we hope to enact a proposal allowing the issuance of federally guaranteed bonds to fund much of the recovery effort and to make up for the loss of tax base during the recovery period. While it is likely that these bonds would not be tax-exempt, at least for a few years, they will be extremely marketable despite the blows Hurricanes Katrina and Rita struck to our region's credit. In addition, the interest payments on these bonds would be made through federal tax credits, thereby reducing the debt requirements of the city and enhancing the bonds' marketability to investors. It is expected that these bonds have the potential to provide tremendous infusions of necessary capital without unduly compromising the region's fiscal outlook over the long term.

In addition to the tax credit bond proposal, I also expect that a significant volume—perhaps as much as \$7-8 billion for Louisiana alone—of tax-exempt private activity bonds will also be made available to provide significant flexibility in attracting the public and private capital that will be critical to the reconstruction and recovery of our cities and state.

To address the dire housing shortage facing the city and state, I expect that our relief package will include a significant increase in the volume of affordable housing tax

credits available for use in Louisiana. Moreover, I also expect that we will finally enact a proposal that I have strongly advocated for two years and that will significantly enhance the historic rehabilitation tax credit program, which will be particularly useful in New Orleans—one of the nation’s most historic cities. In addition, Congress will likely create a trust fund to finance affordable housing and other housing initiatives for low to moderate income families, which would be funded by taking five percent of the net profits of Freddie Mac and Fannie Mae; while that program is designed to be national in scope, many of my colleagues in Congress agree that the resources of that trust fund should be targeted to the housing crisis in the GO Zone during the first one to two years of the program. Combined with increased federal Community Development Block Grant and HOME funds, these enhancements and the trust fund will provide a much needed jumpstart to meeting our state’s unprecedented housing demands.

To help Louisiana businesses get back on their feet, I expect the enactment of a series of proposals that will make the city and surrounding parishes very attractive points of investment. Among other things, I anticipate the expansion of accelerated depreciation within the GO Zone to include leasehold improvements. This will be tremendously beneficial to a large portion of the small businesses that make Louisiana home. In addition, the ability of businesses to expense, that is, immediately write down, their investments as they rehabilitate and reopen their businesses will be significantly expanded, which will also serve to free up much needed operating capital. Finally, in order to permit businesses to monetize their tax attributes, business owners will likely be able to carry back their net operating and casualty losses several more years than is permitted under current law. Consequently, by allowing businesses to reach back further with their losses, they can in effect realize immediate infusions of cash to help

them restart their businesses or, in the alternative, they can reduce their tax liability in future years as the needs and circumstances of their businesses dictate.

With the enactment of these proposals, Louisiana will have economic advantages that other parts of the country will not. These changes to the tax code will enable the City of New Orleans, the State of Louisiana and their residents to leverage a few tax preferences to energize an economy hit hard by Hurricanes Katrina and Rita. Moreover, the enactment of these changes will move us along toward achieving the four major goals I laid out at the beginning of my testimony.

Virtually all of these proposals will be taken up by the Committee on Ways and Means in the next few weeks, and I will have the pleasure of shepherding them through the House along with my fellow Louisianan and Ways and Means Committee member, Congressman Jim McCrery. We have had great success working on a bi-partisan basis, and I applaud him for the great commitment he has shown to southern Louisiana's recovery.

The reality remains that the devastation wrought by Hurricanes Katrina and Rita represents at once a terrible challenge and a tremendous opportunity. Our commitment must be that those who have suffered so much have not done so in vain. Tasked by a great and serious obligation, the nation has the opportunity to help a great but shattered community rebuild not just to recover but to become more survivable, more sustainable, more equitable and more prosperous all at once.

I look forward to working hand in hand with your Committee to achieve these daunting but fully attainable goals.

Thank you.

Statement of Gary P. LaGrange
On Behalf of the Port of New Orleans

Testimony before the Subcommittees on Water Resources and Environment
and Economic Development, Public Buildings and Emergency Response,
Committee on Transportation & Infrastructure
U. S. House of Representatives

Hearing on Hurricane Katrina:
A Vision and Strategy for Rebuilding New Orleans

October 18, 2005

My name is Gary P. LaGrange, President and Chief Executive Officer of the Port of New Orleans and Chairman of the American Association of Port Authorities (AAPA). I am grateful for the opportunity to appear before you today to discuss the future of New Orleans as a major port and transportation hub for our Nation.

Within a one-month span, Hurricanes Katrina and Rita have impacted over twenty AAPA-member ports and many other private and public ports in the Gulf of Mexico region. The impact of these hurricanes has varied, with the largest impact on the ports of Louisiana, Texas, Alabama and Mississippi. For several ports, including New Orleans, the impact has been considerable; some port facilities may need to be relocated, and it will take months if not years to fully recover. In New Orleans, for example, the Port is now only operational up to 20 percent of its full pre-Katrina capacity.

Though I am here to specifically address issues and opportunities at the Port of New Orleans, I would like to note that the Port is working closely in a coordinately manner with interested stakeholders to convey a united vision for the restoration of coastal Louisiana. To that end, the Port strongly shares the view that the future of Louisiana is absolutely dependent upon the proper and immediate execution of a coordinated program that enhances navigation, coastal restoration, and flood protection measures.

Value of Maritime Trade to This Nation

The business and economic health of this Nation is heavily dependent on maritime trade. America's ports are our gateways to the world and a critical component in the Nation's economic health and national defense. When ports are impacted, there is a quick and sizable ripple effect throughout the economy. U.S. ports and waterways handle over 2 billion tons of cargo annually. Much of that commerce flows through the impacted ports in Louisiana, Texas, Alabama and Mississippi. These ports are heavily linked to this Nation's petroleum, grain and farm products, fruit, poultry, coffee, chemical and steel trades. Through its critical location on

the inland waterways system, the Port of New Orleans alone serves as the focal point for waterborne transportation of cargo to 28 states. That cargo activity supported \$37 billion in economic benefits to the country and generated \$2.8 billion in federal tax revenue.

In the post-Katrina environment, examples of affected cargo activity include the following:

- Agricultural products from 17 Midwestern states flow through the Mississippi River. Over half of the grain exports for this Nation depart from ports impacted by Katrina. Oil, agriculture and chemicals rely heavily on the infrastructure provided in these port areas.
- Gulf ports serve as one of the Nation's largest gateways for poultry exports, and the inability to handle frozen poultry products through unique dockside facilities would affect the industry worldwide. Estimates for the Port of New Orleans show that relying on less efficient means to transport these products would increase costs by \$7-to-\$8/ton, thus making U.S. poultry products extremely noncompetitive in the international marketplace.
- Steel is another critical commodity handled by the Port of New Orleans. The cost of diverting steel imports from New Orleans would increase the cost of such products by an estimated \$80-to-\$90/metric ton because of reduced access to inland barge and rail transportation systems and associated delay costs.
- Disruptions in the delivery of natural rubber products through the Port of New Orleans are creating raw material distribution and supply problems for tire manufacturing facilities in the U.S.
- Passenger cruise operations are also an important economic component at many U.S. ports, including the Port of New Orleans. Prior to Katrina, the Port of New Orleans was the fastest growing cruise port in the world. Cruises provide significant tourist trade, jobs and income for New Orleans and the region, and the rebound of passenger cruise operations will depend heavily on the ability of New Orleans to rebuild.

Should Port of New Orleans services not be completely restored, any rerouting of traditional port cargoes would increase related supply chain costs, including those associated with trucking and rail services, barging, distribution and warehousing, and ocean freight.

Importance of Federal Assistance

Catastrophic events, whether natural or man-made, can greatly impact maritime trade. Hurricanes are especially dangerous and are the most frequent threat since ports are located in affected coastal areas. Ports also are impacted by other disasters, such as earthquakes and terrorist events. The impact on New Orleans from Hurricanes Katrina and Rita has been considerable. There are several key actions that are important to the port's recovery: quickly reopening and maintaining shipping channels; restoring communications, electrical power and

other utility services; manpower; and repairing facilities and intermodal connections (reliable truck and rail services).

Concerning Federal assistance provided to the Port of New Orleans, the Maritime Administration (MarAd) is to be especially commended for its efforts. The agency took the historic step of diverting military ready reserve ships to help ports quickly reopen. MarAd provided a vessel in New Orleans for use as housing for Port workers. The vessel also had cranes for recovery and cargo operations and provided the ability to generate power for the Port.

Several other federal agencies stepped in quickly to help out affected ports, and were critical to the ports' ability to reopen quickly. The Coast Guard, the Army Corps of Engineers, and the National Oceanic and Atmospheric Administration should especially be commended for their vital and timely assistance provided to ports by surveying channels, identifying any obstructions, reinstalling aids to navigation, and providing emergency dredging. These agencies worked quickly and cooperatively to reopen the shipping channels.

FEMA is also an important partner. They direct many of the federal activities and help reimburse ports for rebuilding.

Future of New Orleans as a Transportation Center

It is clear that the Port of New Orleans serves as one of the Nation's key intermodal gateways for domestic and international trade. The very geographic proximity of the Port to the Gulf of Mexico and the mouth of the Mississippi River makes it the ideal and central location for the inbound and outbound shipment of cargo. As a key transportation focal point on the Mississippi River, the Port of New Orleans serves as the primary hub for the shipment of cargo on the Nation's inland waterways system. Given the regional access to major road systems, including Interstates I-10, I-55 and I-59, the Port is perfectly situated to facilitate the highway transport of goods flowing through the New Orleans port region. Finally, the Port of New Orleans provides immediate rail access for six major national railroads, namely Union Pacific, Burlington Northern/Santa Fe, Kansas City Southern, Norfolk Southern, Canadian National, and CSX. No port in the Nation is more ideally located for the intermodal inbound and outbound movement of domestic and international cargo by oceangoing vessels, trucks, railroads, or barges. That is why the Port of New Orleans is so vital to the business and economic health of the region and our Nation. The operations of the Port must be fully restored in order to continue to reap the trade and other vital economic benefits that accrue from such operations.

Katrina Impact and Recovery

Hurricane Katrina completely shut down the Port of New Orleans. The Port is only now beginning to restore electricity, water, sewage and other services, and its terminals and facilities were severely damaged by both storms and subsequent flooding. The total closure of the Port not only affected the economy of Southeast Louisiana, but also the entire Nation. In 2004 alone, more than 380,000 jobs in the U.S. were dependent on the cargo activity at the Port.

In the immediate aftermath of Hurricane Katrina and Rita, the Port of New Orleans has been working non-stop to restore its facilities and services. As noted above, the Port is currently operating at only 20 percent of its pre-Katrina level. The Port of New Orleans is still struggling with a limited workforce and the ability to move the cargo in and out of the Port. Damaged terminal, warehouse and other Port facilities need to be repaired and/or replaced. Mississippi and some Texas ports face similar problems. Intermodal connections, such as truck and train, are still a challenge. Highways and rail tracks need to be repaired and/or rebuilt, and workers need basic housing in order to continue any long-term employment. The recovery of the Port of New Orleans is tied to the problems of restoring the entire city. Without adequate infrastructure for longer term housing and family needs, workers will not be able to return. Cruises will wait to return until hotels and tourist attractions are restored.

The Port is a major economic engine for New Orleans and the region. Quickly restoring the Port to full operation will help return economic vibrancy to the area. The Port will also be a critical part of rebuilding the city. It can provide a means of bringing in the materials needed for the major repair and reconstruction efforts.

Based upon post-Katrina engineering and other studies, the Port of New Orleans estimates that approximately \$1,035,000,000 will be required to rehabilitate or relocate Port and other deep-draft private terminal facilities damaged or affected by Hurricanes Katrina and Rita. Other ports in Louisiana, Alabama, Texas and Mississippi also will incur costs to repair facilities. If the Port returns to full operation, the New Orleans region will soon follow. With repaired port and intermodal infrastructure and a return of the workforce, the Port will be a major factor in the business and economic revitalization so desperately required for the Gulf Coast region and our Nation.

Conclusion

Mr. Chairman, I thank you again for the opportunity to address this Committee today. I welcome the opportunity to further work with you on the recovery of the Port of New Orleans and affected Gulf Coast ports.



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Tuesday, October 18, 2005

House Committee on Transportation and Infrastructure
US House of Representatives
2165 Rayburn House Office Building
Washington, DC 20515

Dear Members of the House Committee on Transportation and Infrastructure:

Thank you for inviting me to testify on the vision and strategy necessary to rebuild New Orleans, Louisiana, and the entire Gulf Coast Region in the aftermath of Hurricanes Katrina and Rita.

It is my hope that the dialogue we begin will guide current and future policy decisions about the recovery and reconstruction of the Gulf South region. As your committee and Congress considers how to structure the federal recovery effort, it is important that you consider the cultural significance that New Orleans and the State of Louisiana has had on America. Collectively, we can rebuild this city to be better than it was before.

As Louisiana's Lieutenant Governor I manage the state's Department of Culture, Recreation and Tourism. Our department oversees a tourism and hospitality industry that provides over 120,000 jobs and contributes approximately \$10 billion annually to the State of Louisiana. In addition, Louisiana's cultural industries provide nearly 144,000 jobs, which is approximately 7.6 % of Louisiana's employment. From a growing entertainment sector to design and architecture to our culinary experts, Louisiana's cultural economy is an important part of our overall economy.

Just days before Hurricane Katrina devastated the Gulf Coast, my administration released a year-long study, "Louisiana: Where Culture Means Business". This blueprint provided a detailed strategy for our state to grow Louisiana's economy through our culture. This study also pinpointed our state's natural advantage in this area:

"Louisiana has an economic asset that other states can only dream of: a multifaceted, deeply-rooted, authentic, and unique culture. Its cultural continuum spans history and peoples, geography, and art forms. As a state that has long relied on oil, gas, and timber to fuel its economy, Louisiana is now realizing that, in culture, it may have a new source of largely untapped economic energy.

"Louisiana is ideally positioned to take the national lead in the creation and implementation of a statewide cultural economic development plan. While many cities and states are looking at arts and culture or creating incentives to develop film, music, and other technology-based industries, few states are approaching the cultural economy in as comprehensive a way as Louisiana."

I believe that Louisiana can be rebuilt better than before, and can continue to impact American life for many generations to come. If New Orleans can be used as a test lab of sorts, we may be able to find answers that like Jazz and Creole cooking and Tennessee Williams plays, the rest of the country can embrace. Now is the time to envision moving beyond our potential and finally taking advantage of our diversity as a powerful strength, where our histories, our stories, our labors, and our uniqueness are celebrated as a most precious asset.

Think of educating our children differently not to meet some national standards but to exceed that expectation and go beyond, where we grow knowledge and key skills for the 21st century through arts education, technology proficiency and experiential learning, starting first by learning about the wonder and uniqueness of culture in Louisiana.


The tourism, hospitality and cultural industry leaders in Louisiana understand this. We have already begun to set the tone and pace for the nation's debate on what the rebuilding of Louisiana should look like. On September 20th, my office released a strategic plan, *Louisiana Rebirth: Restoring the Soul of America*. This plan will serve as our comprehensive guide to not only reconstructing Louisiana's tourism industry, but also our Cultural Economy. We will build better lives and livelihoods than before for all Louisiana's people. And, we will do all of this by making Louisiana's recovery the standard for high performance, accountability, and ethical behavior. This plan was developed with input from the local, state and national leaders in the tourism, hospitality and cultural industries.

Our industries will require a significant level of relief as we work to recover the positive impact we have on Louisiana's economy. We have begun meeting with our Congressional Delegation to present them with our specific priorities and needs. We understand the need for fiscal accountability, results, and the highest standard of performance. On behalf of the tourism, hospitality and cultural industries, I have requested that Governor Blanco issue an executive order creating an Independent Performance Accountability Panel to work with us as we begin implementing the *Louisiana Rebirth* plan.

This is an important time of soul-searching for our nation, because the only adequate response to this tragedy must come from the entire nation. We like to say in Louisiana these days that this storm created so many everyday heroes – angels – who have reached out to their neighbors in times of need. We will soon owe a debt of gratitude to all Americans as a rebirth of Louisiana gets underway. But we are a generous people and we love nothing more than to share. So it is fair to expect those acts of kindness to be paid for in full with contributions to the greater good for many years to come.

