

**REVITALIZING THE ECONOMY OF
SOUTH LOUISIANA: EMPOWERING THE
REGION FOR RECOVERY AND GROWTH**

FIELD HEARING

BEFORE THE

**COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE**

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

NOVEMBER 7, 2005

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ONE HUNDRED NINTH CONGRESS

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CONTENTS

	Page
Hearing held on November 7, 2005	1
Statement of Senator Stevens	1
Statement of Senator Vitter	2

WITNESSES

Coleman, Elaine, Commissioner, Downtown Development District	56
Prepared statement	58
Drennen, Mark C., President/CEO, Greater New Orleans, Incorporated; on behalf of the Southeast Louisiana Business Coalition	24
Prepared statement	27
Falgout, Ted M., Port Director, Port Fourchon	28
Prepared statement	29
Francis, Dr. Norman C., President, Xavier University; Chair, Louisiana Recovery Authority	12
Prepared statement	15
Guidry, David, President/CEO, Guico Machine Works Inc.	60
Prepared statement	61
Kennedy, Hon. John, State Treasurer, Louisiana Department of the Treasury	5
LaGrange, Gary P., President/CEO, Port of New Orleans	30
Prepared statement	32
McDonald Jr., Alden J., President/Chairman, Liberty Bank and Trust Company; Commissioner, Bring New Orleans Back	17
Prepared statement	19
Nagin, Hon. C. Ray, Mayor, City of New Orleans	48
Olivier, Michael J., Secretary, Louisiana Economic Development	7
Prepared statement	9
Perry, J. Stephen, President/CEO, New Orleans Metropolitan Convention and Visitors Bureau	49
Prepared statement	52
Smith, Ewell, Executive Director, Louisiana Seafood Promotion and Marketing Board	34
Prepared statement	37
Thomas, Hon. Craig, U.S. Senator from Wyoming	4

APPENDIX

Letter, dated November 7, 2005, from a group of commercial fishermen and dock dealers to the Senators, Congressmen, and State Officials of Louisiana	69
Morris, Julie, Council Chairman, Gulf of Mexico Fishery Management Council, letter with attachment dated October 7, 2005	70

**REVITALIZING THE ECONOMY OF
SOUTH LOUISIANA: EMPOWERING THE
REGION FOR RECOVERY AND GROWTH**

MONDAY, NOVEMBER 7, 2005

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
New Orleans, LA.

The Committee met, pursuant to notice, at 9 a.m. in Louisiana Supreme Court Chambers, Hon. Ted Stevens, Chairman of the Committee, presiding.

**OPENING STATEMENT OF HON. TED STEVENS,
U.S. SENATOR FROM ALASKA**

The CHAIRMAN. Well, thank you very much. Let me thank, on behalf of the Senate, the Chief Justice Calogero, for allowing us to use this court room and for meeting with us this morning and we are indebted to our colleague and good friend, David Vitter, for the invitation to bring this committee down here to really inspect the damages and to determine what needs to be done for this area to recover. My thanks also to Senator Thomas of Wyoming, and Senator Brownback is expected any time now.

Alaskans are not in a different situation. We have an abundance of wildlife and fishing and energy production, just as you do. We share, we literally have half the coastline in the United States. If it was only 90 degrees cooler here it would be as in my hometown today. As it happens you'd have to throw in a few mountains to keep us around. But we do enjoy being with you and have a chance to tour the area. The Lakeview areas at Ninth Ward, the levee breach on the Inner Harbor Canal.

We've viewed the devastation to homes and talked to residents there about the challenge and uncertainties they face and we've listened to dozens of people on their thoughts about the actions that Congress should take to assist in the recovery of this area.

Let me make one point very strongly, we're not here to tell you what to do. We're here to conduct a hearing, which we have called "Empowering the Region for Recovery and Growth." We want to learn from you what you feel is required to reestablish a new and better New Orleans. We ask questions and if you misinterpret them, that is your problem, not mine. The newspaper did.

Just last week, I worked with Senators Vitter and Landrieu, to include \$1.2 billion for coastal disasters and hurricanes affecting the States in this area in our budget reconciliation bill. That was in addition to the \$200 million we had already earmarked from the

Commerce Committee. This portion of the bill was just an area affecting this committee, the Commerce Committee. But I do think your delegation is working very hard. They are making progress, there's a great deal to be done and I'm confident that your region will thrive again.

We're here to hear from the witnesses. But first, let me see if Senator Vitter has some remarks to make this morning.

**STATEMENT OF HON. DAVID VITTER,
U.S. SENATOR FROM LOUISIANA**

Senator VITTER. Thank you, very much, Mr. Chairman. I really do want to thank you and Senator Thomas, Senator Brownback, who will be with us later today, for recognizing the importance of being here today and for giving up a good part of your weekend to see firsthand, the devastation and the remaining challenges caused by Hurricane Katrina.

As we saw yesterday, we've really moved beyond the emergency response phase, to rebuilding and recovering and that's what this hearing is about. The decisions we make now are the most important that we will make in our lifetime, in Louisiana, in terms of our future. And that's why I asked you to bring this hearing here, today. So, we can all hear ideas about how to empower our citizens and businesses, to once again have the economic security and certainty we all desire, so, that our economy can get back on track.

I would tell everyone here, there is no one more appropriate or more useful to be here, than the Chairman. He is the Chairman of the Commerce Committee, President Pro Tem of the Senate, the most senior member of the majority party there and also a very high ranking member of the Appropriations Committee.

And of course, I deeply appreciate Senator Thomas being here, as well.

Before we get started, I would like to give a brief update on some of the actions we've already taken in Congress to move Louisiana forward, as a prelude, to where we need to go from here. First, we passed two emergency appropriation bills, totaling over \$62 billion in emergency relief and recovery efforts for Hurricane Katrina.

Today, over 1.2 million households have applied for individual assistance, and of course, all levels of government in the devastated area are taking advantage of public assistance.

Second, I've worked with the White House to have 100 percent of the costs of many disaster activities covered by the Federal Government for an extended period of time, the most extended period of time ever in history.

Third, we enacted a \$6.1 billion Katrina tax relief package, for virtually everyone affected by the storm, to give them some immediate individual tax relief.

Fourth, we provided an additional \$2 billion for the National Flood Insurance Program to ensure the money is there to pay out benefits under the current program.

Fifth, we passed \$300 million in additional funds for food and health benefits for those unable to afford those necessities.

Sixth, students and those paying off student loans were given significant Pell Grant relief. That was important, we certainly need more relief for higher education in those students.

Seventh, the President recently signed into law, my bill to provide \$1 billion in assistance to parish and local governments to provide essential services. And as I committed on the Senate floor during the debate of that bill, we're going to work to ensure that these loans have the ability to be forgiven, if circumstances require that.

The city of New Orleans for instance, had to lay off nearly one-half of its workforce and there are vital services that our parish and local governments must provide. So, we need to continue to work on that CDL program and improve it.

Eighth, we work closely with the President to ensure that 100 percent of the cost of restoring our hurricane protection system, to at least category three levels, to begin with. One hundred percent of that will be paid entirely by the Federal Government, which is unprecedented. This allows our state and local governments to focus the hundreds of millions of dollars that they would otherwise have to devote to their match, to other important recovery priorities. And of course, this category three protection is not enough. I'll be introducing a new program to provide an even greater level of hurricane protection, up to category 5, urging the Corps to form an integrated program for the entire region.

Louisiana already receives more Corps of Engineers funds than any other state, despite our small size. So, we need to make sure these dollars and others are spent wisely, in terms of a fully integrated plan, moving forward.

Ninth, as Senator Stevens mentioned, we just added \$1.2 billion to the already \$200 million that his Commerce Committee included in the budget package, for help to coastal states dealing with coastal restoration and related issues. And as we heard in our Corps briefing this morning, that is directly related to hurricane protection. Very, very important.

Tenth, in that same budget package passed through the Senate last week, there was a significant Medicaid piece, that will be very important, in terms of health care in Louisiana.

Eleventh, in that same budget package, there was a very significant education piece, to fund the education of evacuee children, who have gone out of the New Orleans area to public and non-public school systems all over the state and even more broadly, all over the country, particularly, in states like Texas.

And twelfth, the Senate has also passed hundreds of millions of dollars for housing assistance, education reimbursement, funds for the SBA, economic development administration and more.

So, that's a lot of what we have done. Now, clearly, we must do more and we must march on from here with significant further action. But to allow us to do more in Congress and quite frankly, to build the consensus to allow us to do more, we also need to see important progress and vision, here on the ground in Louisiana and so many of our leaders who are providing that guidance and vision are here today.

I really think the biggest challenge we face now, is convincing those in Washington, that we have a smart bold plan to rebuild in the right way and that we have the structure that can pull that rebuilding off. And I think, communicating that really involves two things. Number one, communicating that we are open to new ideas and bold proposals and in every area of the rebuilding. Whether it's

hospitals or education or a new and improved flood and hurricane protection system. And number two, we also need to make sure we communicate that we are coming together with a single common vision, being developed on the ground in Louisiana.

I think, there is more work to be done in that regard and I hope this hearing will help us pull together to do that. For instance, we have the Governor's Commission, the Mayor's Commission, numerous advisory boards at all levels. In addition, there are a number of not-for-profit commissions and many in the private sector who are holding forums and providing ideas.

And just last week, the President announced a council to assist the new Federal coordinator in overseeing Federal operations here.

I'm afraid we may be using a model I saw in the U.S. House of Representatives. There, we had so many committees, that we established a committee on committees. I'm not sure that's the model we want to follow on the ground in Louisiana and so, I think, a big part of our work now, is to pull all of this very important work and thinking together, to develop a truly common vision, to move forward.

I hope that the President's recent appointment of a single Federal coordinator, Don Powell, will help us do that. In my hour and a half meeting with him, last week, I urged him to be a catalyst, to help bring everyone together on the ground, with that single unifying bold vision for rebuilding and reconstruction.

So, Mr. Chairman, that's my hope and certainly, the witnesses you're going to hear from today, are a big part of developing that bold common, unifying vision. I thank you again, for allowing them to testify.

The CHAIRMAN. Thank you very much.

Senator Thomas, do you have comments to make?

**STATEMENT OF HON. CRAIG THOMAS,
U.S. SENATOR FROM WYOMING**

Senator THOMAS. Thank you, Mr. Chairman. Very briefly, I appreciate being part of this Senatorial visiting group. It's amazing to see, actually be on scene and the difference between what you hear in the news, of course and so on. But it's really been interesting and what a devastating thing it's been.

I'm really pleased with the hospitality we've had and certainly, everyone has gone out of their way to show us what we need to see, and more importantly perhaps, talk about their plans and their ideas of what we can do about it. Everyone has great sympathy for the people of New Orleans, of course and of the Gulf area and we want to do whatever we can. I'm just hopeful that what we do and our plans can be based on the long term needs. That we simply don't get ourselves back in the same position we were in before, that rather, we have changes that will be important, in terms of avoiding the things that have happened here. I too, hope that we can have a balance between the role of the Federal Government, the state government, the local governments. This is not totally a function of the Federal Government, as you know, and so, we need to work out that.

So, thank you very much for the opportunity to be here, Mr. Chairman. I look forward to hearing the participants.

The CHAIRMAN. Well, thank you. We're going to have a series of witnesses now. Three different panels. I would ask the witnesses to limit their comments to, not more than 8 minutes, so we can listen to everyone and still make the helicopter tour we're going to take following this and we each might have a question or two. We're going to want to listen to all of the witnesses who have come to testify.

Our first panelist is the Honorable John Kennedy, the State Treasurer for Louisiana; Secretary Michael Olivier, the Secretary of the Louisiana Department of Economic Development; Dr. Nolan Francis, President of Xavier University and also Commissioner of Louisiana Recovery Authority; and Walter McDonald, President of Liberty Bank and Trust, also, Commissioner of Bring New Orleans Back.

We'll first listen to Treasurer John Kennedy and each of the witnesses in order and then ask questions after everyone has had an opportunity to speak. So, Mr. Kennedy?

**STATEMENT OF HON. JOHN KENNEDY, STATE TREASURER,
LOUISIANA DEPARTMENT OF THE TREASURY**

Mr. KENNEDY. Thank you, Mr. Chairman, members of the Committee and particularly our own U.S. Senator, Senator Vitter. I want to thank you for the opportunity to talk with you this morning. I want to thank you for your presence here today. I want to thank you for your past help.

I had prepared, as you can see, a few remarks regarding infrastructure, regarding the levee system, regarding the Small Business Association. But I think in light of Senator Vitter's very eloquent and relevant remarks, I'm going to put my prepared remarks aside just for a moment and talk to you about what Louisiana is prepared to do to help itself.

Let me talk about our budget first. We all know that Louisiana has experienced two natural disasters of epic proportions. It has had a dramatic impact on the tax base of our state. Both at the local government level, particularly at the local government level, but also, at the state level. Louisiana, if you add up all of our income, our salaries, our dividends, our interest every year, we have about \$125 billion in state personal income. Which, in my judgment, is the best indicator of economic activity.

In the area impacted by Katrina and the area impacted by Rita, between a third and forty percent of that area contributes this income. That's a \$125 billion income. Roughly, \$40-\$45 billion of income is contributed to our \$125 billion in gross state product. That will have an impact on our budget.

Our budget is \$19 billion. We are estimating an impact of between \$1 and \$2 billion, in terms of lost tax base. But I want to emphasize to you, that the impact will be bigger. Because, in addition to addressing a budget deficit of between—let's call it \$1.5 billion, the State of Louisiana is prepared and indeed, must find additional fundings to help our local governments pay their bonded indebtedness, to help our local governments, particularly in Orleans and Saint Bernard and Cameron parishes, which have no tax base, and pay their operating expenses and Louisiana needs to find addi-

tional monies in its budget to help our businesses with bridge capital.

Let me tell you how I hope we will proceed to do that. Our Legislature convened last night for a long overdue special session. I am hopeful that our Legislature will begin by looking at our budget. Not by making a 5 percent or a 10 percent cut, but by looking at our budget line by line, item by item, project by project. And the question that we have to ask ourselves, is that after these storms of epic proportions, given the demands on state government, financial and otherwise, what are the core functions of government that Louisiana is prepared to fund and that the Louisiana citizens actually need at this point? That has got to be our starting point.

We know we have to make structural changes in our budget and I hope and believe that our Legislature and our Governor are prepared to do that and I think they are and will. After we have made the necessary adjustments to our budget, we need to look at the other arsenals in the state's tools of economic possibilities. We need to look at advance refunding some of our State debt. Authority, that I believe, will be given to us by the U.S. Congress, that allows us to basically do what you do when you restructure the mortgage on your home. If you go from a 15-year mortgage on your home to a 30-year mortgage on your home, you lower your interest, principal and interest payments, your monthly payments, which freeze up cashflow.

We need to look advance refunding our tobacco settlement debt. We need to look at accessing our rainy day trust fund. We need to look at securitizing the additional 40 percent of our tobacco settlement income streams. We do not need to look at raising taxes. Let me say that again. We do not need to look at raising taxes. Our people have suffered enough.

If we do the things that I have mentioned, look at our budget line by line, item by item, project by project, and I believe our Legislature is prepared to do that and make the necessary adjustments, a small or more efficient state government. And then, we are willing to look and I think we are, at the other tools in our economic arsenal. Advance refunding of our debt, restructuring it. Our tobacco settlement revenue possibilities, the purpose of which, will be, to provide a pool of money, from which, local governments can borrow to pay their bonded indebtedness, from which, local governments can borrow to pay their operating expenses; and from which, our businesses, our small businesses, can borrow for bridge capital. Many of which, quite frankly and I say this respectfully, can't get an answer from the Small Business Administration. Thus, the State of Louisiana needs to step in and help them.

I think, if we do that, the changes will be dramatic, in terms of Louisiana State Government. But the changes will be equally dramatic in terms of the help that we will provide to ourselves and to our people. After we do that, and I believe that our Legislature will do that, we respectfully ask you for your continued help. We thank you for your past help. But even with the dramatic measures that I have talked about, we cannot do it alone. We need your continued support.

A person, much smarter than I am, once said that perseverance is not a long race. It's a series of small races, run one after the other.

Thank you for being here with us today. We hope you'll join with us in running the race to rebuild Louisiana.

**STATEMENT OF MICHAEL J. OLIVIER, SECRETARY,
LOUISIANA ECONOMIC DEVELOPMENT**

Mr. OLIVIER. Mr. Chairman and members of the Committee, thank you for this opportunity. Thank you very much for visiting our state. My name is Michael Olivier, I'm the Secretary of Economic Development for the State of Louisiana.

Prior to Katrina and Rita, these storms that we've suffered, the main mission of my organization was to recruit new diversified businesses to our state to create quality jobs. And, more importantly, the retention of existing business and industry, because you have to keep what you've got and that's where we are now, trying to keep what we've got.

Of course, our mission is still the same. New business recruitment, existing business and industry retention, but it's different. We've expanded because our role to respond to the needs of these impacted businesses require a different approach.

Much of what we are going to be talking about today, is dealing with the impacted areas. We consider that there are 13 parishes that are more dramatically impacted than the other 36 or 37 that have been designated as impacted. Of course, they have a significant amount of impact all across the South Louisiana area, the Gulf of Mexico region. But more specifically, the most impacted parishes represent some 80,850 businesses that have been in some state of cessation. This represents 90 percent of those of being small business and also, represents 41 percent of the entire business community in the State of Louisiana. We have about 197,400 businesses in our state. This 80,000, almost 81,000 represents 41 percent of all the businesses in our state.

Three of our largest industries, oil and gas, and the petro-chem area, transportation and shipping, and agricultural commodities and timber, have been severely impacted, among others. In the oil and gas and petrochemical area, three major refineries are out-of-service through the New Year.