Thank you again for the opportunity to testify and present my vision for Louisiana's future.

Sincerely,



Mitch Landrieu
Lieutenant Governor

Attachments:

1. Comments delivered by Lieutenant Governor Mitch Landrieu to US Department of Commerce Conference on Cultural Heritage and Tourism, October 6, 2005
2. Draft Executive Order proposing Independent Performance Accountability Panel that Office of Lieutenant Governor has presented to Governor Kathleen Blanco.
3. "*Louisiana Rebirth, Restoring the Soul of America*" – Strategic plan developed by Office of Lieutenant Governor, Department of Culture, Recreation and Tourism and industry leaders.

**Higher Common Ground:
“There but for the Grace of God go I.”**

*Speech by Lieutenant Governor Mitch Landrieu to US Department of Commerce
Conference on Cultural Heritage and Tourism
Thursday, October 6, 2005*

*Submitted to US Congress, House Committee on Transportation and Infrastructure
Tuesday, October 18, 2005*

I'm here today to bring you a message from Louisiana. In the wake of the worst natural disaster to face our nation, we have seen up close and personal a loss on a magnitude the likes of which we have never been seen before. This human tragedy has the power to transform the south and our nation. Historians have told the story of the South as one of "opportunity lost." It is now the challenge of the nation and the people of the South to change our story into one of "opportunity found." A time of sorrow must be transformed into a time of Hope. Because, hope springs eternal -- it allows us to wake every morning knowing that through hard work and vision we can make tomorrow better than today.

One simple idea should drive our actions. We can create a unified New South.

The New South exemplifies a place of community where our differences / much like threads of fine fabric / unite us -- where educational opportunities abound. A place that understands that knowledge is the currency of a strong economy.

In this New South, our diversity is strength, not a weakness - where different philosophies, political views, religious beliefs and ethnicities are not only viewed as good but also necessary to the formation of the tapestry of our rich and beautiful culture. In this New South, we interpret the Latin term / *E Pluribus Unum* / on the seal of the country and on the steps of the Louisiana State Capitol, literally, "out of many, one."

This New South values faith, strong families, cultural roots and the heritage of our ancestors / while at the same time, looks forward in a progressive way, excited about the possibility of what can be. We love our country in a unique and profound way.

With these hurricanes, Mother Nature has taught us a lot about our past, our future and ourselves. There has been a lot of focus on the devastation and loss wrought by Hurricanes Katrina and Rita. Communities across the south were brought to their knees by the force of Katrina and then again four weeks later by Hurricane Rita. We were also brought to our knees, thankful to God, for the thousands of acts of kindness and generosity given by strangers to strangers suddenly made neighbors by a common threat.

It is a tragedy of epic proportions that raised more angels than demons. Like a Greek tragedy, it has many acts.

The first act of this tragedy was the storms, the evacuations and saving lives.

Here's what we know about Hurricane Katrina: according to the National Oceanic and Atmospheric Administration, Hurricane Katrina is the most destructive storm to ever strike the United States. Katrina's disaster area is larger than the size of Great Britain. Compared to 1992's Hurricane Andrew with insured damages of \$21 Billion in today's dollars, Hurricane Katrina's estimated insured damages alone will top \$60 Billion.

Hurricane Rita will go down in history as having the 3rd lowest barometric pressure of any storm in the Atlantic's history. Communities throughout Southwest Louisiana and Eastern Texas / a combination of oil and gas refinery workers, rice and sugar cane farmers and fishermen and shrimpers / felt Rita's full force and devastating storm surge.

Following each storm, the nation watched our citizens in the water, on boats and on rooftops. Nearly all saw news coverage of the rescue efforts of the many first responders and the glaring truth of American poverty – impoverished residents, some who did not have the resources to evacuate the largest natural disaster in the U. S. What the media didn't report were the everyday heroes, helping people with their cars, walking through waters and rescuing people off of their roofs and out of their attics. The neighbor helping his fellow neighbor or the volunteers in rescue boats, Wildlife and Fisheries agents, local law enforcement officers and firefighters all supplemented already on the ground. These courageous men and women worked back-to-back-to-back shifts for 15 days straight. They risked their lives to save fellow citizens; these are the true American Heroes of this tragedy. We will never be able to thank them enough.

Following the rescues, cities across Louisiana immediately responded to each storm by offering to house evacuees. When we ran out of space, our neighbors and friends in Texas, Oklahoma, Arkansas and Utah welcomed us in. Literally every state in the union is now providing shelter to Hurricane Katrina and Rita evacuees. To every Governor, elected official and private citizen who opened their homes and hearts, to our citizens, thank you.

If we allow this tragedy to divide us, we will fail. If we use it as an opportunity to unite us, we will be stronger as a nation.

Act II of this tragedy is recovery and assessment.

Imagine the difficulty of having 1.2 million residents – some of whom were first responders - displaced across the country from their homes, resident care facilities, hospitals, and businesses. Imagine the anxiety and fear of these residents, not knowing what happened to their loved ones while hearing reports of the death toll. It's hard to imagine this, but it's important that you try.

We hear negative statistics daily about this story. The story is this: *1168* deaths due to Katrina and *100* deaths, so far, due to Rita. *[statistics from 10/6/05]*

An initial assessment of the 10 parishes (or counties) in the Katrina zone and three in the Rita zone have been so severely affected that they require substantial, sustained investment by federal, state, and local governments and the private sector. These thirteen parishes were home to one million, seven hundred sixteen thousand, nine hundred thirty-one Louisiana citizens. 81,000 businesses have been severely impacted. This number represents roughly 41% of all Louisiana's businesses, of which 90% are small businesses. Compare these stats to 9/11, where only 50,000

businesses were dislocated. It took New York four months to plan an effective recovery program. In fact, Louisiana's state department of economic developments' counterparts in New York has praised Louisiana for its progress already made in drawing up its economic revitalization plan. We have so much hope for future rebuilding for this great state of ours, we will make it better and stronger than it was before.

We must now begin the key assessment of our nation's response. Needless to say, we must vastly improve our emergency response system, that includes: better communications technology; a clearer chain-of-command that lays out roles and responsibilities of every branch of government to get resources where they are needed immediately; and, a reorganization of the way FEMA acts and reacts systematically to prioritize saving lives and human capital before getting into the business of giving contracts for rebuilding.

The country needs to learn from everybody's experiences, mistakes, and successes – AND there were plenty of all of these. We must admit that as a nation we all failed to prepare and respond adequately. We all could have done better.

So the question for the experts is *what happened to the plan, what went right, what went wrong*. One thing we know is that Mother Nature does not discriminate and she is not partisan. She hurt rich and poor, black and white, urban and rural. As the debate occurs about how to fix a broken response system we must not allow ourselves to let the politics of the day become the focus. We must get better as a nation, because "there but for the grace of God go I." The crisis could be an earthquake on the West Coast, a tornado or flood in the Midwest. It could happen to you or someone you know. It also could be another terrorist attack at any time, in any place.

As we move through the recovery and relief act of this tragedy, it would be helpful to establish and confirm facts from rumors and speculation. The now proven sensational rumors of murders, rapes and other acts of violent crimes hindered search and recovery efforts, and further exacerbated this crisis. The media has the ethical duty to investigate allegations of violence and report the news accurately with substantiated facts. The reports of looting were blown way out of proportion. The reports of snipers cannot be confirmed. There was no hostage crisis and there was no jailbreak. Of the reported 200 deaths at the Superdome, the state administrator overseeing the body recovery operation confirmed 10! One reported death was a suicide, 2 were reported as gunshots fatalities and the remaining 7 deaths occurred due to natural causes. Nevertheless, every death diminishes us and should be mourned.

These critical breakdowns in communication also hampered officials' efforts to speak accurately on the reports of violence, inadvertently perpetuating the chaos to the media. We are all grateful officials are now scaling back their earlier estimates of 10,000 deaths. These were grossly inaccurate. Our families are still grieving for their lost loved ones across Texas, Louisiana, Mississippi, Alabama, Georgia and Florida.

Perhaps you noticed that we were able to evacuate 1 million citizens when Katrina approached. We were prepared this time with a contra flow traffic program that moved people – people who could move, based on the evacuation of Hurricane Ivan last year. Also, we had warned the nation about the poor and our immobile senior population not being able to escape, and they couldn't.

So, in this second act, I would surmise that rumors and miscommunication have distracted us from the task at hand – recovery.

Act III of this tragedy is redesign and rebuild. This is where your input and commitment will be most helpful.

As the discussions about rebuilding the South begin to take place they must start within the context of our history and our people.

Nobody can deny the contributions that the South has had on American culture. No place can replicate the feel, smell, taste or sounds of this place that has contributed so much to America's history and economy. What would our national culture be like without musical institutions like Louis Armstrong, Wynton Marsalis or Zachary Richard; or literary geniuses like the Pulitzer Prize winning playwright Tony Kushner, or National Book Circle author Ernest Gaines; or the culinary icon, the Brennan Family?

Think about Congo Square in New Orleans - Did you know that it was New Orleans native - Louis Moreau Gottschalk (1829-1869) - who was the first to couple African Rhythms he heard growing up in Congo Square with European Classical music to begin the evolution of jazz music?

South Louisiana's heritage, from Lake Charles to Lafayette to Baton Rouge to New Orleans, is a gumbo of Native Americans and exiles from Acadie in Canada, French expatriates and French Creoles, Creoles of Color, Freed People of Color, and Americans. Tradition, family, food, music and *joie de vivre* are fundamentals of life in South Louisiana. Sprinkled across South Louisiana are bayous, sugar cane and rice fields, crawfish ponds, lakes, marshes, and rivers, creating a unique landscape you can't find anywhere else in the world. Now, everything about the culture that we have shared with the nation and the world for so long comes from our people and is at risk.

For centuries, Louisiana has served as the cultural and commercial entryway to the Americas. Cargo, moving through the Port of New Orleans, impacts every aspect of America's economy from food, to oil and gas. But, the port also moves people on luxury cruise ships. The ports in Louisiana handle more than one-fifth of U.S. daily imports/exports and help move more than three-fourths of U.S. offshore oil and gas production. Prior to Hurricanes Katrina and Rita, Louisiana ranked first in crude oil production and second in natural gas production along the Outer Continental Shelf.

Most of the levees on the Mississippi River held strong during the storm. These protection levees were built by the U. S. Army Corps of Engineers in the 1920s and '30s to control the Mississippi River and offer security to people living in flood plains and low lying areas. However these same levees have destroyed Louisiana's primary hurricane protection, America's Wetland, by not allowing the river to deposit silt in the marshes and coastal areas to replenish the land. We have a clear need to protect our populations with the levee system, but not at the expense of our eroding coast. Four of the top ten largest ports in the country are in coastal Louisiana. These ports remain strong, are operational, and will continue to operate as some of the most active ports in the world's economy.

No matter how strong Mother Nature is she couldn't destroy the assets that will guide us as we rebuild. The people and cultures of Louisiana are unique and as authentic as anywhere else in the country. Louisiana has a profound impact on American culture, music, food, and commerce. Our culture is rooted in the heritage of its people passed down from one generation to another. In Louisiana, we don't refer to "your home as where you live", in Louisiana "your home is where y'at." Nobody can duplicate the special uniqueness that we have in Louisiana, steeped in our rich cultural heritage that at one time included political abuse by a few.

While incidents of corruption and cronyism may make for a colorful story, it blurs and distorts Louisiana's image to the rest of the country and the world. Current Governor Kathleen Blanco (D) has followed in the footsteps of former Governor Mike Foster's (R) pragmatic style of scandal free governing and above-board practices and ethics. Governor Blanco has committed to hiring one of the country's top four accounting firms to monitor transactions related to the relief efforts. Louisiana's independent Public Affairs Research Council is working to strengthen the state's accountability processes. Louisiana does not engage in cronyism. In fact, Louisiana's sunshine laws (the laws that guarantee the public access to government operations) and ethic codes are some of the most comprehensive in the country.

Having said that, something strange has happened. We were hit by the most destructive natural disaster in the country's history. And about one million of Louisiana's sons and daughters were driven from their homes. Approximately 30,000 are still in shelters around the country and close to 40,000 here in Louisiana, are still today in shelters. We have lost 40% of our businesses. 1,000 of our brothers and sisters, mothers and fathers, friends and neighbors have died. We come to Congress, the voice of the American people to seek help. And yet, in the media, at the office water cooler, at the family dinner table and even in the hallways of the Capitol, we have been made to feel corrupt, selfish and unworthy of aid. The cries of caution never surfaced in Florida last year, never surfaced in Mississippi or Texas this year, or in New York after 9/11.

Louisiana does not have exclusive rights to political corruption. In the past ten years, the Governors of New Jersey, Connecticut, Rhode Island, Arizona, Illinois, Ohio and Alabama have all been indicted on charges ranging from conspiracy to fraud, to exhortation to bribery to ethics violation. The myth that Louisiana politics are more politically corrupt than other states in this great nation is as fallacious as most of the rumors about the storm and our people that were reported by the mainstream media as fact, when we now know they were grossly exaggerated.

Norm Ornstein, the congressional and political expert at the conservative American Enterprise Institute said that, "the American public doesn't have much patience for stories about wasteful spending or corruption." Further, Ornstein states, "Any spate of news stories from now on about corruption in contracts, etc., will hurt – people will resist a major taxpayers' commitment if they think much of it will be wasted *or* lining the pockets of miscreants. That perception unfortunately has been reinforced by recent editorials accusing our Congressional delegation of looting. This same media labeled American citizens who had evacuated refugees. We are not refugees. We are Americans. We pay taxes. We work hard. We serve our country.

I agree with Senator Tom Coburn, R-Okla and Senator Barack Obama, D-Ill: "Hurricane Katrina is the most expensive natural disaster this country has ever faced and the rebuilding will certainly

be the largest and costliest of its kind," the senators said in their statement. "This entrusts FEMA with massive responsibility, and so it's only right that we protect both taxpayers and citizens of the Gulf Coast with strict accountability and oversight about how the money is spent and whether it is most efficiently directed to help rebuild lives."

I also agree with the voice of so many, articulated succinctly by Bob Herbert of the *New York Times* last month, who said that in order for us to understand, "the monumental breakdown of government that contributed mightily to one of the greatest tragedies in American history...we need a highly respected and truly independent commission that is willing to root out all the facts, no matter how embarrassing to the people in power and lay out a reasonable plan for the future."

However, this independent commission should not view nor investigate this American tragedy from a narrow prism looking only at response time, lack of coordination amongst governmental agencies, communication failures or the obvious inadequacy of FEMA. If this commission of great minds wants to provide a valuable service to the nation it will ask the necessary questions in order to be answered from a historical perspective.

Who really left our American citizens waiting hopelessly at the Convention Center? Why were they trapped? Why did the floodwaters leave them, in particular, so vulnerable? If these questions are asked and answered honestly, we as Americans will be forced to look at ourselves in the mirror and see a picture that we have long tried to ignore.

The answer to the question, who left our American citizens at the Convention Center or Superdome is not, as a small-minded person would think, one person or one agency, like the mayor or the governor or the bus driver who evacuated with his/her family, or even FEMA. The answer is our society left them there. The truth is, for the past 40 years, America, collectively, has ignored its most vulnerable citizens, those living in poverty, which today totals 37 million.

Here particularly, we have found higher common ground. Voices from the left and the right have taken note and roared. Senator Rick Santorum, R-Penn had this to say at the *First International Conservative Conference on Social Justice* last month:

"Too many of my colleagues act as if poverty doesn't exist. Then came Katrina. Our collective blinders were shredded not by wind or rain but by our television sets. We will always remember the pictures of New Orleans, the poor and sick who were forced into the light of day and into our consciousness by the waters of a horrible flood. Theologically, there is this idea of an age of accountability...Katrina brought Americans to the age of accountability when it comes to caring for the poor. No one, no one can deny the persistent and noxious poverty that still plagues this country."