Only now are we seeing, as our refineries come back online, our gasoline prices coming back to pre-Katrina rates. This is 10 weeks later. It's interesting that some people would wonder, what is the impact of Louisiana and the Gulf of Mexico region and these states that have been impacted by these storms, on the national economy. I submit, this is one such impact.

On the offshore oil and gas area, our pipelines are returning to operation. However, only 32 percent of daily oil production is back online, 45 percent of natural gas production is back and 27 percent of manned platforms remain evacuated. A lot of people do not realize that there are 40,000 miles of pipelines in and offshore Louisiana.

In our ports and shipping and transportation segment, two of our deepwater ports suffered extensive damage and are not operating. Those are Plaquemines and St. Bernard, which, I know, you visited

those areas. We don't know when, if ever, these ports will open. Later, you're going to hear more in detail about our other two ports that have been impacted in the immediate area from Gary LaGrange and Ted Falgout. In the agricultural area, this is truly a disturbing area, because, the total agricultural damage from both of the storms is over \$1.6 billion. Timber, is where we suffered some of the greatest losses. Our combined timber losses, from both hurricanes, was \$850 million.

In Katrina alone, in three parishes, we call them parishes here, you call them counties, in three on the North Shore, we lost 3 billion feet of timber, equating to two times the annual harvest.

For the houses that we've lost, we've lost some 205,000 homes that have been destroyed and another 45,000 that have been severely damaged. It will take 5 billion board feet of timber to reconstruct these houses. So, you can see, just comparing that, the magnitude.

Now, since this committee's topic is revitalization, I'll tell you something about the view of what can revitalize Louisiana. Right now, it's access to capital. In our businesses, if our businesses can have access to capital, we can rebuild not only the individual businesses, but the entire economy. If lack of access to capital continues, we're going to have difficulties and we will be facing the largest default rate since the Great Depression. Insolvency is going to be ramped.

We ask that you help us with four critical recovery priorities, to provide immediate access to capital. Those are one, allocate \$200 million from bridge loans to continue the Louisiana Bridge Loan program. Because of the need for cash infusion to our small businesses, especially, on October 17, Governor Blanco allowed for us to use a reallocated \$10 million fund, that's a use for deal closing, for a Bridge Loan Program. This is patterned after what was done in Florida and patterned after what Congress provided Manhattan in the Economic Recovery Act of 2002. This is intended for helping businesses meet the immediate needs. It was only \$25,000 per business, up to \$25,000 per business. Doing the math, out of 81,000 businesses, we could only help 4,000 businesses. In 10 business days, we've loaned all the money out.

We were hoping to be able to demonstrate to Congress, that we could manage such a fund. That we knew, that you gave these kinds of funds to New York State, lower Manhattan and it was managed in such a way in Florida, that over 80 percent of these funds, short term 180 day, no interest loan funds, were paid back. 80 percent were paid back.

We're out of funds now. So, we're hopeful that Congress will, before the holiday session ends, we will be able to get some funding, just as you gave to New York State.

Number two, direct the Small Business Administration to expedite loan processing. So far, we have received—the SBA from this area, have gotten over 136,000 loan applications. Of these, they had approved only 2,294 for \$157 million. They've maintained over 90 percent rejection rate.

Of the 157 million approved, only \$1.5 million in business loans has been fully disbursed. Less than 1 percent has been disbursed.

So, in other words, our business community is not getting access to capital. And this, I submit, is not acceptable.

The CHAIRMAN. Which type of money is that?

Mr. OLIVIER. That's Small Business Administration Disaster Loan Program.

Priority number three for us, is provide \$10 million for business grants that parallel those provided to the lower Manhattan businesses after 9/11. Like the 9/11 recovery grants for Manhattan, this request is provided for programs that need immediate relief. We have a great deal who are in our fishing industry who need relief. They probably won't be able to qualify for loans, we'll have to give them grants to get that industry sector cranked back up.

Priority number four, \$30 billion in tax exempt private activity bonds. Again, the same thing that would turn Liberty Bonds after 9/11, in the Economic Recovery Act of 2002, you gave them \$8 billion for that 16-acre area to be rebuilt. Just after Katrina, we have 960 square miles, we submit that we could use and this is allowing for businesses to get to business by encouraging, not only redevelopment But new development and enhancement of new industry to come to the Gulf Coast region and we need the language. The language needs to be broadened. That would allow for the construction and reconstruction of rehabilitation of commercial property. Not only manufacturing property, refineries, ethanol refineries, residential property and residential rental property.

Because in the New Orleans region alone, 60 percent of the people rented their homes or apartments.

In addition to the capital request, we need for you to know that we're currently working to address our business needs, based on our capacity to address that. We started a campaign, which we call LED Forward, Louisiana Economic Development Forward, and we have moved forward on that, providing access to businesses.

And the last thing I want to say to you, as our time is expiring, is that we're focused on getting Louisiana back to business. And we are doing a lot of things as our treasurer has outlined. And our people are very resilient, absolutely very resilient. And the help that you can provide, along with the help that we are providing to our businesses, will help give a lifeline for the businesses to survive, thrive, and later, prosper.

And I can say this about the people of this area, they are very resilient. You'll see that and as you'll know, we've demonstrated that resilience in many, many years. In fact, we've been pulling for the Saints for 35 years, that's resilience.

Thank you.

[Laughter.]

[The prepared statement of Mr. Olivier follows:]

PREPARED STATEMENT OF MICHAEL J. OLIVIER, SECRETARY,
LOUISIANA ECONOMIC DEVELOPMENT

Mr. Chairman and distinguished members of the Committee, thank you for the invitation to speak at this hearing. My name is Michael Olivier and I serve as the Secretary of Louisiana Economic Development, or as we call it, L.E.D.

Prior to Katrina and Rita, LED's primary mission was recruitment of new businesses to Louisiana, as well as retention and expansion of existing Louisiana-based operations. In spite of the hurricanes, this is still our mission. However, we have expanded our role to respond to the needs of impacted businesses.

LED is working to build a *New Louisiana*—a place where businesses can thrive and citizens willing to work can find quality jobs.

This is no easy task.

First, let me put the impact of both storms in perspective from a business standpoint. Many of the parishes in the Katrina and Rita impact zone are so dramatically affected they require substantial, sustained investment by Federal, State and local Governments and the private sector. In the 13 parishes most dramatically impacted by Katrina and Rita, before the storms there were 80,850 businesses. By comparison, the entire state economy had 197,446 registered businesses.

Although only 13 of 64 parishes were severely impacted, they represent 41 percent of the state's total businesses—90 percent of which are small businesses.

Let me also describe the damage to three of our largest industries - oil and gas/ petrochemical, transportation and shipping and agribusiness which includes agricultural commodities and manufacturing and timber.

In oil and gas/petrochemical, in the Katrina impacted area, three major facilities—Murphy Oil in Meraux, ConocoPhillips in Belle Chasse and ExxonMobil in Chalmette will remain out of service through the end of the year. In the Rita impacted area, the three Lake Charles facilities, Citgo, ConocoPhillips and Calcasieu Refining, are expected to be at full operation by mid-November—three months after Rita hit.

On- and off-shore pipelines are reporting a return to operation following shut-downs from Katrina, Rita and Wilma. As of October 28, MMS reports:

- Only 32 percent of daily oil production is back online
- Only 45 percent of natural gas production is back online
- 27 percent (224 of 819) manned platforms remain evacuated

Ports, shipping and transportation is the lifeblood of this state. Louisiana's shipping activities are increasing:

- 21 inland and shallow-water river ports remain fully operational
- Eleven of twelve grain transit facilities are fully functional
- The Louisiana Offshore Oil Port (LOOP) is unloading supertankers at 70 percent capacity

However, our deepwater ports are a different story. Two suffered extensive damage and are not operating, Plaquemines and St. Bernard. We don't know when, if ever, either of these ports will reopen. The Port of New Orleans is partially operational, but it will be another six months before fully operational. The infrastructure (roads, rail) leading to the terminals are 90 percent operational. You will hear from Gary LaGrange later, so I'll let him describe the port's condition in more detail. The Port of South Louisiana, which is the Nation's largest port by tonnage and essential to the Nation's agriculture exports, is 100 percent operational. The Port of Lake Charles remained open during and after Katrina, however it sustained damages from Rita. It is again operational, but will require some reconstruction. The Port of Baton Rouge was the only Louisiana port to remain open through all of the storms and has been taking diverted cargo.

However, by saying fully operational, does not mean that ports are fully functional. The combined damage to our ports is in the billions of dollars. To bring them back to the level of operation that the Nation relies on will require substantial investment from the Federal Government.

Agriculture is where we've seen some of the greatest damage to business interests. In the area of commodities, according to estimates by the LSU AgCenter, Katrina's total agriculture products damages are approximately \$1 billion, while Rita's are \$569 million. For many commodities, the economic impact could potentially grow as delays in re-establishing infrastructure exist.

While crop damage was significant on the manufacturing side, agribusiness manufacturing and processing is coming back online. Sugar and rice mills are all fully operational. Our pulp and paper mills are at 50 percent capacity. Food processing, which is mainly New Orleans-based, is 50 percent online. Most processors have December start-up targets because of mechanical/electrical issues from water damage.

Timber is where we suffered some of the greatest losses. Louisiana is a major timber supplier and manufacturer of wood products. The combined timber loss sustained by both hurricanes is estimated to be approximately \$850 million. Katrina alone has total estimated losses of \$612 million. In that storm alone, we lost over 3 billion feet of timber equating two times annual harvest amount.

We estimate in Louisiana alone that there were 250,000 homes impacted by Katrina—meaning either totally lost or substantially damaged. To rebuild and repair these homes will require five billion board feet of lumber and three billion

square feet of panel products. Rita's top commodity loss was timber at over \$227 million in projected losses.

Since this committee's topic is revitalization, let me tell you my view of the one thing we need to revitalize the economy—access to capital.

If our businesses can have access to capital, we can rebuild not only the individual businesses, but the economy as a whole.

If the lack of access to capital continues, we are facing the largest default rate for private and public entities—including local governments—since the Depression.

LED is currently working to address our businesses needs in the ways we have capacity by:

1. Connecting affected businesses with information and resources
2. Securing financial assistance for business recovery

Area 1: Connecting Affected Businesses With Information and Resources

We started a campaign called "LEDforward." Our goals were to register and assist impacted businesses, connect businesses with immediately available resources and facilitate on-going dialogue with business owners about recovery process. Elements of the campaign include a dedicated website, *LEDforward.louisiana.gov*, and a toll free call center—866-310-7617.

Both provide access to LED personnel. At the toll-free number, callers make specific requests that are not addressed online. LED staff can track emerging and unmet needs, create business database for follow-up on emerging assistance and counsel business people about program opportunities.

We have established business counseling centers across Rita and Katrina zones. The business counseling centers are funded through a \$4 million EDA grant. They are staffed by Federal and state government representatives, local economic development professionals and private volunteer consultants. Businesses do not receive general information, they receive specific program information that applies to their business and long-term business planning assistance.

This is a prime example of the types of programs that LED will continue to initiate. We act as catalyst and lend expertise. We partner with local economic allies to deliver locally appropriate information. We recognize and appreciate all economic development is local.

We have also expanded *accesslouisiana.com*, a web portal that enables businesses to: post capabilities for sub-contracting opportunities, search sub-contractors, and retrieve or post commercial property opportunities. LED utilizes this database to find qualified Louisiana-based businesses for the recovery work.

This points to one of the biggest gaps in FEMA services. There must be opportunities to facilitate local work for Louisiana businesses and their workforce.

Since the beginning of the reconstruction phase, LED staff have been working at FEMA's center in Baton Rouge to provide qualified sub-contractors to prime contractors. As of October 20 (the last period we could get figures for), FEMA contracts had been awarded to Louisiana companies 25 percent of the time, but this only represented 4 percent of the actual dollars or \$156 million of \$3.7 billion awarded.

Also as of that report, all other Federal agencies had awarded Louisiana companies 28 percent of the time, but only 18 percent of the dollars or \$123 million of \$675 million.

We need your help to improve these numbers.

Finally, LED has played an important role in returning businesses and their employees to work. Through November 3, LED coordinated delivery of 3,477 mobile housing units purchased by FEMA for displaced workers at/near their worksite. After a brief suspension of the program by FEMA, LED has resumed deploying units on an ongoing basis. The program initially worked in heavy industry sectors, but now supports small businesses and "mom and pop shops."

Area 2: Facilitating Small Business Aid

Under Governor Blanco's direction, we have forwarded a comprehensive aid request for the impacted region both on the state and Federal level, as well as with private capital providers. We implore you to help us with four critical recovery priorities, we have to provide immediate access to capital for business recovery.

Priority 1: Allocate \$200 Million for Bridge Loans to Continue Existing Louisiana Bridge Loan Program

Because of the desperate need for cash infusion, Louisiana reallocated its \$10 million Rapid Response Fund—a fund set aside for business recruitment—to seed this program. This program provides \$5,000 to \$25,000 loans for up to 180 days at zero interest to businesses with more than two, but less than 100 employees. We work

in partnership with 17 regional banks and the Louisiana Public Facilities Authority, under the trusteeship of JP Morgan, to administer the program.

We allocated the \$10 million seed proportionally by region. By the end of the first week, there were no funds left for the Rita area. Within the first two weeks of operation, the fund lent \$8.8 million to 467 businesses. We conservatively estimate a need for 8,000 more of these bridge loans.

Priority 2: Direct the Small Business Administration (SBA) to Expedite Loan Processing

Through November 3, SBA has received 136,086 loan applications. Of these, they had approved only 2,294 for \$157 million. They had rejected 11,703.

They have maintained almost a 90 percent rejection rate.

Of the 2,294 approved, only 282 for \$19.8 million were either for businesses or economic injury. The others were home loans.

Most disturbing, of the \$157 million approved, only \$1,518,000 are fully disbursed. We have no report from SBA whether any of the disbursements made to-date were to businesses.

This is not acceptable.

Priority 3: Provide \$10 Billion for Business Grants That Parallel Those Provided to Lower-Manhattan Businesses After 9/11

Like the 9/11 recovery grants for Manhattan, this request is for programs to provide much needed relief and enable recovery.

9/11 programs included small business recovery grants (similar to business interruption insurance), large business retention grants, technical assistance programs and worker training programs.

Like the 9/11 program, initiatives would be designed with business input with targeted growth/recovery goals.

Priority 4: Authorize \$30 Billion for Tax Exempt-Private Activity "Hurricane Recovery Bonds"

These bonds would be used to finance construction, reconstruction and rehabilitation of nonresidential (commercial) property, residential property and residential rental property.

In conclusion, we want for you to understand that LED and the Blanco Administration is focused on "Getting Louisiana Back to Business"—taking steps toward building a better and stronger economy. The greatest key to our businesses succeeding is access to capital. We need your help to continue to find grants, loans and other opportunities that will give all of our businesses the lifeline they need to survive, thrive and prosper.

STATEMENT OF DR. NORMAN C. FRANCIS, PRESIDENT, XAVIER UNIVERSITY; CHAIR, LOUISIANA RECOVERY AUTHORITY

Dr. FRANCIS. Good morning and thank you, Mr. Chairman and Mr. Thomas and Senator Vitter for being here. There's nothing like coming and seeing things for yourselves. The press and the pictures don't tell the whole story and we're most appreciative that you are here.

I guess, I wear so many hats and I'm not too sure to which one I should be talking from. But let me start with the first one that I've just assumed—chairing the Louisiana Recovery Authority. Senator Vitter, you just covered almost all the major parties that we chose in our first meeting, and there are a number of others that we will be addressing.

The authority, Mr. Chairman, is intending to try to pull together and coordinate all of the various activities that will help us recover in Louisiana, from coast-to-coast. This is not an easy job. We just had our first meeting, maybe came in a little late. But when you get hit with a hammer, as we did, before you get all the shock, you realize that you've got to start pulling things together and the one point I want to make is, that we are working together now, and we intend to continue to work together—and to work together with

parish officials and city mayors and the like. To look at, what are the major areas of their concern, how can we pull this together and how can we bring the State's assistance, in a way that we speak at, Senator Vitter's saying, with one voice, so there's no confusion.

I must say that there has been some confusion about what is in fact, our efforts and the like. I think, that should be considered, be behind us and we want that message to go through the Congress, as well. In particular, we chose the parties that everybody is talking about. And the first one, Senator Vitter covered, was coastal restoration and levees. Levees, levees, levees. We aren't going to get any money back, getting money to build, unless, we give that comfort level, that we have handled the levee system and that's going to take a while. But we know that we have to get the Category 5 and we are supporting that, in total.

The same thing is true helping small and large companies and businesses and the Governor last night, talked about how the State will react to that in providing incentives and the like.

We, also, are going to ask the Congress to make amendments to the Stafford Act, to provide, what we call appropriate support for state and local governments. I should say in my second half, that I'll talk to a minute, we certainly are very much into—in change of the Stafford Act, because apparently, some 5 years ago, the Congress took out nonprofit institutions and limited us to only the first two categories in the Act and if we had to get help, we had to go to SBA and then get turned down, then, go back to FEMA. We think that's unwise, we think it's somewhat unfair. So, we're going to ask that the Stafford Act be looked at again.

Senator Vitter also covered some of the other parties that we have. Health care. The Medicare problems that we are going to face, and of course, we need to build our infrastructure and transportation. So, in covering this part of my role as the authority, I want the Congress to know, that we have a number of great people, now, about 24 people from around the State, in task forces, at least eight task forces, dealing with those, what we call quality of life issues that have been damaged and we have to recover. And not just recover, enhance in Louisiana. And one of the big ones, of course, is education. And the Governor now has the authority to take over the failing schools in New Orleans.

Hopefully, in the response, that will come and with expert advice we will get from around the country. We're not seeking to do all of this ourselves. We have to bring people in, who have had the opportunity to face what we have faced and to rebuild in these various areas. So, we bring in that, the experts. Thursday and Friday and Saturday, we are bringing a conference where architects are going to come and talk about, how do you start from scratch and make this a better place. Not just recover, enhance. And so, we'll be meeting about that.