Katrina made the nation come face-to-face with the stark reality that regardless of race, financial means divide us as a country in a way that prevents us from truly recognizing the needs of our neighbors at some of the most vital times of life. We must not let the social disaster of poverty continue. Race was not the underlying factor in who got left behind. What we really saw was the impact of poverty on an entire nation, and we saw it here in the United States.

Gandhi once said, *"We must become the change we want to see"*.

The New South must become this change. In culture, tourism, business, manufacturing, politics and military affairs we can set the pulse for the nation. Today, the New South continues to emerge - in our midst - forming itself from Houston to Dallas from Charlotte to Birmingham from Atlanta to the Carolinas. When we build it back, we will build it back better than before and strive to become the leader of this New South. With this great foundation of culture and people, we can rebuild a place that can finally exceed it's potential.

The number of homes, neighborhoods and lives that will have to be rebuilt is staggering, but the cornerstones of New Orleans and Louisiana survived; our rich heritage and cultural advantages will serve as our guides to the rebirth. If we are going to become the change we seek, then we must start by understanding the true foundation that needs to be rebuilt.

In addition to the daunting task of rebuilding all of the rural south (below I-10 from Texas to Louisiana to Alabama and many small towns and cities in between each unique and precious in their own right, including Lake Charles, Lafayette, Baton Rouge, Houma, Bay St. Louis and Biloxi), we have today, the opportunity to rebuild a great American city - **New Orleans**. What do we want it to look like in 50 or 100 years? In order for the greater New Orleans region to experience its own rebirth, it must recreate itself as both a cultural incubator and technological innovator. New Orleans must balance the entrepreneur and the individual artist. Through this urban creativity, New Orleans will become a center of synergy for the New South region. Why can't New Orleans be home to creators of the next digital information superhighway or the masterminds of the video gaming industry? Why not both?

If Sir Peter Hall, a noted historian of urban centers, is to be taken seriously, then New Orleans is capable of being a center of urban creativity. Great cities like Paris or Athens or Florence or Berlin were both capitalist cities as well as great trading cities fueled by their artistic and innovative networks. I, too, believe in New Orleans' potential. Music, food, culture, art, architecture, historic preservation – these are our strengths and our future.

I know that some have questioned the wisdom of a regional hub of commerce, trade, culture, tourism, and music and so much more in a place so vulnerable to a natural disaster like we have just experienced. But, I have always thought that New Orleans is strategically located to be so much greater than we have ever been in Southeast Louisiana. While celebrating our traditions, New Orleans can seek innovation that will allow Louisiana to globally compete with the best and brightest.

We can and we will challenge current paradigms and assumptions to transform New Orleans and Louisiana; we will tackle the divisions that poverty creates, renounce parochial attitudes, and disavow the perception of corruption and impropriety. For too long we allowed the politics of the day to halt progress that was necessary to address the most critical socio-economic issues of our time.

Through this tragedy, we have the opportunity to set an example for the nation about the power to change when we lean forward, rather than blink.

To me, that power to make the political process work is anchored in a set of guiding principles that can set the tone for the type of region we build and position us as the leader of the New South.

We believe that we can transform ourselves from victims to victors, from followers to leaders if we follow five guiding principles:

- Consider our diversity strength, not a weakness;
- Seek to expand and diversify our economy;
- Think regionally so that we can compete globally;
- Add value to our raw talent and raw materials; and
- Set the highest standards of excellence for all that we do.

To build the New South we envision, we must also position ourselves to move forward on an international stage.

We must foster cooperation. Cooperation between artistic and business communities, dialogue between government and private industry, regional and humanitarian organizations, non-profits, educational institutions and others who seek higher common ground and a shared vision of progress.

AND, above all we must honor our diversity. Diversity of ideas, diversity of people, diversity of cultures. Diversity is our strength and is the backbone of the New South that we seek.

I believe that Louisiana has what it takes to be a leader in the southern region, nationally and internationally. I began in office by issuing a "roadmap for change," laying out our strategic direction of a new Louisiana in a New South. We have reworked and re-issued this blueprint as the "Louisiana and New Orleans Rebirth Plan." It may appear ambitious, but we feel that it is our time to bring our vision to fruition.

- Rebuild Louisiana to worldwide preeminence as a top tourist destination;
- Make Louisiana's cultural economy the engine of economic and social change;
- Build better lives and livelihoods than before for all Louisiana's people; and
- Make Louisiana's recovery the standard for high performance accountability and ethical behavior.

This is our time in the South to lead the nation, not to repeat past mistakes. We are about to embark on "opportunity found," rebuilding the south and its assets from the ground up.

Literally four days before Hurricane Katrina roared through New Orleans, we met in a summit to plot out strategies to place Louisiana and New Orleans as the axis of all things American. A few days later, a people, a culture and a place were altered unbelievably.

Southerners are a strong people. We are grateful for the way the country has welcomed us in the last month. This was an American tragedy that requires a full-hearted American response.

Now we must rebuild. We know it is possible. It is a matter of willpower and money. Many Americans have opened their hearts and their pockets to support relief. But, we need the President, Congress and the American people to remain true to their promises to provide us with the resources we need. We are not looking for a hand out, but a hand up. If the appropriate investments are made to rebuild the South, the people of Texas, Louisiana, Mississippi and Alabama have the willpower to return that investment many times over. We ask for help out of need, not out of greed. It is a humbling experience.

We know it is possible – history tells us so. Communities can be built back. And they can be built back better than they were before. Consider Europe following World War II, without the Marshall Plan, or the countries in Southeast Asia washed away after last year's Tsunami. They were rebuilt out of a sense of public duty because the economies of the world exist in narrow margins.

On American soil, the federal government has stepped up before and provided financial support. New York City declared bankruptcy in 1976 and was rescued by Congress; then sustained the brunt of 9/11 and was cradled by the nation, again. By showing true American character, New York has risen to the challenge of becoming again. Another great American city, built back better than it was before.

The first time visitors from the Southern Hemisphere see the flag of the United States is when they reach the mouth of the Mississippi River. Of course, right below it, they see the words "union, justice, and confidence" on the flag of our great state. Louisiana is their first taste of America and we must be the beacon that gives illumination to all that is great and all that is expected in this region.

Join me in this unprecedented opportunity to rebuild a state relying on Louisiana's rich cultural heritage. Never before in our nation's history has such an opportunity come before us. You are the stewards of our nation's cultural economy and I encourage you to contribute ideas to rebuild an American cultural asset. We have put structures in place to receive and implement the best ideas. We welcome your help and want you to be a part of Louisiana and America's New South history.

What we are really asking is that you help us to restore the "Soul of America." We have married the ambitions of a vibrant Louisiana Cultural Economy with the realities of recent events and designed a Louisiana and New Orleans REBIRTH Plan. It maps our way back to restoring this "soul" with a set of strategic initiatives fueled by the spirit of hope.

With our plan in hand for the Rebirth of Louisiana and New Orleans, we will persevere because we have prepared for this moment to shine. We all want to go home. Like Earnest Gaines wrote:

"I want to smell that Louisiana earth, feel that Louisiana sun, sit under the shade of one of those Louisiana oaks, search for pecans in that Louisiana grass in one of those Louisiana yards next to one of those Louisiana bayous, not far from a Louisiana river. I wanted to see on paper those Louisiana black children walking to school on cold days while yellow Louisiana buses passed them by. I wanted to see on paper those black parents going to work before the sun came up and

coming back home to look after their children after the sun went down. I wanted to see on paper the true reason why those black fathers left home -- not because they were trifling or shiftless, but because they were tired of putting up with certain conditions. I wanted to see on paper the small country churches (schools during the week) and I wanted to hear those simple religious songs, those simple prayers --- that true devotion ... and I wanted to hear that Louisiana dialect --- that combination of English, Creole, Cajun, black. For me there's no more beautiful sound anywhere --- unless, of course, you take exceptional pride in 'proper' French or 'proper' English. I wanted to read about the true relationship between whites and blacks --- about the people I had known."

Now faced with the challenge to rebuild our region of the country and an international city / America's great city / we must all lock arms, lean forward, stay focused and rebuild one of America's strongest assets. Only then can the New South rise from the ashes of tragedy and become for the world a beacon of hope and opportunity.

Thank you.

DRAFT

EXECUTIVE DEPARTMENT

EXECUTIVE ORDER NO.

LOUISIANA INDEPENDENT PERFORMANCE ACCOUNTABILITY PANEL FOR RESULTS, ACCOUNTABILITY, AND ETHICAL EXPENDITURE OF FUNDS ALLOCATED FOR CULTURE, RECREATION AND TOURISM

WHEREAS, the Office of the Lieutenant Governor and the Department of Culture, Recreation and Tourism have created an ambitious rebuilding plan, "Louisiana Rebirth: Restoring the Soul of America";

WHEREAS, considerable state, federal and private resources will be committed to this plan, and it is essential that we achieve these results and demonstrate the highest standards of accountability and ethical behavior.

WHEREAS, the Louisiana Rebirth plan calls for the establishment of "a third-party performance and financial audit-function that will design and implement a system to safeguard the proper use of funds", and the Lieutenant Governor has asked that I establish and charter this independent review panel,

NOW THEREFORE I, KATHLEEN BABINEAUX BLANCO, Governor of the state of Louisiana, by virtue of the authority vested by the Constitution and laws of the state of Louisiana, do hereby order and direct as follows:

SECTION 1: The Louisiana Independent Performance Accountability Panel (hereafter "Panel") shall be established and created.

SECTION 2: The duties of the Panel shall include, but are not limited to, the following:

A. Facilitate achievements of the four results specified in the plan:

1. Rebuild Louisiana to worldwide preeminence as a top tourist destination.
2. Make Louisiana's cultural economy the engine of economic and social change.
3. Build better lives and livelihoods than before for all Louisiana's people.
4. Make Louisiana's recovery the standard for high performance, accountability and ethical behavior.

B. Develop a work plan for the Panel.

- C. Review all sources of funds to implement the Louisiana Rebirth plan, including but not limited to: federal, state and local funds and funds from the Cultural Economy Foundation.
- D. Regularly review and report the results achieved from the expenditure of funds.
- E. Recommendations for changes in State legislation, procedures or practices that would improve performance, including budgeting, performance management and accounting.

SECTION 3: The Panel shall submit an annual report to the public at large, the governor, the president of the Louisiana Senate, and the speaker of the Louisiana House of Representatives on the results and reviews referred to in Section 2 of this Order.

SECTION 4: The Review Board shall be composed of a maximum of eight (8) members who, unless otherwise specified, shall be appointed by and serve at the pleasure of the governor. No member shall be an employee of any level of Louisiana government. The membership of the Review Panel shall include at least the following:

- A. A person with expertise in public accounting standards as exhibited by a relationship with the Government Accounting Standards Board;
- B. A person with broad expertise in administering performance systems and accounting standards associated with the Government Finance Officers Association;
- C. A private sector business leader from outside Louisiana.
- D. A current or former federal auditor.
- E. A current or former state official from outside Louisiana.
- F. A current or former city official from outside Louisiana.

G. Two (2) appointees designated made by the Governor.**SECTION 5:** The chair of the Review Panel shall be appointed by the governor from the membership of the Review Panel. All other officers, if any, shall be elected by the membership of the Review Panel.

SECTION 6: Support staff, facilities, and resources for the Review shall be provided by the Department of Culture, Recreation, and Tourism.

SECTION 7: All departments, commissions, boards, offices, entities, agencies, and officers of the state of Louisiana, or any political subdivision thereof, are authorized and directed to cooperate with the Review Panel in implementing the provisions of this Order.

SECTION 8: This Order is effective upon signature and shall continue in effect until amended, modified, terminated, or rescinded by the governor, or terminated by operation of law.

IN WITNESS WHEREOF, I have set my hand officially and caused to be affixed the Great Seal of Louisiana, at the Capitol, in the city of Baton Rouge, on this _____ day of October, 2005.

Kathleen Babineaux Blanco
GOVERNOR OF LOUISIANA

**ATTEST BY
THE GOVERNOR**

SECRETARY OF STATE

Water Resources and Environment Subcommittee
of the
Committee on Transportation and Infrastructure
U.S. House of Representatives

Testimony
by
Wynton Marsalis

Delivered at a Joint Hearing
"A Vision and Strategy for Rebuilding New Orleans"
2167 Rayburn House Office Building; Tuesday, October 18, 2005

Saving America's Soul Kitchen; how to bring this country together? Listen to the message of New Orleans.
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Now the levee breach has been fixed. The people have been evacuated. Army Corps of Engineers magicians will pump the city dry, and the slow (but quicker than we think) job of rebuilding will begin. Then there will be no 24-hour news coverage. The spin doctors' narrative will create a wall of illusion thicker than the new levees. The job of turning out national disaster into sound-bite-size commercials with somber string music will be left to TV. The story will be sanitized as our nation's politicians congratulate themselves on a job well done. Americans of all stripes will demonstrate saintly concern for one another. It's what we do in a crisis.

This tragedy, however, should make us take an account of ourselves. We should not allow the mythic significance of this moment to pass without proper consideration. Let us assess the size of this cataclysm in cultural terms, not in dollars and cents or politics. Americans are far less successful at doing that because we have never understood how our core beliefs are manifest in culture--and how culture should guide political and economic realities. That's what the city of New Orleans can now teach the nation again as we are all forced by circumstance to literally come closer to one another. I say teach us again, because New Orleans is a true American melting pot: the soul of America. A place freer than the rest of the country, where elegance met an indefinable wildness to encourage the flowering of creative intelligence. Whites, Creoles and Negroes were strained, steamed and stewed in a thick, sticky, below-sea-level bowl of musky gumbo. These people produced an original cuisine, an original architecture, vibrant communal ceremonies and an original art form: jazz.

Their music exploded irrepressibly from the forced integration of these castes to sweep the world as the definitive American art form. New Orleans, the Crescent City, the Big Easy--home of Mardi Gras, the second-line parade, the po' boy sandwich, the shotgun house--is so many people's favorite city. But not favorite enough to embrace the integrated superiority of its culture as a national objective. Not favorite enough to digest the gift of supersized soul internationally embodied by the great Louis Armstrong. Over time, New Orleans became known as the national center for frat-party-type decadence and (yeah, boy) great food. The genuine greatness of Armstrong is reduced to his good nature; his artistic triumphs are unknown to all but a handful. So it's time to consider, as we rebuild this great American city, exactly what this bayou metropolis symbolizes for the U.S.

New Orleans has a habit of tweaking the national consciousness at pivotal times. The last foreign invasion on U.S. soil was repelled in the Crescent City in 1815. The Union had an important early victory over the South with the capture of the Big Easy in 1862. Homer Plessy, a black New Orleanian, fought for racial equality in 1896, although it took our Supreme Court 58 years to agree with him and, with *Brown v. Board of Education*, to declare segregation unequal. Martin Luther King's Southern Christian Leadership Conference was formally organized in New Orleans in 1957. The problem is that we, all us Americans, have a tendency to rise in that moment of need, but when that moment passes, we fall back again.

The images of a ruined city make it clear that we need to rebuild New Orleans. The images of people stranded, in shock, indicate that we need to rebuild a community. The images of all sorts of Americans aiding these victims speak of the size of our hearts. But this time we need to look a little deeper. Let's use the resurrection of the city to reacquire the country with the gift of New Orleans: a multicultural community invigorated by the arts. Forget about tolerance. What about embracing. This tragedy implores us to re-examine the soul of America. Our democracy from its very beginnings has been challenged by the shackles of slavery. The parade of black folks across our TV screens asking, as if ghosts, "Have you seen my father, mother, sister, brother?" reconnects us all to the still unfulfilled goals of the Reconstruction era. We always back away from fixing our nation's racial problems. Not fixing the city's levees before Katrina struck will now cost us untold billions. Not resolving the nation's issues of race and class has and will cost us so much more.

**Opening Statement of Congressman Robert Menendez
“A Vision and Strategy for Rebuilding New Orleans”
October 18, 2005**

Thank you, Mr. Chairman. I'd like to thank you and Chairman Shuster for scheduling this important hearing, and I'd also like to thank our panelists for being here, and Governor Blanco for appearing via videoconference. I look forward to hearing your testimony on how we can handle the task of rebuilding New Orleans.