The second half of what I would like to comment on, because it hasn't gotten as much attention, although Senator Vitter, I'm much pleased about the financial aid for students that will be coming forth—higher education. One of the jewels in Louisiana and this city, had been higher education. In this city alone, we have nine institutes of higher education and two centers for health care. I would suspect estimate it to be about \$3 billion annually to this

city, for what we employ and what we do from economic development in this city. And as we look to the future, sure that we have short-term concerns But we need to do the long-term. And the long-term, it's education from K-12 to higher education and higher education has to be, not only stabilized, it has to be enhanced, so that we can in fact, go the long ways. Mr. Thomas mentioned this, and I think that's critical for us.

Now, I come here this morning as someone who has been in higher education for a long time. Mr. Chairman, I have been a president of a university for 38 years, Xavier University. I'm here as a displaced person. I'm here as a President of a university that was totally flooded and we expect to be back at business on January 17. Are we going to make it? I'm not sure. But I think we will and are going to make it because, it is important that we continue to serve this state and this region. We were founded to serve and develop leadership in the African-American community. Our institution is totally diverse, totally integrated. But we have a distinction and I speak now, as a one part of the higher education system, but I speak because, it is important for, I think, the Nation, the Congress to understand, that we can't afford not to have quality education. From this small school that I happen to have the privilege of serving, we produce the largest number, number one producer of African-Americans who are admitted to medical school and graduate from medical school.

In the science area, we're the number one producer of African-Americans who major in the biological and the physical sciences. We're the number one producer of African-Americans who get doctor pharmacy degrees. We're the only College of Pharmacy in New Orleans. We are high in not only science, but in the health care side. And we are doing so in a population that has and needs more professionals, in a Nation that needs the care and counsel that we bring to the table.

But we're here, asking for an investment in continuing what is important to the common good and general welfare of this country, not simply this region. But we're committed to this region and the question is always asked, what are you doing for yourself in this devastation? Well, I had the tough decision of laying off one-third of a faculty, fifty percent of the staff, cutting off athletics for the coming year, in order that we might be able to start back, trim and tight, and then we would be able to maintain our record of contributions.

But more importantly about this, you know, in disasters, as you have seen, I have seen in the Lower Nine and St. Bernard Parish, unfortunate disasters impacting the people who could least afford to be hit. Not that anybody should be hit, but I'm in an institution where I have a \$97 million budget and a \$50 million endowment and 75 percent of that endowment is restricted. So, I have little cash-flow.

In the semester before Katrina, we had the largest enrollment in our history, in August 2005. Today, our institution has students and faculty scattered all over the place and we are rebuilding, trying to get back.

What are we asking for from the Congress? Support and assistance and that is to help us maintain the faculty, maintain our

structure. And we hope, that you will understand and help us, in that regard.

Thank you for being here.

[The prepared statement of Dr. Francis follows:]

PREPARED STATEMENT OF NORMAN C. FRANCIS, PRESIDENT, XAVIER UNIVERSITY;
CHAIR, LOUISIANA RECOVERY AUTHORITY

Mr. Chairman, Co-Chairman Inouye; distinguished members of this committee, and my Senators, the Honorable Mary Landrieu and Senator and committee member David Vitter:

I thank you for the opportunity to appear before you this morning!

I am here as a hurricane displaced person, no home to return to for months; a president of 38 years of a university severely damaged by wind and flooding, and chair of the Louisiana Recovery Authority, an individual like thousand of others who are working under unimaginable circumstances to rebuild our state and cities.

In the precious minutes available before you, I will limit most of the broad concerns of the disaster recovery in this region—and these are real and daunting—but with your indulgence, I want to personalize—to put a face on our struggle. Yes, there are the frustrations. However, our commitment to rebuild is firm and unwavering.

Economic Development

Louisiana and New Orleans, in particular, are witnessing the greatest challenges ever faced in the history of this Nation by a region. The devastation has impacted virtually every aspect of the quality of life measures for people, all of which adversities reduced resources and added enormous expenses to the public fisc. Louisiana's Governor Kathleen Blanco cut \$315 million last night from her budget. The ultimate total will be \$1 billion. To meet one of these challenges, to recover financially, we must continue to enhance our total educational system. To the state's credit, higher education has been one of this state's jewels, and a major economic provider, represented in New Orleans, alone by fourteen (14) institutions, including two Health Sciences Centers. All of these entities have been impacted by this large natural disaster in some way shape or form. And as it happens far too often in disasters, those least able to afford the impacts, are the ones which were hit the hardest. Three of the institutions including my own were totally flooded.

What has happened to all of us is a horrific nightmare, but one very real. Let me now personalize this presentation as one example of what is being currently experienced by individuals and institutions in this state.

Pre-Katrina

Post-secondary education was the largest employer in New Orleans—\$3 billion annually to the city—and largest intellectual importer providing the bulk of health care and the scientific professionals.

Statewide we enrolled 244,608 students and today 83,821 are displaced (34 percent); with 15,163 displaced faculty.

Xavier is an 80-year-old private, Catholic, historically Black institution, relatively small—4,000 students—serving a student body, 85 percent of whom require financial assistance for a tuition that is 1/3 less than the average cost of private institutions, nationally. Xavier is first in this Nation, however, graduating African-Americans:

- Who major in the natural and physical sciences (62 percent of our enrollment major in the sciences)—1,100 biology majors;
- Number 1 for African-Americans who are admitted to medical schools in the U.S., and the producer of 25 percent of African-American pharmacists in this country;
- Xavier is the only College of Pharmacy in this city and southern region of the state.

Like other higher education institutions, we are critically important to the city, state and Nation's scientific and health care industry; and our resources are limited.

We have virtually no endowment, \$50 million, for an annual \$97 million budget. Yet we have had no deficits in 40+ years. Like most Americans, we are prudent financially and fiscally responsible. Disasters exacerbate our financial challenges.

When we opened in August 17, 2005, we had our largest student enrollment ever. On August 29, Katrina closed our institution; students, faculty and staff scattered to the four corners of this nation; our campus was flooded by 7 feet, wherein every

building was impacted in some way; we lost virtually *all income* on a budget projected for the first semester and we are faced now with reconstructing and remediating physical structures and equipping laboratories, which, in the past 10 years, we had invested \$100+ million to serve this high achieving student body.

In the past 9 weeks, like thousands of citizens and businesses, we have been seeking resources to rebuild and thus far, in this transition period, the only support we have received has come from several concerned foundations and modest contributions from alumni and individuals, like the old lady in Salt Lake City who sent me \$25 after my interview on NPR.

Our recovery, like the two other flooded campuses—Dillard and Southern New Orleans, will be costly, and we have started; we could not wait. However, we have not received Federal dollars, as yet. Again like individuals, who have lost homes, including our faculty and students, our insurance coverages will not cover the cost to rebuild.

What have we done?

1. Reduced our faculty by 1/3 as we attempt gallantly to re-open in January 2006;
2. Furloughed, without pay, 60 percent of our staff, awaiting the enrollment numbers for January;
3. Eliminated all athletic participation for the coming year;
4. Sought Board permission to borrow from our small endowment to meet cash calls on current remediation work by contractors;
5. Sought funds to retain faculty, now and the future, to maintain the high quality achievements of our institution's legacy.

What assistance and support are we asking of the executive and legislative branches of our government?

- Resources to retain our faculty to maintain our services to this Nation;
- Immediate matching support to rebuild the capital infrastructure of our campuses;
- Additional financial assistance to students who are further impacted now by their families' economic circumstances;
- Amendments to the Stafford legislation which treats private, nonprofit institutions different from our state supported universities in disaster relief resources support;
- Support for housing needs of faculty, staff and students at a time when many are virtually homeless;
- Eliminate the "road blocks" that use normal responses to what are totally abnormal circumstances, today.

Lastly, I would ask you, collectively and individually, to stay with all of us in this Gulf Coast region as we work to rebuild our communities, various institutions and economic development efforts. Not one of us has gone untouched, and neither will this nation be, ultimately, by this tragedy. The human suffering and long lasting trauma are real and unimaginable. This Nation has gone to the aid of countries around the world in difficult circumstances. We are now in desperate need at home.

For us in Louisiana, it has not been easy or simple in these past difficult weeks to answer all the cries and pleadings for help, information and resources in an effective coordinated manner. This is not an excuse, but a fact brought about by the massiveness of the disaster. However, the efforts of working and coordinating together priorities are taking place, region and statewide.

What I have tried to present to this committee is a microcosm, a model of the related challenges represented in our devastated region. If my colleagues, neighbors and other citizens were sitting in this chair their refrains would be the same. We are hardworking, compassionate, honest and committed people who have faith and courage that we will, indeed, rebuild and welcome back so many who have lost so much.

Please do not be persuaded by those who would use excuses or distortions to abandon us in our time of need. When this country called us, we saluted and served this nation well over our long history. We are doing for ourselves, but we need your support! We entreat you to treat us with the same fairness and compassion shown to others. It is in this Nation's best interest to do so. It is the American way.

We are comforted in these times by the spiritual, "*His eyes are on the sparrow and we know He watches over us.*"

Thank you for your indulgence and patience.

The CHAIRMAN. Thank you very much.
Mr. Alden McDonald, President of Liberty Bank and Trust.

**STATEMENT OF ALDEN J. McDONALD, JR., PRESIDENT/
CEO, LIBERTY BANK AND TRUST COMPANY;
COMMISSIONER, BRING NEW ORLEANS BACK**

Mr. McDONALD. Good morning, Gentlemen, Mr. Chairman, members of the Committee and Senator Vitter. Thank you for being here today. We really appreciate you taking time out of your busy schedule to visit our city, firsthand.

I will represent three hats, this morning. One, as President and CEO of Liberty Bank, which is a small community bank and we've been in business since 1972. The second hat I will wear, is Chair of the Board of Directors of the local Chamber of Commerce. And the third hat, would be a member of the Mayor's Rebuild Commission.

I'd like to first, start off by giving you a feel for small business and what our small business, our small bank is going through with Hurricane Katrina. You have copies of this map in a packet that is presented. But if you just take a look at the green areas, these are the areas that include the water and you can see, by looking at the map, there was a significant amount of the water in the area, in which, we are located.

Our businesses in New Orleans East, primarily servicing that particular part of the community. All of the individuals, all 100,000 of the individuals, had to relocate to other parts of the State and many other states. As a result of that, my 35,000 customer base, primarily is gone out of state. This is an example of what has happened to the small business, as well, in that area. This is only 100,000 of an area that was flooded, that really affected close to 300,000 people, in the New Orleans area. So, if you just take that particular area and multiply it out, you can see the devastation.

Our business lost all of our background files, all of our credit files, all of our collateral notes, all of the records of the institution, was lost in the storm. So, we have to start from the rebuild point of view, which we are in the process of doing and making pretty good progress.

I also lost almost 50 percent of my staff, who cannot relocate, because of a lack of housing. This story doubles, for every small business in this particular area. We have the ability to really start the process and to really get the process going, if a number of things were to happen.

I have basically, some short-term goals and some long-term goals, I would like to present to the Committee. One goal, would be for your committee to really have the insurance companies to become accountable. We have not received payment to people who paid for insurance coverage. The payment is very slow coming in. And I wear the Chamber hat, because a lot of these small businesses cannot function without the capital. This is—they are not asking for a handout here, they are asking for the protection that they've paid for and if we can get the insurance companies to step up the process and processing in paying these claims, we can get a lot of businesses restarted quickly.

The CHAIRMAN. That business interruptions insurance, is that what you are talking about?

Mr. McDONALD. I'm just talking about, sir, the insurance, not only the business interruption insurance, but insurance claims that would pay to get the businesses rebuilt, that was damaged from the hurricane. We are talking about the inventory, we are talking about machinery, et cetera.

The CHAIRMAN. Property damage and inventory insurance, is that what you are talking about?

Mr. McDONALD. Yes, sir.

The CHAIRMAN. Would you furnish us the names of those insurance companies?

Mr. McDONALD. Yes, sir. The same thing exists with residents. The insurance companies are not sending the checks. A lot of claims have been taken, but payment on those claims are not occurring. And as a result of that, people cannot move forward in rebuilding their homes. Once we repopulate the homes, business can function. Once business functions, we have our economy going again.

The second piece, which was already talked about, is the Chamber would like to endorse the concept of the \$10 billion in business grants, similar to what was given for the 9/11 recovery, that was already talked about earlier. So, I will not go over that again.

The housing, for our area, is much needed. We have a lot of people who want to return, who can return for jobs. But because of a lack of housing at this particular time, they can't return. And I explained to you, that we also experience this in our business.

To give you an example, we have opened two of our eight branches that were affected in New Orleans. We cannot bring more individuals back, because of a lack of housing, not being available to house the employees. We have businesses who are paying higher rate, higher wages, offering benefit packages, but again, they are operating with a skeleton staff and limited hours of operation, because of the need for employees.

Under the long-term solutions we'd like to put on the table, infrastructure is very important. Dr. Francis spoke to one of the items that I was going to mention and that is education and our airport. Those are two main major factors that we need to really put in place. Because the airport, we need to get going again, because of our tourism base and our economy. We have to be able to get people in and out, in order to get things moving.

And on the education level, the higher education level, we must get those universities back in commerce, as quickly as possible and we must do things, in order to help them attract the students, that they used to attract from other communities. The universities in this area provide a huge number of jobs and the much needed brain talent that's necessary, not only for our community, but for our country.

The second long-term piece we would like to endorse, is that this community put together a very successful and unique bid, to help keep the military here and that was part of the Federal City for the BRAC Commission. If Congress or other powers to be were to bring that back to New Orleans, we could also, again, provide a number of long-term jobs. This year is very, very important to our

community, and our city and our state agreed to fund the Federal City. So, we are trying to help ourselves and with an expedited piece for our BRAC Commission to look at, perhaps helping us to move that a lot faster.

I see that my time has expired, but I have two other industries that I think are very important. We, in the city, we put together biotech district. One common piece, one small thing that we could do, is to have the Congress or our leadership, in our country to perhaps, invite the CEOs of pharmaceutical companies, our medical companies, to come for a one-day visioning to look at how they could tie in with our universities and look at the possibility of jump starting our biotech industry. Or, I should say, increasing our biotech industry. It will bring employees in, it will bring business in and it will help us in a lot of ways.

The last piece would be tourism. Tourism is a major driver of our community and one small piece that could be done perhaps, in one of the grants and one of the economic pieces, would be to perhaps, give incentives to companies, to nonprofits, to associations to bring their conventions back to New Orleans, in an earlier way than our rebuilding process may call for.

For example, over the next 24 months, if there is some type of incentive that can actually be put in place, that would be very beneficial to us.

With that, Mr. Chairman, Senators, I appreciate you giving us the opportunity to talk with you, today and in my comments, I'll go into more detail.

Thank you.

[The prepared statement of Mr. McDonald follows:]

PREPARED STATEMENT OF ALDEN J. McDONALD, JR., PRESIDENT/CEO, LIBERTY BANK AND TRUST COMPANY; COMMISSIONER, BRING NEW ORLEANS BACK

Allow me to introduce myself:

I serve as President and CEO of Liberty Bank and Trust Company headquartered in New Orleans. Liberty Bank, founded in 1972, is the third largest African-American-owned banking institution in the United States with over 35,000 customers in both Louisiana and Mississippi.

I am also here as the Chair of the Board of Directors of the New Orleans Chamber of Commerce whose membership employs approximately 20,000 individuals in the metropolitan area.

And finally, I am a member of the Mayor's rebuild commission . . . Bring New Orleans Back, serving on the Economic Development Committee, and chairing the Subcommittee on Federal/Military/Aerospace.

New Orleans East, where I have raised my family and which is the headquarters of Liberty Bank, constitutes half of the land base for the City of New Orleans, population 96,400, with an average income of \$42,000, and homes owned by African-Americans that exceed \$1 million in value, as well as a significant Asian population, many of whom are small business owners.

New Orleans East also includes some of our major industries. To name a few: Folger's coffee owned by Proctor & Gamble, Budweiser, Trinity Yachts, the Lakefront Airport, Northrop Grumman, and our Michoud facility that has been and continues to be central to building the rocket boosters for the NASA space program.

New Orleans East is also a major tourist destination, containing the Six Flags amusement park, Bally's Casino, the Bayou Sauvage National Wildlife Refuge, the Audubon Institute Nature Center, swamp tours, fishing and Fort Pike.

This is a city historically built and maintained by small to medium-sized businesses, whose ability to rebuild and to recover is being severely hampered by the magnitude of the disaster.

Unlike 9/11, the Chicago fire or the earthquake in San Francisco, all of which affected a section of the city it was within, this devastation is total—throughout the region, affecting all of the surrounding ten parishes.

Many business owners, myself included, took a double hit—our homes were destroyed and simultaneously our businesses. Municipalities are unable to provide basic services and are subject to bankruptcy. The tax base has been completely eroded. \$4.2 billion in buying power has been lost among African-Americans in Orleans Parish alone. It is estimated that the current level of debris that the city has to contend with now is the equivalent of what would have been accumulated over the next ten years.

In this midst of what is mind-boggling, we need fast action to address very targeted and specific needs. I have both short and long term recommendations:

Short-term

1) Our Small and Medium Sized Businesses in Particular Need an Immediate Response in the Form of Checks From the SBA, From FEMA and From the Insurance Industry

This is proving to be an extremely slow and torturous process. Over 71,000 businesses were affected in this area and we are subject to lose two-thirds of these in the next 30–60 days if they are unable to get immediate financial assistance. Many are surviving now literally out-of-the pockets—committed owners who are dipping into savings and retirement to renovate their property, keep the employees they have, in many cases pay for housing for these employees, and build back inventories and customers.

FEMA and SBA funds are available and need to be released without bureaucratic red tape. The insurance industry needs to be called to task and held accountable for releasing insurance claim money with all due haste, once the adjuster has filed a report. We understand insurance companies are sitting on reports filed weeks ago.

2) Interim Grants

The New Orleans Chamber wholeheartedly endorses “KEEP”—Katrina Emergency Employment Program, requesting that Congress authorize \$10 billion in business grants, similar to the recovery grants made available to businesses in New York after 9/11. This has been endorsed and recommended by the Southeast Louisiana Business Coalition that represents our major business organizations in the ten-parish area.

3) Housing and Transportation

On equal status as the money that is needed to rebuild, we need housing and return transportation back to New Orleans for our employees that are currently evacuated to just about every state in the Nation. They took with them the institutional knowledge and the skills upon which our businesses operate.

We want our citizens and our employees back.

Our businesses that are open have jobs and are offering higher wages and benefit packages. They are operating with a skeleton staff and limited hours of operation. They have the ability to fully open, generate revenues and tax dollars, but they need employees.

We have nowhere to house anybody. It is estimated that during the day the city's population is around 150,000 and at night we are at half of that. The traffic jams back to Baton Rouge and across the lake are testimony to the fact there is nowhere for anyone to stay within the City of New Orleans.

The New Orleans Chamber and its sister Chambers through the Metro Chamber Alliance in this ten-parish area can coordinate this three-prong approach:

Job/Housing/Transportation

The Chambers are the connection to the business community. We urge you to have FEMA work with and through these valuable organizations to expedite getting our residents and our employees, in essence our business families back. The New Orleans Chamber will gladly coordinate this effort.

Long term:

1) Infrastructure

Louisiana, particularly this region, as the Nation has learned, is a significant contributor to the national and global economy. We have to be whole and functional to maintain our economic viability. To that end we need funding for our port, for the Louis Armstrong Airport, our highways, and our schools.

2) Federal City/BRAC Commission

We have very successfully presented a unique concept to the Defense Department in order to retain our military bases. The military is a \$10 billion industry to the City of New Orleans. We are committed to Federal city, our city, and state role in creating a unique community for our military and enhancing our port activity.

We ask, as a vote of confidence, that the Defense Department returns its military personnel, re-ignites the national call center in New Orleans and follows through on its commitment to work with our BRAC Commission in making that a reality. This in itself can serve as a catalyst to this economy by creating jobs, by expanding our economic base, and by creating what we would hope to be a permanent home for our military personnel in the area upon their retirement.

3) *Biotech Industry*

Last year the business community in New Orleans, with the help of our legislative delegation and Mayor Nagin, successfully passed two significant pieces of legislation:

The biotechnology district, which will enable our nationally recognized universities—Tulane University, Xavier University and Delgado Community College to partner with the business community for research and business creation in the biotech, pharmaceutical and medical industries. If we can create products here at our local universities then certainly we can manufacture and distribute them here also.

We ask for your assistance in convening the top CEOs in these respective fields to come to New Orleans and to explore and invest in the possibilities. We believe the future of the biotech, pharmaceutical and medical fields are right here in our backyard, only steps away from downtown New Orleans.

The second piece of legislation, a Senate resolution to explore the governance of Charity Hospital, has many more implications than just the governance of Charity in New Orleans. Our healthcare system statewide is outdated. Louisiana has the only charity hospital system in the Nation.

We have been overly reliant, as with other states, on the Federal Medicare/Medicaid system to bail us out. We cannot continue as I am sure you would agree. Healthcare is already at a crisis in the City of New Orleans, and as we rebuild, we do not want to be constrained by an outdated system and a system that does specifically focus on the needs of citizens in New Orleans and surrounding parishes.

Again, we would ask for seed money to objectively assess the healthcare system currently under the governance of Louisiana State University and for the Federal Government to provide some of their greatest minds to assist in restructuring healthcare in New Orleans into a model.

4) *Last and Finally, Levee Protection and Coastal Restoration*

I would be remiss if as president of Liberty Bank, with six of our eight branches affected by the flood, and as chair of the New Orleans Chamber of Commerce, to not also emphasize, if not respectfully demand, that funds are made available to adequately safeguard southeast Louisiana by building a levee system that can withstand a category 5 hurricane and restoring our coastline.

Let's understand this is a national crisis, not just a local one.

A category 5 levee system may end up being the eighth wonder of the world, but as other nations and civilizations have risen to the challenge, we would expect no less, from the United States of America, that one of its own, with a city that is renown worldwide, with historical connections that go back to the beginning of time, that was in fact one of the largest ports in the United States at one time, that the Federal Government, would not, as the world watches, safeguard one of its treasures for future generations to enjoy.

The CHAIRMAN. Thank you very much. We appreciate all of your statements. Do you have any questions Senator?

Senator VITTER. I just wanted to follow up, really, for your and Senator Thomas' information on three points that Secretary Olivier made.

First of all, the SBA process being way too slow and unsuccessful, in terms of approving loans. That seems to be a fair and universal judgment, and in fact, Chairman Snowe is having a hearing because of that tomorrow morning. It is a very slow and frustrating process and I appreciate her leadership, pushing them. Hopefully, we'll see some results out of that discussion and that hearing.

Second, bridge loans. Even if the SBA were working at a reasonable speed, there is really a gap, in terms of their normal menu and we need these additional bridge loans to help fill that gap. Again, Chairwoman Snowe has passed out of her committee, a

small business package, including these business loans. In fact, we passed that package on to one of the appropriation bills on the Senate floor. So, I am hoping we can continue to advance that.

And third, Liberty bonds. That is in both, the Senate finance package and the House Ways and Means package. Although, the House Ways and Means package is much more robust, in terms of allowing expanded uses of those Liberty bonds, as the Secretary discussed and I'd love for the Senate Finance Committee to follow suit.

So, I just wanted to make those comments, flushing out those three ideas.

Mr. McDONALD. Mr. Chairman, if I might, also, one of the other issues that's really big and proven to be a benefit in the recovery for Manhattan, was the accelerated depreciation provision. That is something that would spur industrial and economic development in the impacted areas.

The CHAIRMAN. Thank you.

Senator Thomas?

Senator THOMAS. Just very briefly, I know you want to go on. Mr. Olivier, you mentioned \$40 billion in commercial loans, is that what you suggested?

Mr. OLIVIER. No, sir. We asked for \$30 billion. What was approved in the Economic Recovery Act of 2002 was \$8 billion for that 16-acre area of Manhattan. We have, just after Katrina, 960 square miles of economic impact. Over 81,000 businesses in those 37 parishes, that are included in the impact area, so, we have a much larger—the magnitude is much greater. And so, the need is going to be much greater.

These would be private activity bonds, that would be able to recover and encourage more business—

Senator THOMAS. What would be the cost to those, do you know?

Mr. OLIVIER. No, sir. I do not know what the cost of those would be.

Senator THOMAS. Their bonds, I would presume there would be—

Mr. OLIVIER. They would be tax exempt. That's correct, sir. They would be tax exempt, private activity bonds. It would be based on the full faith of credit of the company. Just as you have industrial revenue bonds today.

Senator THOMAS. Mr. McDonald, you mentioned \$10 billion business grants?

Mr. McDONALD. Yes, sir. The \$10 billion business grants, represents, I believe, the amount that was given for the 9/11 recovery and we're suggesting that something similar to that recovery piece, be done for this impacted area. It would help jump start a lot of the small businesses.

Senator THOMAS. Do you have any idea, I mean, I understand your needs and so on. But on the other hand, you have to understand that we have to look a little bit at spending, as well. What would be, do you think, the total amount that you are going to—you have \$60 billion already there. You're talking about \$40 billion, you're talking about \$40 billion, do you have any idea what the totals would be?

Mr. McDONALD. No, sir. I don't. But some of the same funding that I made reference to, in the \$10 billion, which was the example for the 9/11 recovery, is some of the same money that Mr. Olivier is talking about, as well. It just so happened that my comments were overlapping.

Senator THOMAS. I understand. We need to be a little concise about it, as people hear about how much we are spending, so that there is some consolidation.

I don't understand your comments about BRAC, what is that have to do with it?

Mr. McDONALD. OK, the BRAC Commission reviewed the base closing for this particular area.

Senator THOMAS. For all areas.

Mr. McDONALD. Yes, sir. The City of New Orleans and the surrounding parishes, put a committee together to fund a project called the Federal City, where the state, the city would put new infrastructure in for the military, if they were to bring back some of the cuts that they made, in the local military presence here, in New Orleans.

My comment and my suggestion is, that perhaps, they could relook at that and perhaps, return some of the military that was removed from this particular area, since this Federal City has already been committed and it would help our economy by moving more jobs into the community.

Senator THOMAS. I understand that. But you know, you need to understand that BRAC is to talk about the efficiency of the military. It's not an economic development activity.

Mr. McDONALD. Yes, sir?

Senator THOMAS. So, that's really the basis of it, yes.

Senator VITTER. And just to further clarify, the BRAC Commission, in fact, recommended that a large portion of the Federal City proposal, be used. And so, in fact the Marine Reserve Command, will stay here under this Federal City concept. The BRAC Commission basically, adopted it. Assuming, the State meets its commitments to build out the Federal City.

Senator THOMAS. That's fine.

Senator VITTER. It did not adopt the same recommendations with regard to the Naval Reserve Command. Which unfortunately, is still slated to get an offer.

Senator THOMAS. I understand that and that's fine. I just wanted to make the point that BRAC and the military reorganization, is not an economic development activity.

The CHAIRMAN. We really got to move on now, I'm sorry, But I have one question. Are you talking about guaranteed loans or are you talking about direct loans from the Federal Government?

Mr. OLIVIER. May I answer that? The loan program that was done for 9/11 was a short-term loan. This is not to supplant the SBA loans that are taking quite a long time. As a matter of fact, as was pointed out, less than 2 percent of the loans have been made—the loans applied for, have been made. And less than one percent have even been disbursed and this is in the 10 weeks. So, obvious, that the SBA loan program, whether it's a disaster loan program or an economic injury loan program, they are not working fast enough. And we need a bridge loan program, just as was done

in Manhattan and what we are asking for is a \$200 million bridge loan program, which is comparable to the bridge loan program that was offered in New York State and managed by the Empire State Group and the Lower Manhattan Economic Development.

The CHAIRMAN. You mentioned \$10 billion?

Mr. OLIVIER. No, sir. I don't think that figure is correct. The \$10 billion that you are referring to, was in Mr. Alden McDonald's comments. I believe, that number is \$500 million for grants. He was talking about a total package.

There were \$20 billion totally authorized by the Economic Recovery Act of 2002. \$8 billion of it was private activity bonds, that were referred to as Liberty bonds, we're asking for \$30 billion. Of that, about \$500 million were used for grants.

The CHAIRMAN. You know, we're also dealing with disasters in Mississippi, Alabama, Florida and Texas. Are you talking about authorization just for this area?

Mr. OLIVIER. Yes, sir. \$30 billion is what is requested for Louisiana. Mississippi is asking for \$15 billion and the other two states are asking for smaller amounts.

Senator VITTER. And again, just to clarify. Although there would clearly be cost to the Federal Government, it wouldn't be that whole amount.

Mr. OLIVIER. No, sir.

Senator VITTER. And the cost would be well below that. You're talking about the entire capacity for the bonding.

Mr. OLIVIER. Correct, just as you have industrial revenue bonds, the cost to the—

Senator VITTER. The cost would be the forgone revenue for basically, the—

Mr. OLIVIER. Forgone revenue for the taxes, correct.

The CHAIRMAN. All right, we appreciated very much your statement. We thank you for appearing, we're going to have another panel now and we'll take about a 5-minute recess to change and call Mark Drennen, the President and CEO of the Greater New Orleans Regional Business Organization, Ted Falgout, Director of the Port Fourchon, Gary LaGrange, President of the Port of New Orleans and Ewell Smith, President of Louisiana Seafood Promotion Board. Will you put the signs up please? Take about a 5-minute recess.

[Recess].

The CHAIRMAN. Thank you, very much. This panel, as I indicated, four additional people, we urge you to keep your eye on that clock, if you will. We've allotted 8 minutes for each witness.

Mr. Drennen, Mark Drennen, President and CEO, Greater New Orleans, incorporated. We'd be pleased to have your statement.

**STATEMENT OF MARK C. DRENNEN, PRESIDENT/CEO,
GREATER NEW ORLEANS, INCORPORATED; ON BEHALF OF
THE SOUTHEAST LOUISIANA BUSINESS COALITION**

Mr. DRENNEN. Yes, sir. Good morning, Mr. Chairman. I want to, like everyone else here, I want to truly thank you for taking the time out of your schedules to come and see this region. I grew up, unlike most of the panel people today, I am not a native of Louisiana. I grew up in upstate New York. I moved to Louisiana, some

30 years ago, for a job opportunity. I stayed in Louisiana because I fell in love with the people in the state and the community and all the—as you have probably seen already, in your short stay here, the wonderful people and customs that are here. So, I have made this my home.

I've had an interesting career. I've worked both for the legislative branch here in Louisiana, I've worked for the executive branch and I've worked for the private sector. My current hat is with the private sector, running a newly formed, 18 months ago, Regional Economic Development Agency. We started out with a goal of creating new jobs in the region, of establishing business plans on how we were going to accomplish that and in fact, have made a lot of progress. We, of course, like everyone else in the region, have had to change our focus and our focus now, is on bringing back the businesses that we had.

In an effort to do that and hearing messages that we got from Senator Vitter and others in Washington, we wanted to do what we could as a regional group, to bring together the business community with a common message, to make it consistent with what others are talking about. We wanted you to know that at the Federal level, not only are we asking for some help and normally business is not asking government for help, we're normally saying, just let us do what we do best. But in this case, as you've seen the devastation, you know that we do need some help. Short-term help.

You've heard already about a lot of the problems. We won't talk to you today about the SBA problems anymore, FEMA problems, our housing issues are severe. I want you to know, that we have set up a Regional Task Force and would like the opportunity to get back with you later, as we try to solve some issues with housing, that nobody in this country has ever, ever faced before and there aren't any good answers out there. You've heard about the devastation to our colleges and vo-tech schools.

You have not heard so much about some of the other problems with our health care. Our health care system was severely damaged. Our hospitals, our teaching hospitals and others are hurting as we speak today, and those are other issues that we're going to have to work our way through.

Tourism, you will hear in a little while from Mr. Steven Perry, head of the Tourism group. And you will recognize from his comments how serious the problems, and complicated the issues are. But tourism is extremely important to our recovery. In bringing together a Southeast Louisiana Business Coalition, though we wanted to make sure that our message to you was not only are we doing everything at home to help ourselves, but there are areas where we need help. You've already heard about two of them from Senator Vitter and others. Number 1, for every business leader, every small, medium and large business, is our levee system. We felt and we made plans for the success of our future, based on our belief that we had a category 3 level protection. It is now becoming evident as the Corps of Engineers know, they've studied the issues that we did not have category 3 protection. And we sincerely believe, as for us to be able to come back, that we're going to need that protection.

In the long term, meeting with the Corps of Engineers we hope that you will be able to finance and find a way to finance category 5 hurricane protection.

Number 2, is our coastal restoration. Louisiana has now been working with the Federal Government for decades, we have a plan, the scientific studies have been done. We know how to restore our coastal wetlands. And certainly the destruction that's been done over decades was partly responsible for Hurricane Katrina's devastation.

Again working through our Senators, Senator Vitter and Senator Landrieu, there are a number of bills and issues before you and again we respectfully request your help in funding some of the restoration of our wetlands.

It was also of course important in Florida, it's equally more important, we believe—equally or more important in Louisiana for coastal protection.

Number 3 and 4 on our coalition of business leaders representing over 2,000 businesses that have come together are the issues as Secretary Olivier talked to you about, we like Secretary Olivier got with the Empire State Development Corporation to talk about what were the lessons learned after 9/11. What was it that you folks used that most enabled you to bring your businesses back. And they told us three things.

Number 1, it was paramount that their governor, their mayors, and local officials work together. That is our issue here, and that will happen. Number 2, they talked about the immediate need for some grants. We are asking for a proportionate response to Louisiana, as was done for New York City in 9/11 in the grant program. Quite frankly you've heard about the SBA loans, and the solution to some of our businesses coming back will not simply be borrowing more money. There are cases especially, mostly in the small and medium size businesses where there will have to be some bridge grants for them to come back. Their insurance is not going to cover their issues, and again borrowing more money won't solve all their problems. But they can come back with a little assistance.

The other one Secretary Olivier talked about that was so important to New York's City recovery was the issue of the Liberty Loan Program. Those loans, low interest loans will also be important in our long term recovery. So, number 1, the levees; number 2, coastal restoration; and numbers 3 and 4 are those 9/11-type programs that were so helpful to New York City.

And finally if I could conclude my comments by talking about Federal programs that were already in the New Orleans region. We have a service economy for example, our IT industry services a lot of the Federal programs. We respectfully ask that the Federal Government give us an opportunity to bring some of our infrastructure back, and not make any long term decisions about taking out Federal programs that are already in our region that have had to move because of some of the destruction, but we ask that those programs be returned to New Orleans as soon as possible.

With that I conclude my comments Mr. Chairman, and again, we truly appreciate you taking the time to come visit us in the New Orleans region.

[The prepared statement of Mr. Drennen follows:]

PREPARED STATEMENT OF MARK C. DRENNEN, PRESIDENT/CEO, GREATER NEW ORLEANS, INCORPORATED; ON BEHALF OF THE SOUTHEAST LOUISIANA BUSINESS COALITION

Southeast Louisiana Business Coalition, a group of business leaders representing thousands of small, medium and large employers from the hardest hit areas of the New Orleans region have united for three primary purposes:

- to educate Congress and Federal agencies as to the vital pre-Katrina national economic impact of the Southeast Louisiana region.
- to alert Congress and Federal agencies about the severity of the devastation to the regional economy.
- to propose a post-Katrina Congressional relief package.