This hearing could not have come at a better time. Already, I fear that we are beginning to lose focus on some of the awesome tasks we must undertake. We still have hundreds of thousands of people who are displaced, out of work, or homeless. As of last week, there were still over twenty thousand people in shelters. That's over six weeks, and that's not acceptable.

We still need to focus on how to rebuild New Orleans without the process turning into a series of handouts to corporate cronies. FEMA has finally announced that it was going to start seeking bids for the reconstruction contracts, but only after it awarded four no-bid contracts worth four hundred million, some to companies with strong administration ties. There needs to be strong oversight of the rebuilding process so we can make sure the money is going where it's needed, not to line the pockets of fat-cat corporate lobbyists with influential contacts.

And we still need to figure out why the federal government failed the people of the Gulf Coast. We can not stick our heads in the sand and pretend that the government has performed admirably when it so obviously has not. I have introduced legislation calling for an independent, bipartisan Katrina Commission modeled after the successful 9/11 commission, because it is obvious that this Congress does not have the ability to impartially investigate the sins of this administration. The 9/11 commission was staunchly opposed by the administration before its creation, but everyone now agrees that it had the courage to ask the questions that Congress did not. We need a Katrina commission that will do the same.

I am hopeful that we can do these things, but I am not optimistic. I am not optimistic because I see a federal relief and rebuilding effort that is being bungled almost as badly as the initial response. I see an administration so wedded to its ideological guns, such as the gutting of the Section 8 housing voucher program, that they waste hundreds of millions of dollars for cruise ships and hotel rooms instead of expanding the voucher program that has been so successful in the past. And I see a Congress so driven to protect tax cuts for multimillionaires that it is going to be considering a bill later this week that would call for even more cuts to the programs that Katrina victims need most: Medicaid, welfare, housing vouchers, and others.

As we talk about how to make the crescent city sparkle again, we need to keep these things in mind. Losing our focus at this critical time could make the victims of Katrina, and our country, even worse off than before.

House of Representatives
Committee on Transportation and Infrastructure
October 18, 2005

Testimony

C. Ray Nagin
Mayor
City of New Orleans

Mr. Chairman, members of the Committee, I would like to thank you all for holding this hearing today. To all the members of Congress, and in particular to our Louisiana delegation, thank you for all of your hard work to help us in this time of need. I would also like to take a moment to thank the American people for the compassion, support and generosity they have shown our city over the last few weeks. The outpouring from private citizens and corporations all over this country has been remarkable. When I walk through our streets, I see firefighters from Pennsylvania, nurses from Missouri, and pastors from California. I am humbled by the humanity of this great nation and grateful for the sacrifices so many have made for the entire Gulf region.

I am here today because America's most unique city needs your help now more than ever. As you know, on August 29, 2005, Katrina, the most powerful Category 4 hurricane to hit the region, devastated New Orleans, causing unimaginable damage and breaching the levees that protect our city. The storm forced hundreds of thousands of people to flee, flooded thousands of homes and decimated many lives. The people of our city are resilient and self-sufficient, but this disaster is too large for us to fix alone. We need your help to bring New Orleans back, not just for the nearly half a million people who call the city home, but indeed for the well being of our nation.

Americans know New Orleans as a cultural mecca. Our *mélange* of French, Spanish, African and Caribbean heritage is part of what makes us a unique treasure. We are one of the few American cities to have lived under seven flags. This cultural mix is worth preserving as it parallels the foundation of our country's heritage and embodies the very spirit of what we call America.

Our eclectic and rich mix of architecture, from shotgun and camelback styled-homes to Greek Revival mansions, makes New Orleans a living museum. Music flows through our city, resonating from jazz clubs to brass bands as parades through our streets create a moving orchestra of life. Our Cajun and Creole cuisine, cooked in award-winning restaurants by master chefs and in homes throughout the Crescent City, entices appetites from around the world. Mardi Gras, the greatest free show on earth, is a deeply ingrained cultural celebration as well as one of the most popular tourist destinations in our country.

However, our city is not merely a tourist attraction or a picturesque anachronism. New Orleans is the reason Thomas Jefferson made the Louisiana Purchase – he knew the importance of New Orleans to the growth and prosperity of our young nation. Today, our city remains a vital contributor to this nation's economy and to the American way of life.

New Orleans is surrounded by the great waters of the United States. Our strategic location at the mouth of the Mississippi, the longest river in the country, coupled with access to an extensive inland waterway system, makes New Orleans a natural economic hub. The river transports a significant percentage of the nation's oil, natural gas, refined petroleum products and petrochemicals. The Port of New Orleans is America's only deepwater port with access to six class-one rail lines, enabling swift and economical distribution of goods throughout the country. We are the top importer of steel, natural rubber and plywood, and one of the leading importers of coffee.

A third of all seafood harvested in U.S. waters comes directly from Louisiana. In addition, many of New Orleans' exports are the cornerstone of the Midwest agricultural economy and positively impact the nation's trade balance.

Moreover, our geographic position at one of the nation's critical access points makes us a natural location for defense, particularly with terrorism as a continued threat to our homeland security. The Department of Homeland Security has designated our port as a Port of National Significance, and the Department of Defense recently reaffirmed New Orleans' strategic importance by agreeing to keep the Naval Support Activity in our city open.

While the waters surrounding New Orleans provide our lifeblood, they also threaten our very existence. A system of levees and pumps protects this city nestled in the crescent of the Mississippi River and extending north to the banks of Lake Pontchartrain. Although these systems ordinarily meet the water challenges facing the city, Hurricanes Katrina and Rita were extraordinary events that have changed life in New Orleans forever.

Katrina, the "perfect storm," turned our region into the worst disaster area known to this country in modern times. In addition to the physical devastation of the storm, Katrina decimated our region's economy and severely affected the nation. Rita further hampered recovery efforts with its second blow to the region.

New Orleans accounts for approximately one third of the state's revenue. The nation's gas prices show what extreme effects even minimal damage to refineries can have. With this critical region essentially out of commission, our entire country is feeling the impact. The challenge before us is how to build a stronger, better New Orleans, which is vital to both the economy of Louisiana and to that of the United States of America.

My vision to rebuild New Orleans is multi-pronged and involves all levels of citizenry, the private sector and government.

Only with a plan to improve our critical levee and flood control systems can we expect citizens to come back and businesses to reinvest on a large scale. We need Congress's help in a combination of structural and non-structural flood control measures. The top priority for New Orleans is securing a commitment now to upgrade our levees and floodwalls to withstand a Category 5 storm. This entails immediate assistance to repair and strengthen the levees and floodwalls to protect against a Category 3 storm, followed by the upgrade to Category 5 protection.

But levees and floodwalls alone will not solve this problem. Drainage is an essential part of the flood control equation. The Southeast Louisiana Flood Control Project (SELA), our primary drainage enhancement program, must be expedited and completed as soon as possible so that the benefits can be realized as we rebuild the city.

Our water and sanitation system infrastructure was badly damaged by Katrina. They need to be renovated or replaced in order to continue providing our citizens with safe drinking water and a healthy environment.

Another crucial component to our infrastructure needs lies outside Orleans Parish. A comprehensive plan to protect our city and the nation's investment in our region includes rebuilding the marshlands of southeast Louisiana. Wetlands act as a natural buffer between this part of the United States and the Gulf of Mexico, reducing potential flooding and protecting southeast Louisiana from devastating storm surge. Local, state and federal coordination on this issue is essential.

Although there is a lot of work involved in the recovery effort, to ensure that this nation's investment in the region has maximum lasting impact, aid must be delivered to the areas that need it most. I urge you to establish a minimum funding formula that is based upon the number of people displaced or affected and the number of buildings or residences either flooded or damaged.

We also need to ensure that local workers and businesses have an opportunity to be a part of the rebuilding process. An initial investment can pay off multiple times for our nation if we invest in the people who will continue to reinvest in the local economy.

To bring New Orleans back, we must also revitalize our business climate with tax breaks to help stimulate re-investment and economic development.

Therefore, I am asking for the establishment of the New Orleans/Katrina Tax Recovery and Jobs Incentive Zone that would give people a 50 percent credit on their taxable wages. This zone would cover the entire city, along with other similarly affected areas, and would consist of several main components:

- The credit would be capped at \$50,000 for single tax payers and \$100,000 for joint returns.
- Employers would also receive a 50 percent income tax credit based on their total payroll for all employees who live and work in the zone. Credits would not carry back or carry forward for sales to third parties.
- There would also be an income tax free zone within these areas for any manufacturing companies creating jobs and adding value to any of the top five raw materials (coffee beans, steel, raw metals, rubber and plywood) imported through the Port of New Orleans with a focus on advanced robotic utilization. The same tax free zone would also be created for medical research, clinical trials, pharmaceutical manufacturing, and related patent development.
- To ensure that we bring back businesses and individuals who were forced to relocate, we need a full Relocation Tax Credit that should be allowed for uncompensated expenses incurred in relocating individuals or businesses to their location prior to the storm. Relocation expenses should include those related to leases of temporary facilities, along with everyday expenses such as lodging incurred on behalf of employees. The credit

should apply for both the regular and minimum tax and be eligible to carry back for three years and forward 20 years.

These incentives would last for seven years, or until the population in the target areas reaches pre-Katrina levels, whichever comes first.

We must also help critical institutions such as universities and hospitals to survive. With little or no current income, they need immediate “bridge” assistance to function in the short term. We must prevent the loss of key personnel and brainpower for their long-term survival.

Our City government knows the uphill battle local businesses, institutions and workers face, because we too face difficult decisions as we continue operating. The City is in the process of laying off approximately 50 percent of our workforce, about 3,000 people, because of a total loss of revenue streams. The Stafford Act must be amended so governments facing crises of this magnitude have more flexibility to pay workers. In a city with a smaller tax base, essential services must still be performed. Without federal help, New Orleans could be forced to lay off even more City staff, including police, fire and other first responders, further compromising our recovery efforts.

While the Community Disaster Loan Act of 2005 will allow the city to begin to address our financial needs, I remain concerned that restrictions imposed by Congress will make it difficult for the city to fully respond to the challenges facing us. The Act did not waive restrictions limiting loan authority to 25 percent of our revenue, and the Act takes away the authority of the President to forgive the loans if a local government cannot repay. Repealing the authority of the President to waive repayment of loans burdens our government with additional debt that will retard our recovery efforts. The Stafford Act must be fixed.

While our “Federal City” project highly impressed the Base Realignment and Closure commission, financial challenges in this post-Katrina environment will inhibit our ability to meet our obligation to provide a new facility. However, the base realignment and retention will be a significant building block as we bring New Orleans back, providing much-needed jobs and investment. We need Congress’ help to make the Federal City effort a reality.

Transportation repairs and restoration are yet another crucial aspect to recovery. Our transit system suffered heavy losses of busses, rail and associated infrastructure that will require federal assistance to repair and replace. Without restoration of these transportation systems, our recovery efforts will be severely impacted. A light rail system linking Louis Armstrong International Airport, New Orleans and Baton Rouge would provide another needed tool for the rapid evacuation of thousands of people in the event of another major storm, and for rebuilding the regional economy.

Our airport demonstrated its strategic and economic importance to the region, linking our city with the rest of the world. Just after the storm, New Orleans International Airport was one of the only means of ferrying supplies, needed personnel and relief into the city. It served as a hospital and evacuation center for critically injured citizens and was a major staging area for relief. It was a communications centers for liaison with the rest of the world. Restoration of operations at the

airport to its pre-Katrina service levels will be one of the most important means of reviving our economy as the city recovers from the storm.

A central pillar to retaining our city's unique heritage is our citizens and their homes. There must be comprehensive programs to help displaced homeowners and renters alike as we rebuild, retaining the varied architecture that defines our city. We must incorporate historical elements in new housing, as successful developments in New Orleans have done in the recent past. In addition, this is a prime opportunity for all levels of government to encourage homeownership. For many citizens, the dream of owning their own home could be within reach if funds are targeted for this purpose. Homeowners help bring new stability to neighborhoods and whole regions.

In anticipation of the foregoing, we are already moving to bring New Orleans back. The foundation of this effort is a 17-member commission I appointed to draft a master plan for rebuilding the city. The representatives on the Bring New Orleans Back Commission will work with hundreds of committee members, both residents in the city and people displaced by the storm, to draft a detailed recovery plan. I have charged this commission with a weighty task, but I am confident that members are up to the challenge. Each was chosen to enrich the scope of voices necessary to rebuild our diverse city. Co-chairs Mel Lagarde, a successful investor and entrepreneur, and Barbara Major, a community activist and advocate for the poor, are representative of the types of input we need to be successful.

By the end of the year, the commission will develop a blueprint for New Orleans' recovery. However, we are facing a critical point when businesses and residents are making life-altering decisions about whether to stay in the area. Recently, we sponsored a Back to Business Workshop in conjunction with the Department of Homeland Security to help local companies become more involved in the building process, but our city needs an immediate infusion of resources and tax incentives to encourage growth. I am encouraged by President Bush's promise of federal assistance for locally directed projects because I truly believe the best people to rebuild New Orleans and Louisiana are the people who call the area home. This mayoral administration's track record shows our understanding of the responsibility that will accompany significant federal aid and our commitment to spending every penny wisely and in a manner that is in the best interests of all Americans.

In closing, I would like to remind the committee of the ten critical areas I have addressed today:

- Building flood control measures to protect against a Category 5 hurricane
- Repairing or replacing our water and sanitation system infrastructure
- Rebuilding the marshlands of Southeast Louisiana
- Establishing a minimum funding formula
- Ensuring that local workers and businesses have an opportunity to participate in the rebuilding of New Orleans
- Revitalizing the business climate with tax breaks
- Helping restore the Port of New Orleans
- Fixing the Stafford Act
- Ensuring our Federal City plan is enacted

- and bringing our airport and other transit systems back to pre-Katrina levels

I want to thank you again for allowing me to be here with you today. I am confident that by working together, we can achieve a common vision: a vibrant New Orleans with a thriving economy, prosperous citizens, and the chance to once again contribute to our great nation. Thank you.

**Democratic Ranking Member, Eleanor Holmes Norton
Subcommittee on Economic Development, Public Buildings and Emergency
Management and the
Subcommittee on Water Resources and the Environment**

A Joint Hearing on “A Vision and Strategy for Rebuilding New Orleans”

October 18, 2005

My thanks first to Chairman Duncan, and Ranking Member Johnson and to Chairman Shuster for their work in planning this hearing, the second of three hearings for the Shuster Committee, scheduled to help ensure fast and effective recovery in the Gulf region. I am pleased to serve on both subcommittees. Together, these two subcommittees are the major authorizers for emergency relief, for short and long term relief, and for major elements of the rebuilding of the Gulf Coast, only now in the start up stage. We cannot do our job as a committee unless and until we hear from the officials and residents who were hurt, must guide, and must live with the rebuilding effort. This hearing begins our effort for New Orleans in particular by hearing from state and city leaders and from other officials who will have the responsibility for designing and leading the rebuilding efforts in that city.

The scale of the damage left by Hurricanes Katrina and Rita is unprecedented in modern America. The challenges are beyond any that have been confronted by not only state and local officials but also the federal agencies charged with responsibility, including FEMA and the Corps of Engineers. Our interest today is in the vision of those who lead and live in the state and city and the strategies that they and their federal partners believe can get us from here to where they want and deserve to be.

In turn, our subcommittee must ensure that our programs are tailored to unprecedented conditions, including the temporary destruction of the economy of a vital region of the United States and its lead city, New Orleans. Some of the problems are already clear. For example, the Stafford Act requires that preferences be given to local residents and businesses in contracting for federal disaster rebuilding, but residents have been scattered across the face of our country and business and commerce are crippled by the lack of capital, employees, and customers. Already after some criticism and pressure from this committee and others in the Congress about no-bid

contracts and the limited number of contracts to regional firms, FEMA has announced that it will re-bid five \$100 million housing contracts.

We will help to rebuild New Orleans, but we understand our obligation is to be helpful help to Governor Blanco and Mayor Nagin meet the challenges of safer and smarter rebuilding, for example, by incorporating mitigation measures into rebuilding projects; by seeing that Congress reauthorizes the Predisaster Mitigation Program, passed by the House but not the Senate last year; and by restoring the 50% cut in the Hazard Mitigation Grant Program (HMGP), among the many tasks we in the Congress must face. The role of the Corps of Engineers is perhaps the most vital component, even the predicate and the prerequisite to the rebuilding effort itself. The work of the Corps is central to our understanding of the work of rebuilding, of not only what to do, but indeed, what to do now and what to do next.

Above all, we want to ensure that the 300 evacuees that we housed here in the District and the hundreds of thousands of New Orleans residents throughout the United States are getting the assistance they will need in short

term and affordable long term housing. Policy decisions about where and how to house evacuees can determine who participates in the rebuilding effort and indeed who ultimately returns to New Orleans at all.

I look forward to hearing from today's witnesses for the knowledge and the wisdom we will all need to get the job done together.

mother-in-law name
MARY DENECHAUD

STATEMENT OF
THE HONORABLE JAMES L. OBERSTAR
JOINT HEARING OF THE SUBCOMMITTEES ON
WATER RESOURCES AND ENVIRONMENT AND
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT
"A VISION AND STRATEGY FOR REBUILDING NEW ORLEANS"
OCTOBER 18, 2005

Today's joint hearing of the Subcommittees on Water Resources and Environment and Economic Development, Public Buildings, and Emergency Management continues this Committee's formal response to the devastating results of Hurricanes Katrina and Rita.

We begin today by hearing of a vision for a rebuilt New Orleans. On Thursday, we will hear from the Corps of Engineers, the Environmental Protection Agency, and others on how we might go about in assisting in the rebuilding of New Orleans, and how best to ensure that the devastation of Katrina and Rita is not repeated.

Next week, the Subcommittee on Water Resources will examine U.S. policy on reducing hurricane and flood risks to the Nation generally. The unprecedented damage to the Gulf Coast, particularly in the New Orleans area, calls into question how the Nation approaches hurricane and flood risks in populated areas. I will have more to say on this subject next week, but it may be necessary to reexamine our basic

approach to this critical Federal program. After all, when national policy was established in the 1928 and 1936 Flood Control Acts, the Nation's population was roughly one-half urban and one-half rural.

I appreciate the great significance of New Orleans – the music, architecture, food, and most importantly, people. I also appreciate its economic significance. New Orleans is the major grain export facility for the entire United States. Louisiana is also the point of entry for one-quarter of the oil and gas used in America and 30 percent of U.S. fish and shellfish harvests.

Two weeks ago, several of my colleagues and I toured the devastation in Louisiana, Mississippi, and Alabama in aftermath of Hurricanes Katrina and Rita. We went down there to review the status of the response and recovery, and how we at the Federal level can assist in making it more effective and efficient in meeting the needs of the people of the Gulf region. We came to find fact, not fault.

Today's hearing will focus on the future of New Orleans. It will provide an opportunity for State and local leaders to describe their vision for the future of New Orleans, and to talk about a strategy for achieving that goal.

It is essential that this Committee ensure that the recovery and infrastructure programs under our jurisdiction are effective in meeting the needs of the people of New Orleans and the Gulf region, especially as they develop a comprehensive plan for rebuilding New Orleans. It will take the combined efforts of the Federal, State, and local governments, along with the private sector, to rebuild and protect New Orleans.

We will also make sure that the rebuilding and restoration of New Orleans and the Gulf Coast are not subject to the shortcomings that we have witnessed to date. We must guarantee that Federal dollars invested in the region are effectively spent, that local businesses are afforded a priority in the rebuilding effort, that local workers are paid at locally prevailing wages, and that there is an open, transparent process to enhance the local economies – not multinational corporations.

The Federal Emergency Management Agency (FEMA) is the agency tasked with coordinating Federal disaster assistance and activities. During any disaster, initial operations are almost exclusively focused on response, including life-saving and life-sustaining activities. Soon after, recovery operations begin. FEMA's recovery division is generally responsible for assisting individuals, households, and communities recover from major disasters and emergencies. The conditions and limitations of these programs can affect the long-term recovery plans.

For instance, we must carefully consider the ramifications of providing housing solutions far away from the Gulf region. The decision, however well intentioned, to provide longer term housing around the country, has consequences for the rebuilding of New Orleans. If citizens are living outside the city, how will they be able to participate in the planning and rebuilding of the region? Who will ensure that there will be plenty of affordable housing to enable the residents to return?

FEMA's Public Facilities and Mitigation programs provide much of the Federal funding that will be used to redevelop and rebuild New Orleans. The Public Facilities Program assists in the rebuilding of infrastructure as it existed before the disaster. The Mitigation Program is intended to strengthen, relocate, or limit the potential harm to structures, and protect people, in future disasters. Congress must act to reauthorize and improve FEMA's mitigation programs. We must reauthorize the Predisaster Mitigation Program.

Similarly, we must reauthorize and restore the Hazard Mitigation Grant Program. In recent years, over the objections of this Committee, Congress has cut the percentage of funding available for post-disaster mitigation from 15 percent to 7.5 percent of the amount of the total Federal cost of the disaster. We need to restore the available post-disaster funding to the 15 percent level.

Mitigation saves money and lives. In fact, the Multihazard Mitigation Council found that for every \$1 spent on mitigation, there is a \$4 savings to society. From 1993 to 2000, FEMA spent about \$3.5 billion on mitigation grants and those grant generated benefits (losses avoided) of \$14 billion, including on average saving more than 200 lives and avoiding more than 4,500 injuries over approximately 50 years. Clearly, we need to focus on encouraging more mitigation projects.

I believe that New Orleans must be rebuilt, and we have the unique opportunity to rebuild it better than it was. A rebuilt New Orleans must also be protected from the devastation it witnessed some seven weeks ago. Finally, we must ensure that the people, culture, and economy of New Orleans have our support in this time of great need.

New Orleans Tourism Industry
Blueprint for Economic Recovery & Emergency
Funding Request
Pursuant to Damage from Hurricane Katrina

Prepared by
J. Stephen Perry
President/ CEO
New Orleans Metropolitan Convention and Visitors Bureau
504-566-5049
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On behalf of and with full authority of
the \$8 billion New Orleans Tourism Industry,
our 85,000 employees and 2,500 companies in Eight Parishes

Monday, October 17, 2005

This document is prepared as an early stage executive summary of critical funding requested from all federal and state government sources to rebuild the primary economic driver and employer in New Orleans commerce.

Overview

The primary catalyst and driver of the New Orleans economy is the tourism industry, comprised of large and small scale association and corporate meetings and conventions, rotations of most of the major national sporting championships, a vast leisure and family destination, large packaged tour series, a popular foreign traveler destination, and many of the most important special events in the nation such as Mardi Gras, the Essence Festival (the world's most important annual African-American culture and music festival), the New Orleans Jazz and Heritage Festival, the French Quarter Festival, Satchmo Fest, the Sugar Bowl and many, many more.

The industry is served by more than 2,500 companies and employs 85,000 people in a parish (county) of less than 500,000 persons. The entire retail, banking, professional and

services industries depend on the more than \$5 billion of annual direct visitor spending and additional several billion dollars of spinoff impact. Not only is the impact direct through visitor spending, but the 85,000 workers employed in the industry are the primary depositors in banks, purchasers of the largest segment of retail goods, and generally drive the overall health of the economy and the success of its large and small businesses.

The return of the tourism industry will determine the very survival of the New Orleans economy not only from the corporation and tax generation perspective, but will be the primary determinant of whether the working people of New Orleans are able to return to the city, reestablish their lives, and bring their families home to live and repopulate the city.

Immediate Budgetary Needs

New Orleans Metropolitan Convention and Visitors Bureau

The New Orleans Metropolitan Convention and Visitors Bureau (NOMCVB) is the primary catalyst and sales, marketing, and branding arm of New Orleans largest industry, tourism. It is a private sector 501(c)(6) company governed by a private board of directors and serves as the statutorily authorized entity in Louisiana to manage and market tourism in New Orleans and is the recipient of state authorized hotel tax funding. It thus performs a vital public function, though a private entity. The city's economy depends on its effective operation.

The NOMCVB is the sole link of the city's largest industry to the international tourism markets, wholesalers, packagers, brokers, tour series operators, travel agents, national and international conventions, meetings, special events, and sporting events representing \$5 to \$8 billion of annual economic impact and resulting in the employment of 81,000 New Orleanians. Most of these employees are in those entertainment and commercial enterprises which brand New Orleans internationally in hotels, food, music, and entertainment and drive its economy.

The NOMCVB is funded by a hotel tax that has now been obliterated and by a member dues base that will be non-existent for at least two years.

The NOMCVB operation must be sustained because its sales manager base has all of the data and relationships to all of the worldwide convention and meeting planning and travel professional community. This is an industry that is primarily relationship driven,

particularly on the convention and meeting side. If those employees are laid off and hired elsewhere, billions of dollars of competitive information and data would leave Louisiana, crippling the entire rebuilding process of New Orleans largest industry. It would likely be a death knell for the city's economy and the early return of its citizens if our employees were lost to competitors.

Operational Shortfalls and Needs

| | | |
|--|--|--------------------------------------|
| 2005 | The NOMCVB has reserves to carry it until Feb 28, 2006 | |
| 2006 | \$11,000,000 annual operating needed | (anticipated revenue = \$ 1,000,000) |
| 2007 | \$ 9,000,000 (anticipating more revenue regained) | |
| 2008 | \$ 4,000,000 (final year of impairment) | |
| 2009 | | |
| Total NOMCVB <u>operating</u> needs | | \$24,000,000 (2.5 years) |

Marketing and Incentives

Operation REBIRTH marketing fund

Essential marketing dollars for the NOMCVB and its sister the New Orleans Tourism Marketing Corporation to re-image and remarket New Orleans leisure side tourism in light of the catastrophic events...the primary key to rebuilding the 10,000,000 visitors and \$4 billion of combined leisure impact:

| | |
|------|--------------|
| 2006 | \$40,000,000 |
| 2007 | \$25,000,000 |

NOMCVB Convention Marketing Fund:

To rebuild the image of the Convention Center and remarket following the devastating events and national images

| | |
|------|-------------|
| 2006 | \$5,000,000 |
| 2007 | \$5,000,000 |

NOMCVB Convention Incentive/Indemnification Fund:

To provide incentives and guarantees to major associations to remain in or book major conventions in New Orleans

2006 \$5,000,000
2007 \$5,000,000

Timeline: Emergency operational funding to the NOMCVB of \$6,000,000 is needed on March 1, 2006. The second \$6,000,000 is needed on July 1, 2006. Without these dollars, the city’s largest economic driver will lay off all of its employees and close its doors, effectively ending economic recovery.

The NOMCVB Convention Marketing Fund of \$ 5,000,000 is needed by January 31, 2006 if the multi-billion dollar base of convention business is to be preserved and recaptured.

The NOMCVB Convention Incentive Fund of \$ 5,000,000 is needed by January 31, 2006 if the multi-billion dollar base of convention business is to be preserved and rebuilt.

The Operation REBIRTH marketing fund of \$40,000,000 for the NOMCVB and its sister the New Orleans Tourism Marketing Organization is needed for January 31, 2006. The 2007 dollars are needed for January 1, 2007.

Ernest N. Morial Convention Center

Capital Construction Needs

Repair and renovation of the Ernest N. Morial Convention Center

Total \$100,000,000

Minimum Insurance Gap of \$25-35,000,000

Structural repairs, Halls A & B, major roofing repairs, All equipment, interior surfaces, signage, environmental decontamination

Timeline: All repairs and renovations must be executed and the building ready to open on April 1, 2006. Insurance coverage will be deducted when determined. Funding needed ASAP.

It is anticipated that the combination of deductibles and gaps in sub-policy coverage will result in a **funding gap of at least \$25-35 million dollars.**

Convention Center Operating Needs

| | |
|------------------------------|--------------|
| Operating Shortfall for 2005 | \$15,000,000 |
| Operating Shortfall for 2006 | \$26,000,000 |
| Operating Shortfall for 2007 | \$25,000,000 |

Debt Service Shortfalls due to
Loss of multiple hotel, occupancy,tour,
And f&b taxes

| | |
|------|--------------|
| 2006 | \$34,000,000 |
| 2007 | \$30,000,000 |

Timeline: Debt service issues must be addressed immediately. Operating shortfall for 2005 needed immediately due to loss of rental and other self generated income. Calendar year 2006 funding needed in Quarter 1. Total need in Q1 is \$ 100,000,000.

Employee Busing System

Tens of thousands of New Orleans tourism industry workers have scattered across Louisiana and other states. For those who have remained in the area, a busing system allowing them to return to their jobs in New Orleans, while staying with family and friends in other locations is critical.

Busing stations at centralized convenient locations must be available to transport these workers and return them at the end of the day. These systems must run 18 hours a day from multiple locations. While hotels will carve out 20 % of their inventory for their own employees, there will be many others at the hotel unserved as well as those at restaurant and other venues who will need assistance to get back to work while their homes are being rebuilt or accommodations for them prepared.

| | |
|------------------|----------------------|
| 2005-2006 | \$ 34,000,000 |
|------------------|----------------------|

French Quarter Infrastructure Rebuild

The French Quarter has sustained serious infrastructure damage to its streets, sidewalks and curbing system. The introduction of large trucks, emergency vehicles, military equipment, water tankers, generator systems, and the parking of emergency and police vehicles on the sidewalks and fragile streets has resulted in serious degradation of the area's infrastructure. The nation's largest and most important historic district and mixed use commercial/residential neighborhood has sustained highly problematic damage. It is also the key to recovery of the multi-billion dollar tourism industry. This rebuild must commence in early 2006 to facilitate tourism rebound.

Capital Construction \$47,000,000

Priority Keys to Immediate Rebuilding

Federal funding to jumpstart New Orleans largest industry and employer is critical to accelerate recovery, allow the return of our citizens and rejuvenate tax flow.

Funding Needs Timeline

January 2006

New Orleans CVB (NOMCVB)

| | |
|--------------------------------|---------------|
| Operations | \$11,000,000 |
| Convention Marketing Fund | \$ 5,000,000 |
| Convention Incentive Fund | \$ 5,000,000 |
| NOMCVB/NOTMC Leisure Marketing | \$ 40,000,000 |

Ernest N. Morial Convention Center

| | |
|-----------------------------|-----------------|
| Operations losses 2005-2006 | \$41,000,000 |
| Debt Service shortfall | \$34,000,000 |
| Repairs Insurance shortfall | \$25-35,000,000 |

| | |
|--|---------------------|
| French Quarter Infrastructure Rebuild | \$47,000,000 |
|--|---------------------|

Employee Busing System

| | |
|-------------------|--------------|
| Annual operations | \$34,000,000 |
|-------------------|--------------|

Summary

America's most romantic, walkable, historic city took quite a blow. But, we believe it will only be for a matter of a very few months. Only time will tell the duration. The birthplace of jazz, home of unique French and Spanish architecture, and the originator of the most renowned cuisine on the planet has truly suffered. But, its government, business and tourism industry leaders are pledging that beginning over the next few months the city will begin its efforts to be reborn better than ever.

The tourism leadership is committed to helping lead the greatest urban rebuilding project in our nation's history. We have a historic opportunity to be a living laboratory for taking disaster, infrastructure degradation, and social ills and rebuilding a new city that remains historic and unique, but is a model for rebirth socially, culturally, and structurally.

The historic French Quarter and nearly all of the hospitality infrastructure survived, though battered. The amazing historic texture and fabric of this unique city...all of those things that draw millions of visitors from around the world resiliently remain.

Though we will be down for a period, there is a sense already forming among our leaders and the people that we will successfully be able to preserve all of those things which have made us world famous, and that we will be able to rebuild an even more welcoming vibrant city in which to live, work and do business. It will require all of us to unite. The work will be hard but gratifying. The challenges are immense. We are up to the task.