Critical to our message are some startling facts and figures. To date:

- 80,000 businesses have been disrupted by the hurricane and are in severe risk of failure.
- 438,000 new claims for unemployment have been filed since Hurricane Katrina.
- The State of Louisiana anticipates \$1 billion in lost revenue for Fiscal Year 2005/06.
- 200,000 homes have been substantially damaged.
- basic infrastructure necessary for economic recovery, including schools, hospitals, colleges and roads have been severely damaged or destroyed.
- tax bases for governmental operations have been lost.

The *Southeast Louisiana Business Coalition* representing businesses from a variety of sectors such as banking, law, information technology and telecommunications, and engineering are requesting critically needed help through appropriations requests, an economic stimulus package and a call for a federally appointed figure to direct recovery efforts.

Appropriations requests include:

- (our top regional priority)—essential infrastructure help on an aggressive schedule to rebuild the levees to real Category 3 strength to provide disaster mitigation, structural stability, and psychological reassurance for businesses and residents to return to the area.

In addition, we respectfully request long term funding to implement plans developed by the Corp of Engineers and other experts to protect the area from a Category 5 hurricane.

- (our second regional priority)—the allocation of 25 percent of revenues derived from Louisiana offshore mineral production to implement our already developed coastal restoration plan. A significant contributor to the devastation caused by Katrina was the previous loss of much of our coastal wetlands, which are also vital to the national economy.
- a grant program to provide vital immediate cash for businesses, similar to the recovery grants provided to Manhattan businesses, by Congress, following the September 11th disaster.
- low interest loan programs for commercial and residential development similar to the post-9/11 plan for Manhattan.
- funding to repair damages to key infrastructure for our ports, the airport and highways.
- a comprehensive economic stimulus package authorizing various tax relief measures and incentives, including a combination of
 - Relocation Tax Credits and Employment Credits targeted at stimulating business re-entry into the market at pre-Katrina employment levels.
 - Accelerated Depreciation and Tax Exempt Bonds to provide an incentive for increased capital projects.
 - Personal Tax Relief and Tax Credits for those in the affected region in order to entice back individuals, business owners and corporate managers.

The *Southeast Louisiana Business Coalition* has recommended that the President and Congress create a single regional board to be directed by a person of national prominence to coordinate the recovery and rebuilding efforts in Southeast Louisiana.

The group believes that relief coordination must occur at the Federal, state and local levels in order to maximize resources, execute effective planning, and expedite implementation for post-Katrina recovery.

We fully understand that Louisiana must take every action possible to help itself. With this in mind, our local governments are proceeding with the development of action plans for recovery of their respective areas. Parish presidents and mayors are including business leaders in their recovery plans. Outside expertise from national groups such as the International Economic Development Council (IEDC), the U.S. Chamber of Commerce and American Institute of Architects (AIA) are actively involved. Governor Blanco has convened a special session of the Louisiana legislature to address budget issues and state incentive programs as well as convened the Louisiana Recovery Authority to coordinate the state efforts.

We have convened a regional housing task force group to devise short and long-term solutions to this severe problem. Without housing for our citizens, we will be unable to provide a workforce to re-open our businesses. As recommendations are developed, we will share them with Congress.

In conclusion, time is of the essence for our successful recovery. We request your thoughtful consideration of our proposed solutions. With the temporary assistance of the citizens of the United States, we will be successful.

The CHAIRMAN. Mr. Falgout. I'm not going to mispronounce that Port name again.

Mr. FALGOUT. No, I'll say it for you.

**STATEMENT OF TED M. FALGOUT, PORT DIRECTOR,
PORT FOURCHON**

Mr. FALGOUT. Thank you Mr. Chairman, Senator Thomas, Senator Vitter. I am Port Director of Port Fourchon Louisiana. We are the southern most port on the Gulf, some 60 miles south of New Orleans. And perhaps you've never heard of this port, it's not that well known, but like Alaska, much of this country should think of us as they turn on their light switch each morning.

It's by far this Nation's most significant energy port. Playing a key role in support of 18 percent of this country's oil supply. I've had the opportunity to testify before several committees and subcommittees over the years about the significance of coastal Louisiana, and I've generally told the same story. I'd like to read to you a closing statement I made in July 2004, to the Subcommittee on Water Resources and the Environment of the House Committee on Transportation and Infrastructure. The statement read like this.

With the level of land loss that exists today, a well placed category 4 hurricane would cause the price of gasoline to go up a dollar, double the price of natural gas, cause huge loss of life, this would throw this country into an immediate recession, and its impacts would dwarf the cost of protection.

I pray that the next time I testify it's not to say I told you so. Well, now I get to say it, I told you so, but what a hollow feeling. Unfortunately this country historically hasn't reacted until a crisis occurs, well we have our crisis, and now's the time for action.

This is truly an issue of National significance. An astounding 87 percent of the oil, and 80 percent of the natural gas from Federal offshore waters is coming from offshore Louisiana. In addition LOOP this Nation's only offshore oil port which handles about 15 percent of this country's foreign oil and is connected to over 30 percent of U.S. total refining capacity sits just 18 miles offshore of Port Fourchon. Gentlemen, much of the support infrastructure for nearly a third of this country's oil and gas supply is located in the

most rapidly deteriorating and vulnerable areas of the Louisiana coast.

The recent storms have further exacerbated our vulnerability to a point of crisis. Today over half the oil and gas production in the Gulf of Mexico remains shut in as a result of Katrina and Rita. Over 1 million barrels of oil and 5.6 billion cubic feet of natural gas per day. Since August 26, 2005, over 75 million barrels of oil and 400 billion cubic feet of natural gas from the Gulf is unavailable to the U.S., that's almost \$10 billion of product.

By the end of the year, the Gulf's annual production could very well have been reduced by 25 percent. We should all be very thankful that Port Fourchon and New Orleans did not receive a direct hit from either storm. If either had just been a few miles closer, my dire projections of 2004 would have been grossly underestimated, and my recession prediction much closer to reality.

I commend this committee's actions of last week, which amended the Budget Reconciliation Act, which could add \$1.2 billion to our coastal efforts. This is definitely a step in the right direction.

The recent energy bill included a coastal impact assistance provision, which is a start, but fell short of direct offshore revenue sharing that is needed. We must approach a level of revenue sharing which is at, or near that which currently exists on Federal lands within a state.

We have a plan to build a sustainable coast. It must include levee protection, coastal restoration, and critical energy infrastructure support. To fund one without the others will not yield the needed results.

This plan could have been implemented at a fraction of what these storms have cost this country. Until this Nation truly comes to the realization of what's at stake here in coastal Louisiana, and makes the proper investment to sustain America's wetland, we will most likely remain on a collision course with an unprecedented energy shortage in this country.

And my greatest hope is that I do not have to return and say I told you so. Thank you.

[The prepared statement of Mr. Falgout follows:]

PREPARED STATEMENT OF TED M. FALGOUT, PORT DIRECTOR, PORT FOURCHON

Mr. Chairman and members of the Committee, I am Port Director of Port Fourchon, Louisiana's southern most port on the Gulf, some 60 miles due south of New Orleans. Perhaps you have never heard of this Port; it's not well known, but believe me, you should think of us every time you turn on your lights. It is by far, this nation's most significant energy port, playing a key role in support of 18 percent of this country's oil supply.

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Well, now I get to say it, I told you so. What a hollow feeling!

Unfortunately, this country historically hasn't reacted until a crisis occurs. Well, we have our crisis and now is the time for action. This is an issue of national significance.

An astounding 87 percent of the oil and 80 percent of the natural gas from Federal offshore waters is coming from offshore Louisiana. In addition, LOOP, this nation's only offshore oil port which handles about 15 percent of this country's foreign oil and is connected to over 30 percent of the U.S.'s total refining capacity, sits just 18 miles offshore of Port Fourchon.

Much of the support infrastructure for nearly one-third of this country's oil and gas supply is located in the most rapidly deteriorating and vulnerable areas of the Louisiana coast. The recent storms have further exacerbated our vulnerability to a point of crisis.

Today, over half the oil and gas production in the Gulf of Mexico remains shut-in, over 1 million bbls of oil and 5.6bcf of natural gas per day. Since August 26, 2005 over 75 million bbls of oil and 400bcf of natural gas was made unavailable to the U.S. That's almost \$10 billion of product. By the end of the year, Gulf's annual production could very well have been reduced by 25 percent.

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My greatest hope is that I do not have to return and say, "I told you so."

The CHAIRMAN. You sound like me when it comes to drilling in the North country. Mr. LaGrange, President and CEO of the Port of New Orleans.

**STATEMENT OF GARY P. LAGRANGE, PRESIDENT/CEO,
PORT OF NEW ORLEANS**

Mr. LAGRANGE. Thank you Mr. Chairman, and Senators Vitter and Thomas. Thank you for being here with us today, we truly appreciate it. I'm going to briefly wear a second hat, in addition to President of the Port of New Orleans is Immediate Past Chairman, of the American Association of Port Authorities, which is all the Ports of the Western Hemisphere. You know, Katrina and Rita together, actually a number that has not been talked about quite a bit, but 22 Ports on the Gulf coast were detrimentally affected by both of those storms.

From the Golden Triangle area of southeast Texas, all the way across Louisiana, Mississippi, and over, including Mobile to some extent. So we thank you for all of your efforts to this point.

The Port of New Orleans is not just a Louisiana Port, or it's not just the Port of New Orleans, and for that matter it's not even a Mississippi River Port, it's a national port. It's a port that services, 62 percent of the consumer spending public of America, and probably the most unique port in the United States, because it's connected directly to 15,000 miles of inland navigable waterways, including the Ohio, the Tennessee, the Missouri, the Mississippi, and so on and so forth.

Ports like Pittsburgh, Memphis, St. Louis, Chicago, Little Rock, Tulsa, and Oklahoma, all are very very dependent on the products

that come into the Port of New Orleans and the Lower Mississippi River, and on the export side, the opposite is very true as well.

We want to look at a plan to redevelop Louisiana and we certainly propose and ask your cooperation and your assistance but not only from a navigation standpoint, as our other colleagues have mentioned here this morning, from a coastal restoration standpoint, and certainly from a flood protection standpoint, first and foremost.

So we don't want to overlook the entire package. I talk about the inter-connectivity of the Port of New Orleans to the rest of America, you know and it's no wonder that the Port of New Orleans is the largest importer of steel, it's the largest importer of rubber, it's the largest importer of plywood and forest products. We're second now to New York, but we'll be first again next year in coffee imports. And we're the largest certified London metal exchange port for precious metals in the United States. And we're the largest exporter of poultry in the United States. All of that said, being located where we are in the lower Mississippi River, we also see over 60 percent of the grain exports from mid-America and America's bread basket come right through the lower Mississippi River and right through New Orleans and the other ports on the river as well, from the Port of South Louisiana.

New Orleans also, according to the International Council of Cruise Lines, was the fastest growing cruise port in the world. In the world. And had Katrina not come along, we'd have gone 90,000 passengers in 1993 to over 850,000 cruise passengers this year in 2005. That's all been put on hold now unfortunately.

The Port of New Orleans sustains an employment nationally according to studies that were recently completed by Martin and Associates, 380,000 United States jobs are a result of the Port of New Orleans and the Louisiana purchase, 202 years ago. That accounts to roughly 28 states, as I said 62 percent of the consumer spending public of America. That's \$37 billion annually in economic benefits and \$2.8 billion annually in Federal income tax paid. All of this said, the Port in the storm itself sustained publicly and privately, a little over \$1 billion in damages. Thirty percent of the Port of New Orleans as we knew it on August 28, does not exist today. Thirty percent is gone. The public side of that number is roughly \$275 million of the little over \$1 billion. So that to the Dock Board and to the Port of New Orleans, we are looking at relocation and rebuilding, not covered by insurance and not covered by FEMA our exposure is roughly \$275 million. And quite honestly it's going to be a huge task and a huge chore. And somebody said earlier we need to think out of the box, I think we need to create a new box. And we certainly are going to need your help and your assistance, as I said it's not a local Louisiana, New Orleans thing, it's a national thing, it's a national situation.

I think the long and the short of it all, is that we will bounce back, we are back at a 50 percent level roughly, almost approaching 50 percent today. The day after Katrina, we were told that it would be 6 months before a ship came back into the Port of New Orleans, in 8 days we off-loaded our first container ship, the Lykes Flyer, a CP and that was quite a memorable day. The three things that we knew we needed were electrical power, certainly man-

power, and intermodal connectivity. The roads need to be rebuilt, the bridges needed to be rebuilt, but first and foremost was manpower. And I want to take my hat off to Secretary Minetta, and John Jamian of the Maritime Administration for in quick order deploying some of your ready deployment vessels to New Orleans, to serve as cranes to help us off-load cargo while our gantry cranes were down in those early days, to serve power while we had no power, while we had no generators, and more importantly to house port related personnel that we desperately needed to bus and truck back into the area, to work those ships so vital to America's economy.

So we thank the Federal Government for moving expeditiously. I know we hear all too often about the complaints of somebody not moving fast enough. But this is certainly a case where we can fly the banner and we were really, really happy with that display and that effort.

NOAA was great, the Corps of Engineers were great in getting the river opened up the day after the storm. Albeit with a curfew in one way, the Coast Guard was there, aids to navigation were put back into place quite quickly and quite readily. And we certainly appreciate all of those many, many fine efforts.

The story certainly is a bleak one. But as I said we thank you, we'll persevere through the efforts of our Congressional Delegation, including Senator Vitter, we'll continue to put one foot in front of the other and we'll make this thing happen, and we'll bring New Orleans back to the level that it once was, and hopefully bigger and better, but not without your assistance gentlemen, thank you.

[The prepared statement of Mr. LaGrange follows:]

PREPARED STATEMENT OF GARY P. LAGRANGE, PRESIDENT/CEO,
PORT OF NEW ORLEANS

My name is Gary P. LaGrange, President and Chief Executive Officer of the Port of New Orleans and immediate past 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. Concerning the Port of New Orleans, that recovery process is underway—the Port is now operational up to 40 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-\$8/ton, thus making U.S. poultry products extremely non-competitive 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-\$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; obtaining a readily available workforce; 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 has also been an important partner. It has directed many of the Federal recovery activities for the Port and is helping to facilitate rebuilding activities.

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 ocean-going 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 full 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 40 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 funding of approximately \$275,000,000 for unrecoverable damages will be required to rehabilitate Port 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

I thank you again for the opportunity to address this committee today. I look forward to working with you and your fellow committee members on the recovery of the Port of New Orleans and other affected Gulf Coast ports.

The CHAIRMAN. Thank you very much. And thank you for this comprehensive statement. We're going to print all the statements that were presented to us in the record, fully as though read. I do appreciate your comments. Now Mr. Ewell Smith, please.

STATEMENT OF EWELL SMITH, EXECUTIVE DIRECTOR, LOUISIANA SEAFOOD PROMOTION AND MARKETING BOARD

Mr. SMITH. Thank you Mr. Chairman, I want to thank you, Senator Vitter, Senator Thomas and the other members of the Committee. As a child growing up New Orleans, my mom made crawfish etouffe and shrimp etouffe just about every other day it seemed like. It was so special cooking that and trout almondine.

It's something we take for granted in New Orleans, and the rest of the country comes to New Orleans to enjoy it and hopefully while you're all here, you'll get to enjoy some of our seafood, and understand the importance of our natural resource.

I serve as Executive Director of the Louisiana Seafood Promotion and Marketing Board. We represent over 16,000 commercial fishermen, and the board markets the state's commercial seafood products, both to consumer and to trade.

Louisiana seafood industry is primarily made up of five different sectors: shrimp, oysters, crawfish, blue crabs, and finfish. Louisiana is second only to Alaska in total seafood landings, while we lead the Nation in shrimp, oysters and crawfish production. Louisiana's seafood industry is the fuel that drives our restaurant and tourism industries with over \$2.8 billion in retail sales. Prior to Hurricanes Katrina and Rita, our seafood industry was struggling with high fuel prices and imports.

Hurricanes Katrina and Rita have impacted our industry in ways unimaginable. Three of the six largest docks in the U.S. by landings are in Louisiana: Empire, Venice and Cameron. The infrastructure in these areas are completely destroyed. As a whole, our fishing communities east of the Mississippi River are out of business. There are no docks to land the product, no lighthouses, no fuel, no electricity, no cold storage, no marinas, no bait and tackle shops, no communities, meaning no welders, no mechanics, no deck hands, and on. West of the Mississippi, our shrimping industry has lost 2 of its largest shrimping docks which land about 30 percent of all our product. Seventy percent of our wholesale retail dealers, licensed in Louisiana, based in the parishes impacted by Hurricanes Katrina and Rita. Our oyster industry is operating at a fraction of 40 percent, the crops for finfish, shrimp and crabs, just like you would see in the movie Forest Gump after the storm. However current estimates are approximately 15 to 25 percent of our fishermen are actually out there fishing. Over 3,000 of our commercial vehicles are on land where they don't belong. Even though the resource is strong, this may be a false positive.

The marshes washed away during the hurricanes released some nutrients which helped the crops to flourish, so those who can fish right now are doing well. But next year will be uncertain, for 100 square miles of our marshes have been lost. Areas that are needed for resources to grow.

Between Katrina and Rita, we lost more marshland in less than a month, than we were projected to lose over the next 45 years. We have also what I call a crisis on top of a crisis.

More than likely you saw the dewatering of New Orleans on television and the press labeled our waters as toxic soup, killing seafood sales across the board. We have fought this battle vigorously working with the Department of Health and Hospitals, Department of Environmental Quality, LSU Food Science, the FDA and NOAA, and the good news is there are no toxins in the water. And the seafood is safe to consume.

However the damage is done, we will fight this seafood safety challenge for the foreseeable future. The double whammy for our industry is that Wildlife and Fisheries has already estimated a loss

of over \$2.2 billion in retail sales just from the damage of the hurricanes, much less the perception challenge we have.