It may be quite a while...but one day the riffs of jazz trumpets, the indescribable tempting smells wafting from the kitchens of our great chefs, the aroma of cafe-au-lait and beignets, the buzz of great conventions, that foot-wide magnetic smile of the front bellman, and the romantic strolls through the Quarter will be commonplace again. The spirit of the multicultural people of New Orleans is indefatigable, and though we may be bowed and emotionally stretched, we cannot be defeated and cannot wait to rebuild the world's most authentic city.

All that is needed to regenerate an annual \$8 billion, 85,000 employee industry, is an investment this January by the federal government of \$161 million of funding for the Convention and Visitors Bureau, the marketing and promotion and reimagining of the city, and the Convention Center. A stunning return on investment and one that will reap billions year after year. Without this funding the industry will wither and atrophy.

Another \$47,000,000 is needed to rebuild America's most famous historic and commercial district, the French Quarter.

Some \$34,000,000 is crucial to provide temporary transportation systems to assist in bringing tens of thousands of workers back to their hospitality jobs and set the final piece of the recovery puzzle in place.

A small part of a \$200 billion recovery, but one that has the most business and human impact of all.



**TESTIMONY BY JEROME RINGO
CHAIR OF THE BOARD
NATIONAL WILDLIFE FEDERATION
BEFORE THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE SUBCOMMITTEES ON
WATER RESOURCES AND ENVIRONMENT AND
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT
OCTOBER 18, 2005**

Distinguished Committee members, thank you for inviting me to provide testimony today on behalf of the National Wildlife Federation and our four million members and supporters. The rebuilding of New Orleans and the Gulf coast is a top priority, not just for the National Wildlife Federation and our state affiliates, the Louisiana Wildlife Federation and Mississippi Wildlife Federation, but personally for me as a native Louisianan and as an evacuee of Hurricane Rita.

Louisiana has a well-deserved reputation as a sportsman's paradise. Like so many others from my state, I grew up fishing, catching crabs and hunting for duck, goose and deer. I grew up among people whose livelihoods were tied to the year's catch of fish, shrimp, and oysters. So I feel very personally the dramatic loss—up to 24 square miles per year now—of the wetlands that support our abundant wildlife and fisheries and the economic vitality of our State. I also spent more than 20 years working in the petrochemical industry in Louisiana, so I know well how important our coastal wetlands are to the nation's energy security. But the fight to restore Louisiana's coast is not just about wildlife and fisheries, or about oil and gas. It is about the health and safety of our people. It is about restoring the natural buffers that protect our communities and lessen the destruction of our property. The need to restore Louisiana's coast has only been amplified in the aftermath of Hurricane Katrina.

As we set about the task of rebuilding New Orleans, which will include strengthening levees against future storms, we must recognize equally the importance of restoring the vast complex of coastal marshlands and barrier islands that constitute our first line of defense. And I cannot emphasize enough, both as a conservationist and as a former industry employee, that we cannot provide blanket waivers of our nation's most fundamental environmental statutes for what will be a multi-year rebuilding effort. We want the citizens of New Orleans who return to their native city to take comfort in knowing that their water is safe to drink, their air safe to breathe, and their backyards safe for children to play in. Simply put, when we rebuild New Orleans, we must rebuild it right.

Hurricane Katrina demonstrates the fundamental connection between the health and safety of people and communities and the health of natural resources like rivers, wetlands, estuaries and coasts. Perhaps never before has a natural disaster of this magnitude affected such a large swath of American homeland. Hurricane Katrina also demonstrates the need to fundamentally change the way we deal with our water resources so that our rivers, coasts, wetlands and floodplains will be better able to protect us from the next big storm.

We must insist that sound science, accumulated in the years of study of the Gulf coast, its vanishing wetlands and its vulnerable communities, guide the decisions on how and where we rebuild. We must respect the natural ecology of the Mississippi River, and allow it to perform its natural task of nourishing and maintaining a vibrant delta and system of barrier islands that buffer inland communities.

Furthermore, we must address global warming, a threat that looms large over coastal areas prone to severe storms. Warmer ocean temperatures fuel more powerful storms. Additionally, the sea level rise expected to occur due to global warming, combined with the elimination and disappearance of vital wetlands, will exacerbate storm surges that can engulf communities and destroy the very infrastructure meant to protect them.

Restore America's Wetland

The people of Louisiana have long understood the importance of their coastal wetlands to the vitality and security of the region. We know that a quarter of all the oil and gas consumed in America and 80 percent of the nation's offshore oil and gas travels through Louisiana's wetlands. We know that 30 percent of the nation's fish catch comes from the Louisiana coast. And we have witnessed, in our lifetimes, the disintegration of large portions of the coastal marsh and swamplands that once stretched for miles across our coastline.

For more than a decade, the state and its allies in the conservation community and the business and industrial sectors have sought the federal government's help to restore this vast wetland ecosystem for the benefit of the people of South Louisiana and for the country's economic well being. Hurricane Katrina has now focused the nation's attention on this same objective. The time has come to make restoring America's wetland a national priority.

We call upon Congress to authorize and fund a bold, expedited coastal restoration program in an emergency supplemental appropriation bill. In particular, we recommend a \$5.5 billion Louisiana Coastal Area Ecosystem Restoration Program that includes the following:

1. a series of pipeline and diversion projects that will deliver freshwater and sediment to the coastal area to rebuild and restore coastal wetlands and barrier islands;

2. land acquisition, easements, and where appropriate, the relocation of infrastructure, in order to facilitate the restoration of coastal wetlands and reduce future flood losses;
3. an ongoing science and technology program and a demonstration program that will ensure the feasibility and ecological integrity of the restoration effort;
4. an expedited Mississippi River Management study to determine the feasibility of relocating the main shipping entrance to the Mississippi River, and funding to implement the project if feasible;
5. the completion within four years of feasibility studies for other large-scale diversion and land-building projects.

A restoration program of this scale will require engineering and scientific capability that exceeds the U.S. Army Corps of Engineers' existing resources. We therefore recommend that Congress create an independent commission within the Department of the Army to oversee the design, evaluation, and implementation of this accelerated restoration effort. This commission could contract not only with the Corps and other federal and state agencies and institutions as appropriate, it could also employ such mechanisms as private design competitions. To raise the profile and emphasize the urgency of this effort, we recommend that the Commissioners be appointed by the President, in consultation with the Governor of Louisiana, and be answerable to an interagency task force.

On behalf of the people of my state, I cannot overstate the importance of integrating flood protection and restoration as we seek to rebuild New Orleans and the region's coast. In the aftermath of Hurricane Katrina, the American people have shared our anguish over the loss of life and property and the crippling of a great American city. They have demonstrated tremendous generosity to the people of Louisiana and the Gulf coast, opening their cities, their checkbooks, and even their homes to those who lost everything to this storm. Now we need them to help us rebuild, not just the buildings and roads and infrastructure that were destroyed, and not even just the levees that gave way, but the very landscape that supports and protects all those people and makes possible all that commercial activity. We call upon you, as their elected representatives, to embrace this task. It cannot be done in a business-as-usual frame of mind. It is an extraordinary undertaking, requiring new mechanisms for funding, oversight, and implementation. The urgency of restoring Louisiana's coastal wetlands, which continue to disappear by the hour, requires an accelerated action plan, dedicated long-term funding, and a firm commitment at all levels of government and across all agencies of government to get the job done.

Current rebuilding proposals

While we commend the intent of Senators Vitter and Landrieu to respond to Hurricanes Katrina and Rita in a quick, but comprehensive manner, the National Wildlife Federation does not believe that the PELICAN Act moves the recovery effort in the right direction. We understand the pressure imposed on the Louisiana delegation to put forth a

comprehensive package, but elements of this bill could undermine the very protections needed to ensure we rebuild it right.

Specifically, the bill would establish a commission in charge of approving and funding \$40 billion in Corps projects without oversight from Congress. In addition, there is no scientific oversight of the restoration projects that are so vital to providing protection against future storms. Under this legislation, any project approved by this new commission will automatically be deemed to be in compliance with NEPA and the Clean Water Act. As I just stated, this is not a time to be waiving our fundamental environmental statutes, but to ensure that a revitalized Louisiana adheres to the most basic health and environmental standards.

Develop Responsible National Water Policy

Hurricane Katrina provided a stark wake up call not only to the residents of New Orleans but to Americans everywhere on how we address water resource needs in this country. In the aftermath of the storm it has become clearer and clearer that our nation does not have an objective, reliable system to prioritize its water resource needs.

If there are lessons for the entire nation, they must include a thorough and hard look at what are painfully obvious failures of our water policies and how we set the nation's priorities for choosing water-related projects and how we are allocating limited funds.

As a recent Washington Post article painstakingly outlines, despite receiving the most Corps of Engineers funds for any state, for years we in Louisiana have tended to favor spending on navigation and dredging projects over flood safety and environmental protection, favored new construction projects over maintenance of existing projects, and tended to put off what were obvious needs for our population centers in favor of special interests.

More and more we have seen our nation's priorities being set by politics rather than by clear, rational analysis of truly national needs and it is time to stop and examine what fundamental changes are necessary.

Principles of wise reconstruction

We must fundamentally adopt a principle of reconstructing and rebuilding much safer communities. Many parts of New Orleans and other Gulf Coast communities have been plagued with repeated flooding problems where buildings were repaired or rebuilt in the same locations and the same elevations without mitigating their risk. These communities and their residents continue to face problems of emergency services, property damage, health concerns and social disruptions again and again. In addition, we must learn to fundamentally respect the natural functions of floodplains, marshes, barrier islands and dunes to reduce the damaging impacts of storm surge and flooding. And finally, we must rebuild with equity and fairness for the welfare of all the people involved.

Unheeded lessons of the past

Sadly, we have often failed to act on the lessons of the previous natural disasters. In the wake of the Great Midwest Flood of 1993, when some \$16 billion in damages occurred, 60,000 to 80,000 homes and businesses were flooded, and more than 1000 levees broke, a major review was conducted into the causes of the flood and what should be done to reduce the likelihood of recurrence of such devastation.

Among the major recommendations were:

- Passage of a national Floodplain Management Act that would delineate roles and responsibilities at all levels of government and the private sector and guide federal policy regarding development and use of floodplains;
- Updating the basic “Principles and Guidelines” playbook for Corps of Engineers and other agencies’ water projects to set environmental quality and national economic development as equally important objectives;
- Reestablishing a Water Resources Council to better coordinate water resources activities;
- Improving the use of non-structural approaches as a complement to traditional structural flood damage reduction strategies; and
- Providing a high-level of protection (“standard flood” or “500-year” level) for existing urban population centers and critical facilities, while at the same time directing new development and critical facilities out of the floodplain and out of harm’s way.

It has now been more than 22 years since the basic Principles for planning federal water resources projects have been updated, and it has been increasingly shown that there is a strong need for greater oversight and accountability in the planning process.

Unfortunately, this recommendation as well as most of the other recommendations I mentioned went unheeded and remain unimplemented to this day. We strongly urge the Congress to address these issues in the coming months to provide the desperately needed direction in project planning priority setting that remains lacking.

Katrina investigations

We anticipate that there will be investigations into Katrina as well. Any Katrina investigation must be comprehensive and must analyze the water resource management issues and decisions that may have exacerbated the impacts of the hurricanes on communities in the Gulf region. Such an investigation should be conducted by an independent panel of experts so that it is free from politics and partisanship. And we must learn from the past by ensuring these recommendations are not set on a shelf to gather dust.

Address Global Warming

The need to restore Louisiana's wetlands to absorb the shock of future storms is all the more critical in the face of global warming. Global warming is a reality today. For me and for millions of Gulf Coast residents, global warming has hit home.

Scientists are telling us that hurricanes today are more ferocious than they were in the past due in part to global warming. In a peer-reviewed study published in *Nature*, tropical storm researcher Kerry Emanuel of the Massachusetts Institute of Technology showed that major storms spinning in both the Atlantic and the Pacific since the 1970s have increased by about 50 percent in both duration and intensity. Scientists attribute this increase in storm intensity to warmer ocean temperatures.

The pollution we emit from smokestacks and tailpipes is warming not only the air, but also the oceans, and warm water is high octane fuel to a tropical storm or hurricane. Ocean temperatures have increased over the past decades as global atmospheric temperatures have gone up. Warmer ocean waters provided the fuel that gave Hurricanes Katrina and Rita their ferocious energy as they hit the Gulf Coast.

Scientists also warn that the longer we delay action on global warming, the more we will see devastating storms like Katrina and Rita.

Why has Congress been ignoring the experts and delaying credible action to confront global warming? If you do not want to take the word of independent scientists, how about the findings of the Bush administration, which has never been accused of being an alarmist voice for global warming action. Three years ago, the Bush administration warned in their Climate Action Report that hurricanes "are likely to have higher wind speeds and produce more rainfall" as a result of global warming. This calls into question whether the current standards that we now employ for coastal building, placement, and construction properly anticipate the future conditions we may be facing.

The Bush administration's report also warned that "Coastal communities will be at greater risk of storm surges" due to global warming. Global warming has already caused sea levels to rise globally and along the Gulf coast by about a half foot, worsening the storm surge that swamped Louisiana, Mississippi and Alabama. The rise in sea level from global warming will continue to accelerate as glaciers and ice caps melt and as water expands due to warmer temperatures.

A 2002 government report predicted that sea-level rise caused by global warming could swallow sizable chunks of the coastal United States in the coming century: In a worst-case scenario, sea level along the Atlantic and Gulf coasts would be more than three feet higher by mid-century and 23,000 square miles of land along the Gulf and Atlantic coasts could disappear, thereby erasing vital wetlands, swamping barrier islands and otherwise removing the natural protections our shorelines have against the storm surges that threaten people and wildlife.

Insurance companies are warning that parts of Florida and the Gulf Coast could become uninsurable, and some companies have already begun pulling out.

Solutions that reduce global warming pollution while growing the economy are within reach if Congress shows leadership on this issue. More than 170 mayors have called on Congress to act. As we continue to procrastinate, U.S. pollution levels are climbing, getting worse rather than better. The United States emitted 13 percent more global warming pollution in 2003 than it did in 1990, despite U.S. commitments under the 1992 Rio Treaty to halt the growth in emissions. The buildup of carbon dioxide in the atmosphere has reached a point greater than at any time in the past 400,000 years.

Global warming is no longer a problem that can be pushed off on our grandchildren decades from now. Congress' inaction on global warming is already having real and tragic consequences on our children today. The global warming pollution we emit in the coming years will linger in the atmosphere for more than a century. Our children will not be able to flick a switch and reverse what we have done.

One vital first step Congress can take is to enact the Climate Stewardship Act, a bipartisan action plan that sets achievable goals for reducing U.S. global warming pollution. The bill allows business to implement their own solutions, using a flexible emissions trading system that has successfully reduced acid rain pollution in the United States at a fraction of projected costs. If Congress sets clear goals and safeguards to curb pollution, American industry will become the driving force behind solving global warming, instead of being the lead contributor to an escalating environmental disaster.

Conclusion

There is no question that we must rebuild the great city of New Orleans and other impacted areas of our Gulf coast. But if we are to avoid creating another generation of victims we must rebuild it right. To do this, any reconstruction effort must go hand-in-hand with an ecologically sound restoration of coastal Louisiana. We must update the Corps' playbook, while also establishing a set of criteria to help prioritize our nation's water projects. All these efforts will be for naught if this country does not address the looming threat of global warming.

Thank you for the opportunity to testify.

**Testimony of Mtumishi St. Julien
Executive Director, The Finance Authority of New Orleans**

**Subcommittee Joint Hearing before the House Transportation and Infrastructure
Committee Subcommittee on Economic Development, Public Buildings and Emergency
Management and Subcommittee on Water Resources and Environment**

"A Vision And Strategy For Rebuilding New Orleans"

October 18, 2005

Chairman Duncan, Chairman Schuster, distinguished Members of the Committee and my fellow panelists:

My name is Mtumishi St. Julien, I am the Executive Director of The Finance Authority of New Orleans. I want to first thank you for holding today's hearing and for inviting me to share my thoughts on the important tasks ahead.

I come to you with some education and experience in the affordable housing field. I have served as general counsel for the Housing Authority for New Orleans, the public housing authority for New Orleans. I have served on the Fannie Mae affordable housing advisory board. I have served as president of Freddie Mac's affordable housing committee and the as President of the National Association of Local Housing Finance Agencies. Since 1991, I have served as Executive Director of The Finance Authority of New Orleans, assisting thousands of families to become first time homebuyers.

I, like all citizens of New Orleans, am personally impacted by the Katrina catastrophe. I have a house that was flooded; mold is running eight feet up the walls, and I, like thousands of other citizens of New Orleans, don't know whether to renovate my home, knock it down, or even whether there is a possibility of rebuilding. Like many citizens of New Orleans, I really can't make an informed decision until the flood planes are reestablished and until the Corps of Engineers decides to rebuild the levees and water protection systems

While my family has a house to live in at this time, we are homeless. I am personally and professionally qualified to address you today.

As I look through history, there seems to be only two internal catastrophes comparable to that of Katrina -- that is the Civil War and the Great Depression. Katrina has caused as much displacement of people and destruction of assets as the Civil War and the Great Depression. And while Abraham Lincoln was criticized on the way he prosecuted the Civil War and FDR was severely criticized for his New Deal proposals, history is the measure of the quality of their judgment and leadership. This is not the time to be criticizing, laying blame or assigning fault.

Let history judge what we do. While we all might be afraid of criticism, we cannot stand by and do nothing.

Presidents Lincoln and FDR suffered similar challenges and criticisms during the catastrophes they faced. While people seek to point fingers, I hope Congress will not lose its focus.

Let us focus on the problem:

The scope of the problem in New Orleans is that at this moment, 40,000 people are still in shelters. Another 150,000 are in hotels and another 150,000 or more are staying with relatives. The city is virtually empty.

Imagine Washington, DC is devastated, except for Anacostia. That Northeast, Northwest and Southwest Washington, DC is desolate.

Imagine Congress having to work out of offices in Richmond, VA, because of environmental contamination from the sludge, mold and debris left by the storm. Imagine that the City of Washington, DC is having a problem maintaining essential workers, such as police officers, firefighters, and construction workers because it cannot find housing suitable for these workers' families.

While there are business people who have the courage and want to rebuild, they cannot supply suitable housing to encourage their employees to come back. The need for safe affordable, decent housing for these workers and their families is essential to the rebuilding of the city.

The people of Washington, DC want to return to their homes and they are asking for help to return to their homes. They have a vision of Washington, DC that can be better. They believe that it is possible to have neighborhoods without the challenges caused by concentrations of poverty. They have a vision of children from families of different incomes attending the same schools and sharing the same life experiences.

These citizens want to participate in the decision making in what the city can be. The citizens of New Orleans are asking for help, just as the people from Washington, DC, or any other city, would be asking for help to achieve their visions for their neighborhoods and their city.

I appreciate the work and challenges that Congress has in developing programs that the entire Gulf Coast needs to rebuild. We appreciate your deliberation and discussion on increasing housing tax credit authority, your deliberation and discussion on increasing the volume cap on Mortgage Revenue Bonds and your discussion on increasing CDBG and HOME funds in rebuilding this devastated area.

We also understand that local leaders have an obligation to use these resources responsibly and we are ready to be held accountable for the proper use of these resources.

We hope that in the deliberation, Congress will consider using the private sector banks as key channels of distribution rather than distributing federal aid primarily through government bureaucracies.

That's the way the HFAs, such as The Finance Authority of New Orleans and the Louisiana Housing Finance Agency, have functioned since 1978. We have been successful because of the quality working relationships we have with our local banks.

Let me repeat, the citizens of New Orleans want to come home and want to participate in the rebuilding of New Orleans. By focusing on housing, Congress will assist in the rebuilding of New Orleans. Through housing, we will create jobs for people who want to come back and participate in that process. It is estimated that building 100 units of multifamily housing generates 112 local jobs during the first year of construction and 46 jobs are sustained every year thereafter.

For weeks, the citizens of New Orleans have been reaching out for help. Help in finding their loved ones. Help to secure basic food and temporary housing. Help in trying to assess the conditions of their homes and usually, the common message that the people of the Gulf Coast have received is the standard cellular phone response: "*Sorry, all circuits are busy.*"

Today, Congress has heard the ringing, and reached out to pick up the phone. You have asked me to share my views today. Please take what I, and the other panelists, have said to heart and answer our call with programs to help meet the catastrophic housing needs so that we can begin to rebuild New Orleans and the lives of our citizens.

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Michael Voisin
Chairman, Louisiana Oyster Task Force
Owner of Motivait Seafood, Inc.

Testimony

Before the Subcommittee on Water Resources and Environment and the
Subcommittee on Economic Development, Public Buildings, and Emergency
Management
United States House of Representatives*

Hearing on "A Vision and Strategy for Rebuilding New Orleans"

October 18, 2005

I am Mike Voisin Chairman of the Louisiana Oyster Task Force a governmental agency within the Louisiana Department of Wildlife and Fisheries composed of Oyster Industry Association and Governmental Agency appointees. The Louisiana Oyster Task Force was created by the 1988 Louisiana Legislature with the directive to strengthen the oyster industry. I am currently President of the Molluscan Shellfish Committee (a part of the National Fisheries Institute (NFI)) and a board member of the Gulf Oyster Industry Council (GOIC) and the Louisiana Oyster Dealers and Growers Association (LODGA).

I am a seventh (7th) generation oyster farmer and processor. Our farm comprises approximately 14,000 acres of water bottoms in Coastal Louisiana which produces between 15 million to 25 million pounds of in-shell oysters annually. This represents 45 million to 75 million individual oysters that we harvest on an annual basis. Since our oysters take anywhere from 2 to 4 years to grow to harvest size, this means that at any one time our farm may have anywhere from 135 million to 225 million individual oysters on it.

The State of Louisiana produces approximately 250 million in shell pounds of oysters annually or 750 million individual oysters with a similar growth cycle of 2 to 4 years to market size, this means that at any one time there are approximately 2.25 billion oysters in our oyster farms and public producing areas. The Gulf States combined with Louisiana produce annually approximately 500 million in shell pounds of oysters, totaling approximately 1.5 billion individual oysters and maintaining approximately 4.5 billion individual oysters in Gulf producing areas at any one time.

Hurricane's Katrina and Rita dealt a harsh blow to the oyster and seafood community in Louisiana. Being a seventh generation oysterman in Louisiana, our family has never been impacted by a disaster as drastically as by these hurricanes. It's been 2 months now that oyster harvest in Louisiana has been shut down for the production of oysters. Louisiana is the leading producer of oysters in the U.S. accounting for over 40% of the nations oysters. Louisiana oystermen land over 250 million lbs. of in-shell oysters, or about 750 million individual oysters annually.

Louisiana is second only to Alaska in total seafood landings, while we lead the nation in crawfish, shrimp, and oysters. We also have a wealth of fresh and saltwater finfish that has made our State one of the largest commercial and recreational fisheries in America. Fishing, farming, and processing these seafoods has been culturally important for hundreds of years to the people of New Orleans and its coastal communities. We need this Congress and this Administration to help these hard working Louisiana seafood businesses get back on their feet by providing us with the resources to get us back to work again.

The History of the Oyster and Seafood Business in New Orleans and Coastal Louisiana

The State of Louisiana as well as the City of New Orleans has had a long history being the seafood capitol of the Deep South. Dating back to 1682 when La Salle claimed Louisiana for Louis the XIV, he found that there was an abundance of seafoods. As early as 1805 the Louisiana Gazette reported oyster peddlers were very aggressive and vocal selling oysters on the streets of New Orleans. The early oyster dealers would stand on street corners and serenade the town from morning until night blowing conch shells to advertise they had oysters for sale.

Commercial harvest of oysters dates back to the early 19th century. French, Acadian, Croatian, Spanish, and Sicilian immigrants living in New Orleans and the coastal communities are credited with fishing and selling oysters in the French Market of New Orleans. As the natural oyster reefs became depleted from over fishing, the oyster fisherman became farmers. They found that by planting small oysters from the natural reefs into a better growing area, they could grow market oysters fatter and saltier to bring to market which in turn brought them better profits. But there were no laws governing the waterbottoms of Louisiana which protected the rights of these farmers property. So in 1886, the Louisiana legislature passed laws giving the coastal parishes the right to lease the waterbottoms to these farmers giving them the right to protect their property from thieves. In 1898, the U.S. Fish Commission conducted a study of the natural reefs in coastal Louisiana. The study recommended that the State of Louisiana grant permanent tenure to barren waterbottoms for the purpose of cultivation by allowing these oystermen to purchase or lease them in perpetuity to induce people into the oyster culture business. Because of that study, in 1902, the Louisiana Oyster Commission was created and is known as the first wildlife conservation agency in Louisiana.

Who makes up the Oyster Community

The present day oyster community is made up of commercial fisherman, oyster farmers, oyster dealers, and oyster processors. Oyster fishermen are people who utilize the natural renewable oyster resource as they grow on public oyster reefs. These commercial fishermen usually harvest oysters seasonally and will harvest shrimp, crabs, and finfish during other times of the year.

The oyster farmer is a fulltime oysterman that leases barren waterbottoms from the State and cultivates those waterbottoms. By State law, oyster waterbottom leaseholders must cultivate these leases to retain property rights. Some cultivation methods include planting cultch material such as dead reef shells, crushed concrete or limestone, so as to make the waterbottoms suitable to plant and grow-out oysters. Once these waterbottoms are fit for planting, he'll grow his own seed oysters or he'll use the newly planted reef to grow market oysters. He'll also plant seed oysters from the State's oyster seed reservations and grow those seed oysters to market size that can take 2-3 years.

The oyster dealer purchases oysters from oyster fishermen or oyster farmers and sells truckloads of oysters to processors both within and outside the State of Louisiana.

The oyster processor buys oysters from fisherman, farmers, and dealers and shucks the oyster meat out of the shell and packs the meat in containers. Shucked oysters are sold to restaurants, grocery stores, seafood markets, and food service distributors. The oyster processor also "culls" or picks out the prime "counter (1/2 shell) oysters" that are sold to oyster bars and seafood markets across the U.S..

Oyster Farming Facts

To many people who are not involved in the oystering on a regular basis, the Louisiana's system of public and private farming can seem confusing. In reality, though, the system is fairly simple.

It begins with the understanding that oystermen and women are not merely harvesters, but farmers who must seed their acreage, cultivate and maintain it, protect it from man-made and natural threats, and only then harvest it for sale to the consumer. History shows that this system best protects the interests of the State of Louisiana, the consumer, and the oyster farmer.

Two basic types of oyster farming:

Public harvests

Fundamentally, Louisiana has two types of oyster areas: public grounds and private bedding grounds.

Public oyster harvesting takes place in the vast majority of Louisiana's water bottom acreage (approximately 2 million acres) but only accounts for about 20%-40% of all oysters landed in Louisiana.

Private farming

Private leasing began in 1886, facilitating major investment in water bottoms from Louisiana's oyster farmers. Today there are approximately 400,000 acres leased for private farming with significant acreage not currently under lease and still available.

Upon determining that a private leasing area may be suitable for oyster cultivation, a qualified citizen of the state of Louisiana must apply for acreage in that area. This application takes place at the Louisiana Department of Wildlife and Fisheries. The applicant must pay a significant application and survey fee based on size of area to be leased. In addition, the lessee must also pay annual rental fees.

The acreage is then surveyed, either by a private surveyor or by a state surveyor depending on the decision of the prospective farmer. The Louisiana Department of Wildlife and Fisheries in New Orleans maintain a copy of the survey.

Reasons For Maintaining The Current Lease Systems

As we have seen above, the growth in Louisiana's oyster industry, and the increase in benefits to the state of Louisiana are directly tied to the foresight of policy makers during the late 1800's and early 1900's. Without the stability provided by a system of private leasing, and the assurance that leaseholders will be able to maintain their holdings through a 15-year lease and beyond, there would be little incentive for Louisiana's oyster farmers to invest large sums of money and their valuable time in improving their acreage.

The result of that lack of incentive would be:

- Lack of financial investment.
- Fewer jobs in the industry and in related fields such as processing, transportation, equipment sales, etc.
- Higher prices for Louisiana oysters which could lead to lower consumer demand and therefore lower sales.
- Reduced state tax revenue.

Efforts to substantively change Louisiana's long time system of private leasing would be misguided and ignore the important influence the stability of long term leasing provides for oyster farmers and the state respectively.

Moreover, the case for radically changing or even eliminating the current system fail to acknowledge that private lease acreage only represents a modest portion of all available waterbottoms. In fact, more than 80% of all waterbottoms are available for public harvesting and are open to one and all without a lease.

Additionally, proponents of a change in policies fail to acknowledge that only a small portion of acreage set aside for leasing is actually under contract at any point in time. The availability of acreage not presently under lease means that people who do want to enter the industry always have ample opportunity to do so.

Risks to the Industry and the Families That Depend On It

Few industries in Louisiana are as vulnerable to as many different sources of risk as the state's oyster industry. From Mother Nature to man-made threats, the families that work in the oyster farming and processing industries are constantly challenged.

One consistent line of defense for the oyster community however, is the state's current leasing policy which provides at least some stability and assurance that leaseholders will have access to their costly investments for many years regardless of what other threats may be posed to the industry.

Specific risks: naturally occurring

Hurricanes and other storms

Devastating hurricanes such as Katrina and Rita present a considerable challenge to Louisiana's oyster farmers. Storm surges cause scouring of the reefs, siltation on top of the reefs, and overburdening with marsh grasses on the reefs. The surges can also drive huge amount of salt water into bays, inlets and other waterways inhabited by millions of oysters, raising the salinity to threatening levels that risk the very existence of oysters in impacted areas.

Likewise, high river stages and massive rainfall also tend to move freshwater from some bodies of water into oyster beds lowering salinity levels and threatening oysters from that angle as well.

Weather cycles

Successful oyster harvesting is also highly dependent on various weather cycles, most notably wet and dry cycles that can change conditions for the oysters and impact their size, health and marketability. Dry cycles are especially hazardous because they bring drought and the numerous predators that come with it when the salinity exceeds 15 parts per thousand. (Ideal salinity levels are around 10-15 parts per thousand). Dry seasons also spawn various harmful diseases that have the potential to decimate oyster beds.

Wet seasons bring excessive water and an influx of freshwater into the more salty waters of the coast, particularly during the Spring.

Excessively wet or dry, weather often upsets the fragile conditions and tenuous environment in which the state's private and public oyster beds are found.

However, Louisiana's oyster farmers have largely learned to work within these cycles, protecting their crops and their investments in the process.

Predators

Oysters have many natural enemies that may routinely kill or harm them including drumfish, redfish, "oyster drills" and other small and intrusive marine life that feast on oysters and other shellfish.

Public policy

Without much argument, most state and federal legislative and regulatory initiatives serve to protect the integrity of \$300 million annual economic impact created by the oyster industry. As such, the state's oyster community strives to work closely with the Congress, our state legislature, Governor, and agencies like the Louisiana Department of Natural Resources, and the Louisiana Department of Wildlife and Fisheries, to formulate and implement policies which are as fair, reasonable and beneficial as possible to as many interests as possible.

History shows that the oyster community supports coastal restoration initiatives and has been instrumental in helping to encourage and create a fair and equitable relocation program that protects the interests of all parties while limiting the financial impact on each.

The Value of the Oyster Community

The oyster community provides Louisiana residents with over 3300 fulltime jobs, 6700 part-time jobs, an annual dockside value of over 33 million dollars, State income taxes of over 2 million dollars, State sales taxes of over 9 million dollars, and retail sales of over 223 million dollars or a total economic impact to the State of Louisiana of nearly 300 million dollars.

The State of the Oyster Resource following the Hurricane's

According to the Louisiana Department of Wildlife and Fisheries, (DWF), oyster biologists began sampling 2-weeks post-Katrina and every week thereafter until the present. Their findings on the public grounds across the State had significant oyster mortalities. They found that east of the Mississippi River in the Mississippi Sound, there was approximately a 70% mortality rate. In the primary public oyster grounds east of the Mississippi River in the Black Bay area there is approximately a 46% mortality rate. West of the Mississippi River in the Barataria Basin, Hackberry Bay had approximately a 60% mortality rate. In the central part of the State in Terrebonne Parish there is approximately a 30% mortality rate. In the western central Parishes of Iberia and Vermillion, there is approximately a 5% mortality rate. And in the far western part of the State in Calcasieu Lake there is approximately a 15% mortality rate.