If you look out these windows, about seven or eight blocks is one of the biggest shrimp processors in our state, and probably in our country. The biggest challenge they're going to have—they were severely damaged during the hurricane not by the hurricane itself, but by looters.

Looters got into their facility, destroyed their administrative offices, some of their equipment and ripped the doors off of their freezer coolers destroying over 2 million pounds of product. But that's the short term challenge for them. The long term challenge for them is going to be getting labor. Right now labor in Lakeview, the area where you may have visited yesterday, are getting paid up to \$15 to \$20 an hour to tear our sheetrock. Burger King's paying \$8.50 an hour and a \$6,000 signing bonus, and our processing plants are losing their laborers that they have right now, and having a hard time replacing them. This gentlemen, Paul Piazz and Sons, six or seven blocks over is going to have a difficult time come May season.

So, where do we begin? The first issue is the fishermen, without our fisherman, nothing else matters. We need to provide the funds necessary for the fishermen to get up and going, the seafood vessels and the oyster farmers. We need to help the fishermen get their boats back in the water as soon as possible and put them back to work cleaning the water of debris. We need to rebuild the infrastructure as soon as possible. That means boats, docks, fuel, ice houses, cold storages, marinas, bait and tackle shops, oyster reefs and on. We need to rebuild the markets lost through marketing and promotions. If you ask any of the seafood dealers around town, or around the state, if they've lost market share, they will tell you yes. We've lost we estimate \$2.2 billion in sales this coming year. Those markets losses are probably gone.

As you know our shrimping industry alone, 10 percent of the shrimp consumed in the United States is imported. We've given—these hurricanes have given those industries a perfect opportunity to slip into our shoes. Into our markets that we had. Rebuilding those markets will be critical. And of course, you've heard we need to rebuild our coastlines, not only to save the lives of the people of our state and in New Orleans, but we also need that habitat for our natural resource for our seafood.

In closing, it's my understanding that you all will be doing a helicopter tour today. We—this past Friday, my Louisiana Seafood Board organized an event that took our Natural Resource Committee down to Lower Plaquemine's Parish. Now I grew up in Lakeview, around the corner here, and I've helped gut a few houses, and I thought that area looked bad until I went to Lower Plaquemine's Parish. Lower Plaquemine's Parish makes Lakeview look like paradise. The challenges there are great. Lower Plaquemine's Parish is home to two of our biggest fishing communities and symbolic of the rest of our coastal communities around the state.

Hurricane Katrina was the right hook, and Rita was the left hook. Every part of coastal community has been affected. Never in the history has the entire oyster industry been completely shut-

down, as it has been for the passed few months. It just recently opened up. The thing that I want to leave you with is this.

When we visit with our fishermen in these coastal communities, they've been knocked down before, they're used to it. They're not a city boy like me, they can—they're used to fighting back very quickly and getting up on their feet again. They need assistance. That is for certain. They need that bridge to get them going. They are ready to rebuild their lives, they are ready to get back to work. They're not looking for handouts, they do need assistance, but they need the help, and they need help soon. They're dying down there and there's a world hurt.

And they're ready to help rebuild Louisiana. So there is a sense of hope among them and it inspires me, and we just need your help and we appreciate you all coming down. Thank you very much.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF EWELL SMITH, EXECUTIVE DIRECTOR,
LOUISIANA SEAFOOD PROMOTION AND MARKETING BOARD

I am Ewell Smith and serve as Executive Director of the Louisiana Seafood Promotion and Marketing Board. Representing over 16,000 commercial fishermen, the Board markets the state's commercial seafood products both to consumer and trade.

Louisiana seafood industry primarily is made up of five different sectors: shrimp, oysters, crawfish, blue crabs and finfish.* Louisiana is second only to Alaska in total seafood landings, while we lead the Nation in shrimp, oysters and crawfish production. Louisiana's seafood industry is the fuel that drives the restaurant and tourism industries with over \$2.8 billion in retail sales.

Prior to Hurricanes Katrina and Rita, our seafood industry was struggling with high fuel prices and imported products being dumped in our marketplace.

Hurricanes Katrina and Rita have impacted our industry in ways unimaginable. Three of the six largest docks in the U.S. by landings are in Louisiana: Empire, Venice, and Cameron; the infrastructure in these areas is completely destroyed.

As a whole, our fishing communities east of the Mississippi River are out of business. There are no docks to land the product, no ice houses, no fuel, no electricity, no cold storage, no marinas, no bait and tackle shops, no communities meaning no welders, no mechanics, no deckhands and on. West of the Mississippi our shrimping industry lost its two largest shrimp docks.

Seventy percent of the Wholesale/Retail Seafood Dealers licensed in Louisiana are based in the parishes impacted by Hurricanes Katrina and Rita. Our oyster industry is at 40 percent. The crops for finfish, shrimp, and crabs are strong; however current estimates are approximately 15 to 25 percent of our fleet across the state is actually fishing—over 3,000 commercial vessels are on land where they don't belong. Even though the resource is strong, this may be a false positive. The marshes wash away during the hurricanes releasing nutrients which help the crops flourish so for those few who can fish now are doing well; but next year will be uncertain for 100 square miles of our marshes have been lost—areas that are needed for our resources to grow. Between Katrina and Rita, we lost more marshland in less than a month than we were projected to lose over the next 45 years.

We have also what I call the crisis on top of the crisis. More than likely you saw the "dewatering of New Orleans" on TV, and the press labeled our waters "Toxic Soup" killing seafood sales across the board. We have fought this battle vigorously working with DHH, DEQ, LSU Food Science, FDA, and NOAA and the good news is there are no toxins in the water; the seafood is safe to consume. However, the damage is done; we will fight this seafood safety challenge for the foreseeable future. The double whammy for our industry is that wildlife and fisheries had already estimated a loss of over \$2.2 billion in retail sales just from of the damage of the hurricanes much less the perception challenge.JLW

One final issue our industry is dealing with is labor shortages. Existing labor is going to relief workers making \$15 an hour cash or you may have heard that Burger King was paying \$8.50 an hour plus a \$6,000 dollar signing bonus. Processing plants are losing the workers they did have to these wages and can't find other to fill in.

* Finfish: tuna, shark, mullet, black drum, menhaden, snappers, groupers, etc.

So where do we begin?

- The first issue is the fishermen!
- Rebuild fishing communities! Without them nothing else matters!! Provide funds to fishermen, seafood vessel owners, oyster farmers.
- Help the fishermen get their boats back in the water as soon as possible and put them to work clearing the waters of debris.
- We need to rebuild the infrastructure as soon as possible (boats, docks, fuel, ice-houses, cold storage, marinas, bait and tackle shops, oyster reefs and on).
- We need to rebuild markets lost through marketing and promotions.
- Rebuild our coastlines to save lives.

In closing it is my understanding that this committee will be taking a helicopter tour today. Seeing the damage from the air will not suffice and I urge you to land in the affected areas and see up close and personal the devastation. Once you see this devastation you will understand the funds requested outlined in the full written testimony are just enough to get the industry going on the path to recover. I would like to thank all of you for taking the time to understand our challenges and opportunities.

Next is information provided by the Louisiana Department of Wildlife and Fisheries.

The Louisiana Department of 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.

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 12 months each) parishes.

Category	Potential direct loss of available resource (Hurricane Katrina)	Potential direct loss of available resource (Hurricane Rita)	Potential direct loss of available resource (Total)
Crab	N/A	N/A	N/A
Freshwater Fish	N/A	N/A	N/A
Oysters*	\$ 206,811,000	\$25,103,235	\$231,914,235
Saltwater Fish**	N/A	N/A	N/A
Shrimp	N/A	N/A	N/A
Wild Crawfish	N/A	N/A	N/A
Recreational Fisheries	N/A	N/A	N/A
Freshwater Fish Loss	N/A	\$ 7,323,128	\$7,323,128
Total	\$206,811,000	\$32,426,363	\$239,237,363

Category	Potential production loss at dockside (Hurricane Katrina)	Potential production loss at dockside (Hurricane Rita)	Potential production loss at dockside (Total)
Crab	\$12,297,617	\$10,264,261	\$22,561,878
Freshwater Fish	\$189,019	\$2,859,492	\$3,048,511
Oysters*	\$ 44,577,072	\$12,374,438	\$56,951,510
Saltwater Fish**	\$ 25,887,471	\$ 27,428,103	\$53,315,574
Shrimp	\$81,054,864	\$57,198,057	\$138,252,921
Wild Crawfish	N/A	\$4,166,514	\$4,166,514
Recreational Fisheries	N/A	N/A	0
Freshwater Fish Loss	N/A	N/A	0
Total	\$164,006,043	\$114,290,865	\$278,296,908

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.

S. 1765 FEDERAL APPROPRIATION REQUEST

Rationale and Recovery Implementation Summary

Fisheries Disaster Assistance—Hurricane Katrina: \$134 million; Hurricane Rita: \$114 million.

This request is based upon the estimated production loss in terms of dockside value for crabs, shrimp and saltwater fish excluding menhaden for a twelve month period and oyster production over a twenty-four-month period. This estimate uses LDWF trip ticket landings and value data averaged over the past five years (2000–2004) from the impacted parishes. In consideration of the damages and loss of infrastructure supporting these fisheries, we have estimated a minimum of one year for most coastal areas before significant harvest resumes.

Since 1999, the LDWF has maintained trip ticket report records which in addition to dealer and fisherman names and license numbers, transaction date, area fished, trip length, etc., capture information on the species, amount and value of seafood products landed and sold to wholesale/retail seafood dealers and retailed to the public by individual fishermen. With the support of the Louisiana shrimp industry, the LDWF has successfully used its trip ticket data to identify and qualify shrimp fishers for direct financial assistance payments under U.S. Department of Commerce NOAA Grant NA03NMF4520310, administered by the LDWF. Trip ticket data could be again used to identify eligible fishers and vessel owners for potential distribution of replacement dockside values.

Under direct lump-sum grants, the LDWF could use trip ticket data to form the basis of identifying and certifying Louisiana harvesters and vessel owners qualified to receive potential direct grants. The database could be used to partition these grants into tiers or levels linked to reported individual landings histories. Grants to harvesters and vessel owners could be used as direct assistance for personal needs or to repair and/or replace damaged vessels, fishing and navigational equipment.

Menhaden Fisheries Recovery—Hurricane Katrina: \$14 million; Hurricane Rita: no separate request for menhaden.

This request represents 30 percent of the average annual dockside value of the Gulf menhaden landings over the last 5 years. A menhaden plant in Plaquemines Parish was severely impacted by Hurricane Katrina. They report that they land about 30 percent of the total Gulf menhaden landings. Using information from a recent LDWF economic impact study, they estimate that their total economic benefit to Louisiana is \$155 million, with \$116 million in retail sales, \$25 million in wages and earnings, \$17 million in total landings. The plant was flooded with several feet of water, and the fleet of 11 boats was beached. Based on a report published by the company, they employ approximately 270 personnel, mainly in Plaquemines Parish.

Funding could be applied toward uninsured losses of the facility, vessels or fishing equipment. It could also be used to support personnel and infrastructure needs while harvest vessels boats and processing plant were refurbished.

Fisheries Infrastructure Recovery—Hurricane Katrina: \$154 million; Hurricane Rita: \$114 million

This request is based on the average annual (2000–2004) dockside value of all commercial species harvested within the affected parishes and the estimated costs to replace boat launching facilities in these areas. The infrastructure within the impacted area appears to have been totally destroyed. We estimate that there will at minimum be a need for investing at least one year of dockside value into rebuilding at least some infrastructure components. Infrastructure losses include lost or damaged vessels, docks, ice plants and processing facilities but also include cold storage facilities, boat ramps, launches, marinas, bait and tackle shops. Seventy percent of the Wholesale/Retail Seafood Dealers licensed in Louisiana are based in the parishes impacted by Hurricanes Katrina and Rita, as are 79 percent of the licensed commercial fishers.

Funding could be used by NOAA to fund grants that help local governments who own ramp facilities restore them. In the same way, monies may also be used to help local governments and private interests provide emergency services to set up temporary dock facilities including fuel and ice docks, unloading facilities, and fishing equipment and supply stores which will enable local fishers to begin landing their catches as soon as they are able to fish again.

The Department maintains a directory of Louisiana licensed charter vessels used to conduct dockside and telephone interviews and develop estimates of fishing effort and recreational harvest from that sector. The granting process would use the data in the directory to identify vessel owners/operators who would be potentially eligible to receive direct grants for losses of vessels and other facilities. Other facilities could include live bait holding tanks, land-based or houseboat overnight accommodations for clients and possibly other land-based infrastructure necessary for the rehabilitation of the charter industry in the affected parishes.

Louisiana Oyster Recovery—Hurricane Katrina: \$94.25 million; Hurricane Rita: \$10 million

The reef rehabilitation request was derived from estimates of the value of lost reef habitat using pre-storm and post-storm surveys of oyster mortality and the benefit to costs ratios of past rehabilitation projects using Federal grant funding in response to past hurricanes by combining estimates of oyster reef acreage from both the public oyster seed grounds and private oyster leases.

The LDWF would utilize rehabilitation funding to enhance oyster habitat by contracting and planting cultch material such as limestone, recycled oyster shell, or crushed concrete over suitable supporting bottom substrates within the impacted public seed grounds. Based upon the percentage difference between impacted oyster reefs on the public seed grounds and private oyster leases, approximately \$29.5 million of the \$104.25 million requested for reef rehabilitation would fund rehab efforts on the public seed grounds with \$66.2 million used to fund rehab efforts on private leases. Using Federal grant funding, the LDWF has completed a number of projects such as these and all have proven to be highly successful with benefit to cost ratios ranging as high as 16:1, but averaging around 10:1. The value of lost reef habitat was estimated at nearly \$960 million following Hurricane Katrina. With a benefit-cost ratio of 10:1, it is estimated to take a 10 percent rehabilitation effort to replace the value of the lost habitat. Therefore, the \$96 million used to rehabilitate reef habitat on both public grounds and private leases is anticipated to yield a future return of the \$960 million worth of reef habitat lost to the storm. Private oyster lease holders could employ similar habitat enhancement efforts but may choose to use funding to cleanse their reefs by towing sediment removal devices such as bagless oyster dredges over them. Federal funds were used following Hurricane Andrew to compensate oyster lease holders for expenses associated with cleansing their own oyster leases. Funding would also be used to resurvey and mark all oyster leases within the impacted area. In addition, funds would be used to replace an existing oyster hatchery which was located on Grand Isle and totally destroyed by Hurricane Katrina and to repair, replace and modernize LDWF oyster lease survey equipment and facilities, allowing more efficient services to this user group.

Louisiana Marine Research Recovery—Hurricane Katrina: \$14 million; Hurricane Rita: \$0.4 million

The Marine Fisheries Division suffered losses or damage at most of its coastal facilities:

- The Slidell field facility was totally destroyed as it was in the path of hurricane force winds. The structure, boats, and equipment were destroyed.
- The New Orleans leased office is located in the Central Business District, near the interstate. The offices were not flooded beyond the first floor, however, floors above that lacked power for a month and records, equipment, and office

equipment were damaged by heat, humidity, and mold and the building still remained closed as of November 7th.

- The field facility at Pointe a la Hache was totally destroyed, as were the vessels and equipment stored there.
- Most buildings at the Marine Laboratory on Grand Terre Island were destroyed.
- The field facility at Sister Lake, a designated public oyster seed ground was damaged by Hurricane Rita.

Monies appropriated would be used to replace and repair these coastal facilities. All of Louisiana's fisheries require intensive monitoring and assessment to ensure that management programs and practices are effective in ensuring recovery.

Seafood Marketing—\$35 million

As a result of extensive media coverage of the aftermath of the flooding of New Orleans following Hurricane Katrina, public perception about the wholesome nature of seafood from the affected areas has been damaged. Although no additional fishery closures beyond the precautionary closure of oyster growing areas have been implemented, and although ongoing tissue assays of fish and crustaceans taken from area waters have shown no levels of concern for potential contaminants; local, regional and national markets for Louisiana seafood have been severely impacted by both product availability and public perceptions concerning seafood safety. These monies would be spent on promotional and marketing campaigns aimed at recapturing lost and developing new markets, enhancing quality assurance and certification standards and assuring national confidence in the continued safety of Louisiana seafood.

Louisiana License Renewal—Hurricane Katrina: \$14 million; Hurricane Rita: \$2.5 million

This request is based upon the costs of recreational and commercial fishing licenses purchased within the impacted area for a two-year period, oyster lease rental fees over a two-year period and oyster lease renewal fees over the full renewal period. One way for the state to keep the public engaged in fishing, both commercial and recreational, is to forgive fees for licenses for two years. Seventy-nine percent of commercial fishing licenses were issued in the parishes impacted by Hurricanes Katrina and Rita. In addition, about 369,500 recreational licenses were sold in those parishes, and all of the state's privately held oyster leases are also located in those impacted parishes. This appropriation would provide licenses and leases to affected fishers and lessees for two years. The state has approximately 400,000 acres of water bottoms under private lease for oyster cultivation. The monies would cover the annual lease rental for 2 years and associated costs of oyster lease renewals.

Fisheries Habitat—Hurricane Katrina: \$5 million; Hurricane Rita: \$5 million

Nursery habitats include coastal wetlands, grass beds and beach foreshores. Monies could be expended as grants to survey, assess damage, and rehabilitate these habitats in the affected areas. Addition of hard structures may provide important habitat for some species. Additional funds could be used to coordinate Department priorities for fish and wildlife resources with other State and Federal priorities regarding coastal restoration such as flood protection and navigation.

Subtitle L—Department of the Interior.