This past Friday we were dealt another blow by the Louisiana Department of Health and Hospitals, (DHH). Those of us who didn't lose our boats, trucks, and oyster plants were told by DHH that the bacteriological quality of the oysters remaining on the reefs in Louisiana do not yet meet the National Shellfish Sanitation Program. That means we're going to have to wait another week to find out if the water quality has improved enough so we can begin operations again.

Coastal Erosion and the Oyster Community

Few industries in Louisiana are more dependent on a pristine and stable eco-system than the oyster community and few people have been engaged in protecting our environment and coastline as long as oyster farmers.

The state's oystering community first saw the damaging effects of coastal erosion on oyster beds and harvests in the 1940's, sounding the alarm for many people who make their livings along the coast.

Coastal Restoration and Oyster Farming

By its very nature, building reefs minimizes the loss of coastline. Also, commercial oyster farming helps to rebuild the coastline through the costly and timely building of oyster beds. This process calls for the oyster farmers to seed and cultivate reefs in bays and inlets along the coast, staving off erosion and saltwater intrusion. However, proper cultivation and maintenance of reefs is only possible when the private leaseholder has the state's assurance that their leases will not be restricted in such a way that threatens their significant investment.

In reality, Louisiana's oyster farmers have much at stake in the battle to fight coastal erosion. The fact is oystermen were among the very first communities to understand the dangers posed by coastal erosion, and to call for action to reverse this dangerous and costly ecological trend.

As long ago as the 1940's and 1950's, leaders of the state's oyster industry began working with state and federal officials to understand the impacts of a diminishing coastline, and to devise effective policies to counter the loss of our valuable coast. Notably, oyster industry groups took a lead in asking federal agencies to address the problem of coastal erosion. Since the 1970's, working with agencies such as the Department of Natural Resources, Department of Health and Hospitals, and the US Army Corp of Engineers, oyster industry groups including the Louisiana Oyster Task Force and Louisiana Oyster Dealers and Growers Association have played a central part in studying the problem and in recommending common sense approaches to solving it.

In fact, in the 1940's, local oyster farmers in Plaquemines Parish were instrumental in planning and undertaking the first freshwater diversion project near Olga on the east side of the river. The work of these early coastal restoration pioneers, who clearly understood the value of diverting freshwater into areas deprived of freshwater, was followed by Plaquemines Parish diversion efforts at Bohemia near White Ditch and State efforts at Bayou Lamoque in the 1970's.

It is commonly understood that a loss of coastal land mass can negatively impact oyster harvests, and force the relocation of oyster beds. Clearly, these nature-driven relocations are expensive and destroy years of hard work in reef development, seeding and cultivation.

Moreover, because virtually all oyster farmers live near the coast, raising their families in environments threatened by land loss, farmers have more than just the viability of their own businesses.

In 1995, leaders of the oyster industry requested the Louisiana Congressional delegation present legislation that would pay for relocating oyster farms impacted by the Davis Pond Diversion Structure. In the 1997 Water Resources Development Act, Congress authorized and funded a \$7.5 million credit to the state of Louisiana toward the Davis Pond Project cost that would fund the "Oyster Lease Relocation Program". The last two years we've made another request of our Congressional delegation to present legislation to relocate farms that will be impacted by new freshwater diversion projects that are planned.

Working together with state and federal agencies, leading academics and groups active in pursuing new coastal protection policies, the industry facilitated the creation of broad-based committees to review contemporary policies and future plans for coastal restoration and freshwater diversion. The result was a breakthrough in open communication and cooperation, though some issues still remain unresolved.

Notably however, the Oyster Lease Relocation Program, as enacted by the state legislature, seeks to minimize the impact on oyster farmers when major coastal restoration initiatives will pose threats to existing beds. That this program works effectively is proven by the new Davis Pond freshwater diversion project in St. Charles Parish and the fact that all lease holders in the impacted area have chosen to participate in the program.

Other efforts at working together with all parties have yielded similar policy improvements including legislation creating short term or "bobtail leases" in projected impact zones. These 1-14 year leases apply to areas where the state and federal governments indicate future projects may soon have an adverse impact on oyster farmers, protecting both the farmer and the state in the process.

This development then led the industry and state to push for enactment of still more laws to protect the state from liability issues in other areas close to projected impact zones. In these cases, farmers take leases with the full and complete recognition that their acreage is likely to suffer from coastal restoration efforts, thereby waiving their rights to seek remedy for any damage that does occur.

Today, as another result of this increased cooperation, the state Department of Natural Resources provides maps to oystermen each August 15th which shows future plans for coastal restoration projects so that farmers may make September planting decisions with the full knowledge of risks that may arise.

Likewise, the industry now is required to give the state complete information on areas planted, quantities harvested from lease and the market value of those harvested oysters. This exchange of information protects the state and allows it to make better informed decisions on future policy.

Still, some issues remain to be resolved including the establishment of a new relocation fund to make sure that the costs of relocation do not come from restoration project monies but instead, from a different source such as state and federal tax credits.

As these issues continue to evolve, and the state accelerates efforts to fight coastal erosion, the Louisiana Oyster Task Force continues to seek a "seat at the table" and to be a contributing party to the debate. Candid comment on work of the Governor's Committee on the Future of the Coast and on other task force initiatives will ensure that a full range of views and opinions are heard and that the most effective policies are enacted.

Recommendations

The first step that needs to be taken is to provide funds to remove the debris from the navigational channels leading to and from the area docks. St. Tammany Parish, St. Bernard Parish, Plaquemines Parish, Jefferson Parish, Lafourche Parish, and Terrebonne Parish in southeastern Louisiana as well as Cameron Parish in the southwestern part of the State navigational channels are cluttered with debris.

Second, provide funds to the public and state oyster reefs need to be cleaned from debris and lifted from under the silt and dead marsh grass smothering the reefs. In 1992 following Hurricane Andrew, Congress appropriated funds to clean the oyster reefs. The DWF put a plan in place allowing the commercial fisherman, including oyster, shrimp, crab, and finfish fisherman, to pull open dredges to lift the reef and remove the marsh grass. That program was very successful.

Third, provide funds to repair or rebuild seafood docks and dry docks that are used to unload our catch, supply fuel and water to our boats, and repair our boats.

Fourth, provide funds for cultch planting on damaged oyster reefs using shells purchased from oyster processing facilities, dead reef material, crushed limestone or crushed concrete to reestablish the oyster reefs and allow for a clean reef that will support an oyster spat set.

Fifth, provide funds to install a State oyster hatchery facility or purchase seed from an existing facilities to supplement natural spawning this year and in future years to improve productivity.

Sixth, provide funds to seafood vessel owners, oyster farmers and oyster and seafood processing facilities that suffered both physical and economic losses caused by Hurricane's Katrina and Rita so we can get back to providing jobs, planting, harvesting, and selling oysters and seafood, and paying tax revenues to the Municipal, State and Federal government's.

Seventh, provide funds to rebuild the levee system and restore the coast of Louisiana to protect the U.S. citizens from another catastrophic disaster as these hurricanes have done to our home.

Conclusion

The Louisiana oyster and seafood community has suffered significant economic and physical losses due to Hurricane's Katrina and Rita. Oyster and seafood farming, harvesting, and processing are culturally important as a economic engine that has provided income to coastal and municipal residents for hundreds of years. Coastal erosion in Louisiana has been a problem for decades and restoring the coast in Louisiana is imperative to protect citizens in south Louisiana as well as the numerous businesses that are important to the U.S. economy. Providing funds to reestablish the oyster and seafood businesses is necessary to start their economic engine again.

Below is information provided by the Louisiana Department and Wildlife and Fisheries.

The Louisiana Department and Wildlife and Fisheries estimates that storm related fisheries losses at the retail level could exceed \$2 billion over the next year. The latest estimates combine \$981 million in production losses for parishes affected by Hurricane Rita with the \$1.29 billion losses projected for areas damaged by Hurricane Katrina for a total of \$2.27 billion. That number represents 80 percent of the total commercial and recreational retail harvest values in 2003, based on sales levels of \$2.85 billion.

Louisiana Commercial Fisheries

| | Total Economic | | | | Jobs Supported | Sales Tax Revenues | State Income Tax Revenues | Fed. Income Tax Rev. |
|-------------------|----------------|-----------------|-----------------|---------------|----------------|--------------------|---------------------------|----------------------|
| | Landings | Retail Sales | Effect | Earnings | | | | |
| Freshwater | | | | | | | | |
| Finfish | \$3,326,997 | \$22,123,793 | \$29,498,390 | \$4,742,920 | 331 | \$909,183 | \$218,077 | \$1,364,794 |
| Marine | | | | | | | | |
| Finfish | \$83,913,848 | \$558,008,489 | \$744,011,319 | \$119,626,391 | 8,344 | \$22,931,492 | \$5,500,369 | \$34,422,978 |
| Freshwater | | | | | | | | |
| Shellfish | \$4,844,448 | \$32,214,505 | \$42,952,674 | \$6,906,176 | 482 | \$1,323,863 | \$317,543 | \$1,987,280 |
| Marine | | | | | | | | |
| Shellfish | \$202,040,322 | \$1,343,523,357 | \$1,791,364,476 | \$288,025,817 | 20,089 | \$55,212,412 | \$13,243,302 | \$82,880,595 |
| TOTAL: | \$294,125,615 | \$1,955,870,144 | \$2,607,826,859 | \$419,301,304 | 29,245 | \$80,376,949 | \$19,279,291 | \$120,655,648 |

Species-Specific Fisheries

| | Total Economic | | | | Jobs Supported | Sales Tax Revenues | State Income Tax Revenues | Fed. Income Tax Rev. |
|----------------------------|----------------|---------------|-----------------|---------------|----------------|--------------------|---------------------------|----------------------|
| | Landings | Retail Sales | Effect | Earnings | | | | |
| Menhaden | \$58,443,314 | \$388,635,084 | \$516,180,111 | \$83,315,959 | 5,811 | \$15,971,051 | \$3,630,832 | \$23,974,505 |
| Shrimp | \$134,966,339 | \$897,496,238 | \$1,196,661,650 | \$192,406,098 | 13,420 | \$36,882,822 | \$8,846,749 | \$55,365,634 |
| Oysters | \$33,375,501 | \$221,939,684 | \$295,919,578 | \$47,579,641 | 3,319 | \$9,120,664 | \$2,187,691 | \$13,691,234 |
| Blue crab | \$33,604,768 | \$223,464,258 | \$297,952,345 | \$47,906,481 | 3,341 | \$9,183,317 | \$2,202,719 | \$13,785,284 |
| Catfish, freshwater | \$1,797,739 | \$11,954,566 | \$15,939,421 | \$2,562,831 | 179 | \$491,276 | \$117,838 | \$737,465 |
| Crawfish | \$4,808,841 | \$31,977,727 | \$42,636,969 | \$6,855,416 | 478 | \$1,314,132 | \$315,209 | \$1,972,674 |

Summary: Preliminary Louisiana fishery losses caused by Hurricanes Katrina and Rita (10/12/2005)

Hurricane Katrina affected Orleans, Jefferson, St. Bernard, Plaquemines, St. Tammany, Tangipahoa, Livingston, Ascension, St. James, St. John the Baptist, St. Charles, and ½ of Lafourche parishes.

Hurricane Rita affected ½ of Lafourche, Terrebonne St. Martin (for 6 month each), Assumption, Iberville, Point Coupee, St. Landry, Acadia, Avoyelles, St. Mary, Iberia, Jefferson Davis, Vermilion, Calcasieu, and Cameron (for 12months each) parishes.

| Category | Potential Production Losses at Retail Level Hurricane Katrina | Potential Production Losses at Retail Level Hurricane Rita | Total potential production losses at retail level |
|------------------|---|--|---|
| Crab | \$ 81,776,427 | \$ 68,255,059 | \$150,031,486 |
| Freshwater Fish | \$ 1,256,934 | \$ 19,014,988 | \$20,271,922 |
| Oysters * | \$ 296,427,648* | \$ 82,287,284 | \$378,714,932 |
| Saltwater Fish** | \$ 172,145,944** | \$ 182,390,804 | \$354,536,748 |
| Shrimp | \$ 538,996,879 | \$ 380,354,398 | \$919,351,277 |
| Wild Crawfish | N/A | \$ 27,706,395 | \$33,691,720 |

| | | | |
|------------------------|-------------------------|----------------------|------------------------|
| Recreational Fisheries | \$ 199,517,744 | \$ 221,383,678 | \$420,901,422 |
| Freshwater Fish Loss | N/A | N/A | N/A |
| Total | \$ 1,290,121,576 | \$981,392,606 | \$2,271,514,182 |

* Oyster losses are for two (2) years.
 ** Includes Gulf Menhaden

Recreational Fishing¹

| | <u>Retail Sales</u> | <u>Total Economic Effect</u> | <u>Earnings</u> | <u>Jobs Supported</u> | <u>Sales Tax Revenues</u> | <u>State Income Tax Revenues</u> | <u>Fed. Income Tax Rev.</u> |
|----------------------------|---------------------|------------------------------|-----------------|-----------------------|---------------------------|----------------------------------|-----------------------------|
| All Fishing: | \$895,330,569 | \$1,631,816,196 | \$395,247,350 | 16,999 | \$49,713,013 | \$9,690,254 | \$60,670,849 |
| Residents Only: | \$807,716,796 | \$1,464,823,549 | \$354,565,762 | 15,225 | \$44,611,184 | \$8,679,051 | \$54,339,688 |
| Non-Residents Only: | \$87,613,773 | \$166,992,646 | \$40,681,588 | 1,774 | \$5,101,829 | \$1,011,203 | \$6,331,161 |
| Freshwater Fishing: | \$444,590,117 | \$806,828,401 | \$196,831,680 | 8,419 | \$25,357,736 | \$4,842,357 | \$30,344,487 |
| Residents Only: | \$415,362,842 | \$751,396,310 | \$184,501,796 | 7,890 | \$22,700,579 | \$4,538,183 | \$28,438,386 |
| Non-Residents Only: | \$29,227,275 | \$55,432,091 | \$12,329,884 | 529 | \$2,657,157 | \$304,175 | \$1,906,101 |
| Saltwater Fishing: | \$435,324,520 | \$792,578,882 | \$190,687,663 | 8,276 | \$24,355,277 | \$4,648,248 | \$29,060,206 |
| Residents Only: | \$383,475,477 | \$694,762,015 | \$165,613,185 | 7,160 | \$21,910,605 | \$4,021,376 | \$25,141,087 |
| Non-Residents Only: | \$51,849,044 | \$97,816,866 | \$25,074,478 | 1,116 | \$2,444,672 | \$626,872 | \$3,919,119 |

¹ Some categories in this table contain species also included in other categories. Do not sum the categories. The total impacts from all forms of fishing are presented in the first category, "All Fishing."

Recreational Boating

| <u>Retail Sales</u> | <u>Total Economic Effect</u> | <u>Earnings</u> | <u>Jobs Supported</u> | <u>Sales Tax Revenues</u> | <u>State Income Tax Revenues</u> | <u>Fed. Income Tax Rev.</u> |
|---------------------|------------------------------|-----------------|-----------------------|---------------------------|----------------------------------|-----------------------------|
| \$1,667,872,172 | \$1,927,223,430 | 608,688,091 | 22,741 | \$82,650,846 | \$16,442,817 | \$102,889,345 |

Guide and Charter boat Data

Angler Expenditures for Guides and Charter boats:

Freshwater fishing: \$3.5 million (2.0% of all freshwater expenditures)
 Saltwater fishing: \$28.2 million (12.8% of all marine expenditures)

Percent of Marine Anglers Using Charter boat and Guide Services:

All Anglers: 8.6 percent
 Resident Anglers: 3.5 percent
 Non-Resident Anglers: 24.3 percent