Freshwater Fisheries Recovery—Hurricane Katrina: \$2 million; Hurricane Rita: \$5.3 million

Numerous freshwater water bodies in southeast Louisiana experienced fish kills due to saltwater intrusion and poor water quality. Additionally, most of the water bodies designated as Gulf Sturgeon (a federally-listed fish) critical habitat in Louisiana were significantly impacted by Hurricane Katrina. The Mermentau River, prime paddlefish habitat, also experienced fish kills following Hurricane Rita. Another species of fish, the Rio Grand Cichlid, is an exotic, invasive species of fish that can replace native fish. Although its range was slightly expanding each year, it was limited to only several water bodies. Katrina may have further expanded the range of this fish. The Department's fish hatcheries near Lacombe, Woodworth, and facilities near Beechwood were damaged by the hurricane and the fish in the ponds were lost. Hurricane Rita spread common *Salvinia* and possibly giant *Salvinia* to areas throughout coastal Louisiana. Additional spray efforts with relative expensive herbicides will be made in an effort to control it. Boating access has been greatly reduced in the impacted areas due to downed trees, residential debris and the spread of aquatic vegetation.

The Department proposes designing and implementing monitoring programs to determine the impact to freshwater fish, including Gulf Sturgeon, paddlefish, and the spread of Rio Grand Cichlids. Results from these studies will assist the Department in determining what management options may be necessary. Options may include habitat modifications, fish stocking, fish eradication (for exotic species) and management regulations. Boating access in rivers will be improved by removing fallen trees and other debris. We will expand our spraying activities in impacted areas to reduce nuisance aquatic vegetation.

USGS Reports Preliminary Wetland Loss Estimates for Southeastern Louisiana From Hurricanes Katrina and Rita

Hurricanes Katrina and Rita transformed some 100 square miles of marsh to open water in southeastern Louisiana, according to preliminary estimates by U.S. Geological Survey (USGS) based on an analysis of Landsat satellite data from September and October.

Future observations of Landsat imagery over the upcoming year will allow scientists at the USGS National Wetlands Research Center (NWRC) in Baton Rouge and Lafayette, Louisiana, to determine how much of the loss is permanent and how the marsh recovers. Although this early analysis of wetlands does not take into account some marsh recovery, indications are that much of the loss may be permanent. Some of the new areas of open water will likely become new lakes.

Most of the loss east of the Mississippi River is attributed to the effects of Hurricane Katrina's storm surge, although Hurricane Rita's surge appears to have rearranged some of the wrack, or marsh debris, left behind by Hurricane Katrina in the upper Breton Sound area.

Substantial marsh loss, primarily from Katrina, occurred east of the Mississippi River in St. Bernard and Plaquemines parishes. Approximately 39 square miles of marsh around the upper and central portions of Breton Sound were converted to open water by ripping of the marsh or by marsh submergence. Large compressed marsh features several thousand feet long are evident in Breton Sound. Most of the loss was concentrated in an area bounded by the Mississippi River levee to the west, the Delacroix Ridge to the east, and State Highway 300 to the north. Follow-up imagery and aerial photography will be used to determine if some of the submerged marshes reemerge over time.

An additional 47 square miles of marsh were lost throughout the Pontchartrain, Pearl River, Barataria, and Terrebonne basins. The active Mississippi Delta also incurred approximately 14 square miles of loss. The lower Pearl River basin contains numerous marsh rips south of Highway 90.

Direct impacts from Hurricane Rita were not as severe as Hurricane Katrina's impacts in southeastern Louisiana. For example, rips in marshes from Rita were not nearly the size of rips from Katrina in upper Breton Sound although they are noticeable in the Barataria and Terrebonne basins. Rita's surge caused new tears in fresh and intermediate marshes within Barataria and Terrebonne basins and reactivated older hurricane scars attributable to Hurricane Lili (2002) in western Terrebonne and the East Cote Blanche Bay area.

Rita's surge caused detectable marsh loss west of the Mississippi River to the Texas border that could not be attributable to Katrina based on analysis of satellite imagery obtained a week after Katrina's landfall, but prior to Rita's landfall.

Now that the compounded effects of the storms on Southeastern Louisiana have been analyzed, NWRC scientists are analyzing Landsat imagery to quantify Rita's impacts in southwestern Louisiana.

To perform satellite analysis, USGS scientists in Louisiana used remote sensing technologies and geographic information systems. They compared land and water areas identified by using Landsat 5 Thematic Mapper satellite imagery. Landsat data from November 11, 2004 were compared to data acquired on September 7, 2005, September 16, 2005, October 9, 2005, October 18, 2005, and October 25, 2005 to identify potential wetland loss.

The imagery was collected by the USGS National Center for Earth Resources Observation and Science in Sioux Falls, South Dakota.

The USGS serves the Nation by providing reliable scientific information to describe and understand the Earth; minimize loss of life and property from natural disasters; manage water, biological, energy, and mineral resources; and enhance and protect our quality of life.

The CHAIRMAN. Thank you very much. You know your group has probably the most independent people, individually owned boats in you know really, it's a different part of the economy. We're ex-

tremely interested in trying to help you restore that fishing community. And we'll be very much open to suggestion about how to have some sort of a conference with NOAA and your state people and your business associations and your Senators, but I think we've got some ideas up our way about how to help fishermen, and we've used them in the past. We'd like to—really like to explore that, because this is going to be the toughest area. The rest of the people have more infrastructure to support them to start with, but fishermen by definition are solo operations and—but they all collectively come back to your ports, and this is a tremendous problem here in terms of how to make sure those fisheries can—the species themselves can be restored after the damage that's has been reported to us.

So I want to urge you to contact our people, and let's see if we can get some meetings here before we close down this year, make sure we understand where there are any gaps in existing law that would prevent us from helping your area.

As I said all your statements will appear in the record. I'm at a loss on one thing. Mr. Falgout, what's the income stream to your area from all the products that are coming down and leave through your port.

Mr. FALGOUT. The income stream directly through our port, or—

The CHAIRMAN. You and Mr. LaGrange both point out how much comes down through mid-continent and comes through and leaves through your port here. Your ports, more than one port. But to what extent? Is there any income stream there that comes to you now?

Mr. FALGOUT. Business coming through coastal Louisiana is a \$100 billion business, and am I answering you?

The CHAIRMAN. That's products coming in, I understand that.

Senator VITTER. I think what the Senator is saying, if we don't get any significant cut of royalties, then what if any income do we get from that activity?

Mr. FALGOUT. On shore and out the three miles, of course the state gets a share, but offshore of that, outside of six miles, we get zero. We do not receive any of the offshore revenue sharing. Prior to the last 5 years, it was not that significant because most—the state was producing considerable amount of oil and gas on its own lands offshore. And the deep water Gulf of Mexico has not yet developed. But now the shift has gone to deep water Gulf of Mexico. The overwhelming majority of production now is coming from Federal OCS lands, the state is carrying the burden of infrastructure and supporting that without any revenues coming back from that. And the state revenues have dwindled because the production is now in deep water.

The CHAIRMAN. You may be interested to know that twice the Senate passed a bill to give coastal communities a revenue sharing. And twice the House has refused to pass it. We're still trying to work with your Senators and Congressional Delegation again, but the difficulty is, had we passed those bills, they were back in the 1970s and 1980s, all of the wells that have been drilled since then you would have had a revenue base from.

Mr. FALGOUT. Had you passed that, we'd have golden highway down to Port Fourchon, because we'd be sharing in about \$2.5 billion a year in revenues from that, and we would have built the levies ourselves and more than likely restored Coastal Louisiana.

The CHAIRMAN. But we have the same problem. There are nine villages that were destroyed in October of 2004, they're still waiting for even Environmental Impact Statements to be completed on how to help them. Because we don't have the revenue share coming back from the activities either, so we share your point of view on that.

I do think though that the question now is how we look to some of these structures. It's been mentioned about the money that went to New York, the Liberty Bonds were a product of the state and City of New York, not the Federal Government. The Federal Government made a \$10 billion grant to the whole area, and turned over \$10 billion to the National Administration to help. But as a practical matter, the Liberty Bonds as I understand were a product of the monies that were granted to the City and the State of New York to recover from that incident.

We may have to look to a similar process here, to determine priorities as to where money goes after we do get the support to get additional monies to come your way.

Senator Vitter.

Senator VITTER. First, just a comment, I want to point out. I want to thank Mr. Smith from the Louisiana Seafood Promotion and Marketing Board. He helps represent the commercial fishing industry. In addition, there's a very important, very vibrant recreational fishing industry. And certainly in future hearings and meetings, particularly as we lead up to the reauthorization of the Magnuson-Stevens bill, we're going to include the CCA and other recreational fishing groups as well as the commercial side.

So, I just wanted to point that out. In terms of this discussion of revenue sharing from offshore production, I would also note that this not a one-way street in terms of it representing Federal loss, but revenue loss to the Feds, this could avoid a lot of what would otherwise be an up-front payment directly from the Feds in terms of investment in both hurricane and flood protection, and coastal restoration.

So, if we had a fair long-term revenue share, this would avoid a significant amount of up-front costs from the Feds in terms of those projects. So, it would be a very significant and in some ways attractive tradeoff for the Feds as well particularly, now that we have this obvious need. And with that, Mark Drennen was real good at identifying top four or so things to do. I'd like to ask each of you if you would identify, three top priority actions for Congress to take.

Mr. FALGOUT. In general, of course the restoration of our levee system, upgraded to a category 5 is paramount. And you know how to fund all that. As you just said, if we could share close to 50 percent as state's inland share with the Federal Government on Federal lands, on mineral production, we could get there. The wetland restoration, we have to attain a sustainable coast, it will not be the coast you saw before Katrina, it won't be the coast you saw after

Katrina and Rita, but at some level we can sustain coastal Louisiana.

Third, outside of that there will be some areas south such as Port Fourchon, such as Venice, such as areas in St. Bernard that can sustain themselves. There are sediments available and the interior area between that site and the mainland is not sustainable, and you're going to have to have support infrastructure that connects you to the mainland, whether that be an elevated highway, a bridge for instance, that will allow these areas to continue to produce the Nation's energy. You cannot move that infrastructure farther inland, because you'll be moving 200 large vessels a day, you'll be moving thousands of people inland each day, causing huge amounts of energy usage and environmental impact, instead of having them on the best place as they should be on the coast, but you're going to have to build a bridge to get there unfortunately.

Mr. LAGRANGE. Well, I would hate to be redundant, but Ted's absolutely correct, category 5 level protection first and foremost. And I lump coastal restoration in with that because the two are directly related. Second, is infrastructure rehabilitation and relocation. And I'm thinking specifically in terms of the Port of New Orleans, in that 30 percent part of the infrastructure that we totally lost. That's an absolute must. And we can't do that fast enough if we're going to maintain the competitive rates that we have on an international trade level, with the importation and the exportation of products that we were alluding to.

And the third one, thank you. You're already doing it quite nicely, and that's a navigation maintenance through the Army Corps of Engineers, we appreciate that.

Senator VITTER. And Ewell, from the seafood perspective, what are the top three tasks?

Mr. SMITH. I asked that same question to our fishermen and processors when he had them on this tour this past Friday. And the first thing is to get the help to the fishermen.

Second, is to get the infrastructure up and going. And I'm being redundant as well. And third, is to have the funds to market and promote our product so we can get our market share back and these guys get their lives back in order.

The CHAIRMAN. I got severely criticized for such a fund for Alaska, but it has worked out, and it has increased the market share for Alaska products, and I think you're right. It's one thing to get the business going, but you have to recover this market share now with aggressive action of those foreign nations that are producing particularly the farm-raised fish. It's very difficult to compete with them to begin with. But we have to get the American product out there and emphasize what it means.

We've utilized the activities of Dr. Wile, the nutritionist, trying to keep people informed, really a quality concept of American fish as opposed to farm-raised foreign fish. But we'll work with you on that too. I look forward to that.

Anything further, Senator Thomas?

Senator THOMAS. Very briefly.

The CHAIRMAN. He doesn't have much fishing in his area.

Senator THOMAS. I was going to say, we need to get our share of that fish promotion in Wyoming. Oysters particularly, we need.

I was going to ask Mr. Falgout, do you ever talk about the—we hear a lot about the over concentration of energy facilities, particularly refining here. Does that ever occur, that maybe there's some reason not to continue to have such a concentration of refining in a territory that's subject to this sort of storm.

Mr. FALGOUT. Well, the last time I checked, there was nobody waiting to take Louisiana's role in the oil and gas business. Florida and California would be the most likely candidates and have production off their coasts, certainly—

Senator THOMAS. I'm not talking about production. I understand that. But I must tell you there is a good deal of talk about offshore production now in the Atlantic Coast. Not Florida, but the others.

But you can move products you know, you don't have to refine them right on the coast.

Mr. FALGOUT. Correct.

Senator THOMAS. They have pipelines they're called.

Mr. FALGOUT. And specifically, my comments on Port Fourchon. Port Fourchon has no refinery, and that should not be on the Gulf of Mexico, those should be protected farther inland, and certainly we ought to look at moving our refining capabilities into very well protected areas. But the support services that are essential for turning on the oil fields after a hurricane, for the daily movement of cargo to support this activity, need to be on the Gulf of Mexico.

Senator THOMAS. Very quickly, because I know you talked about the royalty costs, and I understand and that's a big issue. But when you bring oil products through your port, if there's a cost to you, as there obviously is, why doesn't that product pay for the cost?

Mr. FALGOUT. I don't know if I follow that question. But I mean we are unable to assess a tax.

Senator THOMAS. I'm not talking about a tax, I'm talking about a commercial charge. If you're going to handle a product, all these ships and all that sort of stuff, why isn't there just a charge then to support your port?

Mr. FALGOUT. Of course the port does charge, it does very well, OK. But when you're talking about moving much of the product through this coast by pipeline, we are not able to charge a tax on the commodities coming in by pipeline. And we don't specifically need that amount of money.

Senator THOMAS. No, you don't.

Mr. FALGOUT. It needs to be—go to the State of Louisiana to make those improvements.

Senator THOMAS. And I think you have to keep in mind at some point there is a limit to how far the jurisdiction goes out in the ocean are you going to be out a 150 miles, I don't think so.

So you're going to have to be a little careful about how far you go, you already can go out six miles.

Mr. FALGOUT. No, we only are allowed three miles in Louisiana, and we share out to six miles a lesser percentage than—

Senator THOMAS. No, I understand, but it's not just a clear cut issue I'm afraid, and it needs to be talked about, the royalty thing.

Mr. LaGrange, just one final question. I misunderstood you. You were talking about the cost to your—the cost to be maintained by your port.

Mr. LAGRANGE. The \$275 million figure?

Senator THOMAS. Million, was it million?

Mr. LAGRANGE. Million with an M, yes sir. It's a little over a billion public and private.

Senator THOMAS. I thought you said B, and I was a little surprised.

Mr. LAGRANGE. No sir, it's \$275 million for the Public Port Authority.

Senator THOMAS. I understand. Thank you, sir.

The CHAIRMAN. I don't want to belabor it, but the real problem here is that we're reaching a 60 percent importation right now for foreign oil. That oil doesn't have any sharing of anything. And it comes in, and the price is set by foreign producer. And we've tried to put some level of import duty, or whatever you want to call it on it. I really think we should. But it's been very difficult to do.

Senator THOMAS. Mr. Chairman, I wasn't talking about that. I was talking about the cost that he's seeing going to the port, and I'm saying those costs incurred can be charged commercially.

The CHAIRMAN. Well, that's true. But here they've got one of the major offshore ports for imported oil, and it's not contributing at all to the economy. But—and that's a national problem I think. I do think what we ought to put on table and start thinking about—and I think that's where the Senator from Wyoming is going. We're committed to do everything we can to restore this area, but the problem is—the probabilities of another Katrina are pretty great. We ought to start thinking about establishing funds and reserves so that you don't really have to have you know, massive change, and a loss to take care should it happen again, God forbid.

But you know there is a—when I was in the State Legislature I helped create a disaster fund after our 1964 earthquake, and that has been—we pay into that disaster fund on an annual basis. And it's been used because of disaster that have come along.

I think we all have to start thinking about how do we treat disasters, and where do we get the revenue flow into that fund that will continue to build and be available for disasters nationally. There's a serious problem here about that, as far as I'm concerned.

Senator VITTER. Chairman, if I could—

The CHAIRMAN. Yes sir.

Senator VITTER.—make just three other comments responding to some of the discussions, in terms of refining capacity, which Senator Thomas brought up. We have a desperate need in this country for additional refining capacity, but we need to do that, not to move the capacity out of here, we just need to do it, to add capacity to what we have nationally. Because we are topping out right now, in terms of refinery capacity, and reaching a real crisis level.

So we really need to do both, we need to maintain and grow what we have here, but we need to grow it in addition anywhere we can, around the country. And I'm afraid we've built up over the last 30 years a regulatory environment that makes it virtually impossible to open a new refinery in this country.

So that's a real national priority that I think we share. Second, in terms of your comment about a disaster fund, I agree with you completely. In terms of future disasters in this area though, the best fund and the best investment in my opinion is heightened cat-

egory 5-type protection. Because that's what's going to avoid another \$100 billion event in the future, or in inflated dollars, who knows what it would be in 10 or 20 years, \$200, \$300 billion event.

If we're really going to be fiscally responsible about this, the first thing I hope we're going to do is make sure that hit to the national economy and the national taxpayer never happens again. And when you talk about the investment needed to avoid that, it dwarfs the loss and the expense of having another one of these over \$100 billion events.

The CHAIRMAN. Any other comments gentlemen?

Very well. We do thank you all very much for your contribution, all of these hearings will be printed and will be available to the Members of the Senate and the public obviously. I do think we've just got a lot of questions to ask. And, again as I opened, I would say unfortunately people take too many inferences from the questions we ask.

We'll call the next panel after a 5-minute break.

I see that Mayor Nagin is here.

I'm glad to give you a seat at the table and listen to your comments if you'd like to give them.

Mr. Mayor, would you like to make comments on the record here this morning?

Mr. NAGIN. I will do whatever the Committee would like me to do.

The CHAIRMAN. I could tell a joke I heard once but it's not the time for it. But this is professional courtesy Mr. Mayor.

**STATEMENT OF HON. C. RAY NAGIN, MAYOR,
CITY OF NEW ORLEANS**

Mr. NAGIN. Well, I appreciate that members of this committee and you know it's a pleasure to see you in the wonderful city of New Orleans, I hope that you are getting a good feel for some of the challenges that we have in this wonderful city.

I think when you come down and you see exactly what has happened, and our opportunities, I think it gives you a different perspective.

I've been on—in D.C. on a regular basis talking with many Members of Congress, trying to make sure that we put our best foot forward in getting people to understand exactly the need to rebuild New Orleans. I know there is a lot of debate going on right now, about whether we should or should not do it. There's no doubt in my mind we should rebuild New Orleans. When you look back at the history of this country and you look at the incredible land deal that this country made to buy Louisiana, and at the center of that land deal was New Orleans, the access of the port. And it was one of the most incredible land deals that this country has ever undertaken.

As you look at how important New Orleans is to the country, you look at our oil and gas productions, I don't think this country could do without that. If you look at the Port of New Orleans, that has six class A rail lines. I don't think the country could do without that. And you also look at what New Orleans has done culturally for this country. The President of the United States basically said he couldn't imagine America without New Orleans. We have a his-

tory of great music, great food, great fun, but in the middle of all that you have people, wonderful American people. They're the essence of what this country is all about. We were a very diverse city, we will continue to be a very diverse city. We are a city that is going to come back, and if I could express any, the top three things that I think that we need to come back, from this committee and from Congress. We need comfort and verification on the levee systems. We need to know the city of New Orleans, the residents of New Orleans need to know and have comfort that we're going to rebuild the levee system to the category level, hopefully category 5, that will protect us from another Katrina.

Second, the City of New Orleans is cash strapped right now, we basically are without any incoming revenues, and we need support to allow us to continue to operate over the next 6 to 12 months.

And then finally, we need some unique incentives to attract both people and businesses back to this area. We don't want to be a burden to the country's treasury, but we do think the country should support us as we continue to rebuild.

So, I'm happy to have you here, I hope that you have a productive meeting, and anything I can do to help, just let me know. Thank you.

The CHAIRMAN. Well, thank you very much Mr. Mayor. We've appreciated having Don Hutchinson, your Economic Development Advisor with us on this trip. He'll continue to be with us, so I appreciate your stopping by.

Mr. NAGIN. Thank you.

The CHAIRMAN. Any questions, any gentlemen? We do thank you for joining us. And now to Mr. Steve Perry, President and CEO, New Orleans Convention and Visitors Bureau.

Mr. Perry.

STATEMENT OF J. STEPHEN PERRY, PRESIDENT/CEO, NEW ORLEANS METROPOLITAN CONVENTION AND VISITORS BUREAU

Mr. PERRY. Mr. Chairman, thank you very much. Senator Thomas, Senator Vitter. We—I am here representing New Orleans largest industry. We are by far the largest economic sector in the city of New Orleans and we are by far the largest employer. Over 85,000 people in a city of less than 500,000 people work in our industry. In fact, it's often said that the New Orleans tourism industry in Louisiana is third Fortune 500 Company.

We are in arguably the most famous mid-sized city in the world. And it is famous because of its tourism. Because of those things that we're known for so much nationally and internationally, nine Super Bowls, more than any other City, more Final Fours, the greatest Jazz and Heritage Festival on the earth. But the creator of the most famous indigenous form of American music, jazz, and of course, culinary arts. There's no place like New Orleans.

It's also the place where more than half of its city is comprised of an historic district. And that means something, because this is a place truly different. And it's a place that has been preserved. But we've got real challenges ahead of us. And what we're here today to talk to you about, is literally the economics of our industry. To give you a report on how that largest industry fared, what

our challenges are, and to offer you, we hope, some opportunity for investment, that are far smaller than many of the numbers that you're hearing about, but they can in fact, help rebuild the Federal Treasury, the State Treasury and the economics of this city.

I said we're a \$5 to \$8 billion industry, that really only scratches the surface. Five billion dollars of visitor spending comes in here every year. It fuels the jobs of 85,000 people. In many ways we're a lot like the fisheries industry, because we're comprised of a lot of small business people. And those small business people are incredibly damaged right now. What are the kinds of things that we need to get going you know, and you saw on television through the MSNBC reports, and CNN, you saw the graphic nature of the images here in the two weeks after the storm. That's had a powerful impact on our market share in American tourism. One of the top four markets in the United States, we're sitting right in the heart of New Orleans, in the French Quarter, yet we were damaged unbelievably by those graphic images, and we're going to need marketing help to rebuild. It is extremely hard for us to appear before committee of the U.S. Senate or any other governmental entity, and ask for dollars, we don't do that. We're private sector businesses, we have flourished for many years and built tens of thousands of jobs on our own.

But we need a little bit of help right now, to get back going. And it's not hundreds of billions of dollars that we need, it's tens of millions of dollars. We are very appreciative of the fact that Senator Vitter and Senator Landrieu have worked so hard on behalf of our industry. Lieutenant Governor Landrieu has helped bring our whole industry together over the last few weeks, and in fact we're probably the most organized business sector in the State of Louisiana right now, and have been since two weeks after the storm.

What is it that we need, and what help do we need to get back? We could literally bring with small amounts of investment over \$5 billion back into the economy in the next 12 months. The Mayor has laid off over half his city's workforce because we are the largest contributor to the city's revenue base of any group in the City of New Orleans. The same is true for the State of Louisiana. And frankly, the course of last resort for us would have been the U.S. Senate, and the U.S. Congress. It pains us to be here to talk about this and to ask you for help, but where we are now, is we've got tremendous needs in the areas of marketing. Recapturing market share for us, literally just over the next 24 months, will be critical to the repopulation of New Orleans, to the building back of tens of thousands of jobs and of thousands of businesses. Now, how does it work and what kind of money are we talking about? The little company that I lead, a 501(c)6 corporation, the New Orleans Convention and Visitors Bureau is a non-profit private sector. But we are the official entity for the marketing, and the branding and the re-imaging of New Orleans, as it relates to the business side, and corporate meetings, associations and our general tourism marketplace.

Right now, we have no other source to go to. Our funding is basically completely eliminated. The hotel tax has been destroyed here this fall, and our revenue base of all the small businesses that comprise us, has been decimated.

What does it take to rebuild \$5 billion? For us, it's \$10 million to help with a Convention and Visitor Bureau to go forward as the City and the state's official entity which works nationally with associations, corporations, to bring meetings here.

But what we need in addition to that is \$10 million in incentive—in convention marketing, and convention incentive revolving fund that will allow us to take some of the concerns out from our meeting customers.

As you can imagine many of the images that were seen around the United States here in September has had a real impact on our clients. We've had a lot of our customers who have said you know what, we're ready to come back and come back right now. Many of the major Washington Associations, and Chicago Associations, are already telling us they want to come back, but many of them are not sure they're ready to come back yet. And it could be 3 years from now, it could be 4 years from now, and if that's the case, we're going to lose tens of thousands of jobs that will make the repopulation of New Orleans, and the regeneration of our tax base extremely difficult.

We need some marketing help now. And we have no other source to go to. So what we're asking is that \$10 million of convention marketing, but \$40 million of leisure side tourism marketing. This really serves multiple purposes. Not only would it bring \$5 billion of visitor spending back, but it will recharge the tax base of the City of New Orleans, and help the repopulation of this city, because it will bring back the 85,000 working men and women of the City of New Orleans.

As you all know, people have real challenges to come here. And they've got to have two things. They've got to have a job, and they've got to have a place to live. And other people will testify and work with you on how we do the rebuilding of our neighborhoods and communities. But the ability to rebuild our jobs and to give our small businesses the ability to move forward is critical.

Louisiana Rebirth, the Restoration of the Soul of America, a program put together by many of the top national business leaders in our industry under the direction of our Lieutenant Governor has effectively provided some solutions and some opportunities for Congress to step in and help us help ourselves.

We're looking, as Mr. McDonald said, the Chairman of the Chamber of Commerce, and Mark Drennen, President and CEO, Greater New Orleans Inc. Tourism is critical here. Because it's critical not only to one of the Nation's foremost powerful tourism meetings and convention businesses, but it's critical to the future of people wanting to come home. New Orleans is not a rich community, and because of the power of tourism, we have the restaurant quality, the museums, the art galleries, the parks, the recreational opportunities that are critical to creating the quality of life that makes business want to be here.

Without tourism, we won't have the individuals who are the depositors in the banks, who buy the automobiles from the car dealers. We will not have those 85,000 people who buy goods at retail.

The future of this city depends on the quick restoration of its tourism industry because it drives not only the economics of the city, and the jobs of the working people here, but it affects the

quality of life, and it will determine whether many of our businesses that are not part of tourism chose to come home.

So what we're asking for, I think this past week, Senator Vitter, and Senator Landrieu sent a letter to the Appropriations Committee, and also have worked to pair down and to hone not in requesting the billions, but a request of less than \$700 million for the entire State of Louisiana, and here in the City of New Orleans, for the Convention Center, and it's less than \$100 million of damage and needs. Our marketing efforts of \$60 million and help for the airport to get reestablished as the core of commerce.

We have the ability to make money for you, and many of the requests you're getting the money flows out, but doesn't flow back in. The small dollars that we're asking for will make money for the Federal Treasury, will reduce Federal dependence on those tens of thousands of workers, and will provide you an opportunity to help restore the economics of this city in a way that gives you great return on the investment.

We thank you very much for being here, and we're sorry we can't show you the kind of hospitality we have in a normal month, but we're honored to have you here.

The CHAIRMAN. Did you say \$100 million to repair the Convention Center?

Mr. PERRY. Sir, we have close to \$100 million in actual damages. Fortunately we had \$500 million of private insurance on the Center which is a state building. We'll have approximately \$25-\$35 million in gap on the deductibles. We believe that in fact those dollars could be applied against the \$52 billion that Congress already authorized, and that in fact, we could get that repaired and up very quickly without having another appropriation, so we're asking for assistance there. We have another—here in the French Quarter, and I think as you walked around, you've probably seen the military vehicles, the recovery vehicles, the generators, and water tankers have done a lot of damage to the sidewalks in the Quarter.

We need about \$17 million, and that's all. Really between \$17-\$35 million to repair sidewalks and curbs here in the Quarter, because the city won't have the ability to do that. And the state won't have it. And this is our economic front door of the world. And we believe that that money could well come without another appropriation if it was authorized to come within the \$52 billion already awarded for the initial recovery. So past that, we honestly believe that the newly appropriated dollars will have to—can be fairly small. And that is the \$60 million of marketing, and the money for the airport contained in Senator Vitter and Senator Landrieu's proposal in tourism.

[The prepared statement of Mr. Perry follows:]

PREPARED STATEMENT OF J. STEPHEN PERRY, PRESIDENT/CEO,
NEW ORLEANS METROPOLITAN CONVENTION AND VISITORS BUREAU

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-Amer-

ican 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 85 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 85,000 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 March 1, 2006	
2006	\$9,000,000 annual operating needed	(anticipated revenue = \$2,000,000)
Total NOMCVB operating needs		\$9,000,000 (1 year)

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 \$3,000,000 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 15, 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 15, 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 and 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 by late spring 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.**

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.

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	\$17,000,000
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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 (2006)

New Orleans CVB (NOMCVB)

Operations	\$9,000,000
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

\$17,000,000

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 \$159 million of funding for the Convention and Visitors Bureau, the marketing and promotion and re-imagining of the city, and the Convention Center. A stunning return on investment and one that will reap billions of dollars year after year. Without this funding the industry will wither and atrophy.

Another \$17,000,000 is needed to rebuild America's most famous historic and commercial district, the French Quarter.

A small part of a \$200 billion recovery, but one that has the most business and human impact of all.

The CHAIRMAN. Thank you very much. Our next witness is Elaine Coleman, Commissioner of the Downtown Development District.

**STATEMENT OF ELAINE COLEMAN, COMMISSIONER,
DOWNTOWN DEVELOPMENT DISTRICT**

Ms. COLEMAN. Thank you very much Chairman Stevens, and Senators Vitter and Thomas. I really do appreciate you inviting me here today to speak.

I am a life-long Louisianian. Born and raised in Louisiana, but I've made New Orleans my adopted home. I've been here for the past 24 years, and for the last 20 years, I have spent working in downtown New Orleans. After 30 years with Entergy Corporation, I took early retirement last year and I've spent a lot of my time doing volunteer work, and I was immediate past Chair of the Downtown Development District. I'll be speaking this morning, honing in on downtown, but certainly anything I will say today, will be in essence throughout the entire region that I speak.

But I do want to focus on downtown. The Downtown Development District was chartered in 1974 by the State of Louisiana, and we're responsible for physical and economic development of downtown. We accomplish this by providing strategic planning and professional economic development services, by helping to fund capital improvements such as a \$17 million Canal Street revitalization project that was ongoing when Katrina hit.

We also do enhanced public services downtown such as sidewalk cleaning, and enhance public safety. The DDD is acutely aware of the devastating economic and social cost of Hurricane Katrina. Our own downtown offices were flooded, equipment and documents were lost and our staff were displaced.

We have also had to downsize by cutting 50 percent of our staff members because we're bracing for a projected 50 percent reduction in property revenue, property tax revenue in 2006.

And all this is happening at the time that the DDD is needed more than ever. Downtown and the French Quarter for many years, have been the most important economic generators in the city of New Orleans. We are the center of the city's hospitality and tourism industry. As Mr. Perry just stated, with 25,000 of the region's 38,000 hotel rooms, we're the center of medical research and clinical care, home to both the Tulane and LSU Medical Science Centers. Our office and service center sectors employed about 70,000 people in other key industries such as oil and gas when Katrina hit. And downtown, unlike most of our counterparts across the country, we continue to be a major tourist and shopping destination. Downtown can be again the economic engine that revives New Orleans, but there are some things that need to happen and we're asking for your help.

First, local government and agencies such as Downtown Development District, must receive short-term alternative funding to allow us to continue to operate. The DDD is applying for a Federal Community Disaster Loan and we're grateful for these funds. Yet the maximum loan limit of 25 percent of one year's operating expenses will not come close to making the DDD whole as we're trying to respond to one of the most enormous challenges our lifetime.

We need Federal grants to the city of New Orleans, to the DDD, and similar agencies in the disaster zone so that we will have the financial resources to get the job done.

The DDD also adds its voice to the litany for those calling for a Federal commitment to build a levee system capable of withstanding a category 5 hurricane, and to make coastal restoration a top priority.

And fixing the levee system is closely linked with another DDD concern. Keeping the insurance claims process fair and rates affordable for those who do business and live in the devastated area.

The DDD calls for the Federal Government to do all that it can to eliminate red lining, and keep insurers rates reasonable. If casualty and liability insurance are not available in New Orleans, or they're unnecessarily, or unusually, or if they are highly priced, it will spell disaster for our economy.

Business cannot thrive without insurance or with uneconomic cost structures. We ask the Federal Government to intervene if necessary to ensure fair and reasonable treatment of businesses and residents along the entire Gulf coast.

And speaking of uneconomic cost structure, I would be remiss after spending 30 years with Entergy if I didn't mention that Federal grants are needed to assist electric and gas companies to pay for the restoration of their devastated systems. This is essential because if customers are asked to pay for these enormous restoration costs, rates would skyrocket. Remaining customers would have difficulty paying such bills and economic development recovery efforts would be stifled, not only downtown, but for the entire region. Therefore, Federal intervention such as the precedent set following the 9/11 terrorist attacks, when Con Edison was provided with Federal funds is crucial to this city's recovery.

In addition, small business who are hurting and can't meet payroll, or can't meet mortgages, so we indeed need your help there as well. We've already heard about temporary housing which is also a major concern. And we've also heard about the Liberty Bond Program after 9/11 and I know Chairman Stevens corrected us and helped us to understand that a little bit more. But we do indeed need that program as a way of helping for long-term housing. And the Federal Government can also assist in returning residents and businesses to New Orleans by providing a tax credit to residents and businesses displaced by Katrina.

It is a fact that every family and business that have been displaced, have incurred unforeseen costs related to transportation, to temporary lodging and facilities, replacing personal properties and so on. Families and businesses wishing to return to New Orleans will face additional costs. The Federal Government can help remove this disincentive by creating tax credits for businesses and families who've been displaced and who return to the affected area. This would help downtown to retain many firms in key industries such as oil and gas by encouraging them to return from their temporary facilities elsewhere without paying a penalty to do so.

And lastly, the Downtown Development asks that the Federal Government commit itself to maintaining Federal agencies and contracts and services in New Orleans. That has been talked about already, so I won't go into any additional detail about it. But it's especially important for downtown in this area of health sciences which is so important to downtown's success. Please assure us that the National Institutes of Health and other agencies do not give up

on the many scientists and clinicians working in New Orleans that impact the entire country.

In closing, I thank you for visiting us here in New Orleans. It's important that you're actually here, on the ground. And I know that Senator Vitter and Senator Landrieu have worked very hard along with the rest of the delegation to get you all here, and I know that you've seen the devastation, and we're living it everyday. And we're simply asking you not for a handout, but simply a hand up as we rebuild the city. We're committed to rebuilding. We're not asking you to do everything, but we do know that without the Federal Government's help it will be much more difficult. So we're simply asking you for assistance at this time. Thank you very much.

[The prepared statement of Ms. Coleman follows:]

PREPARED STATEMENT OF ELAINE COLEMAN, COMMISSIONER,
DOWNTOWN DEVELOPMENT DISTRICT

Good Morning Senators. I am Elaine Coleman, a life-long resident of Louisiana, with 24 years residing in the New Orleans area, and over 20 of those years spent working in downtown New Orleans. After 30 years with Entergy Corp. I retired last year and continued my volunteer services as a Commissioner on the Downtown Development District.

Thank you for allowing me to speak to you today on behalf of the New Orleans Downtown Development District . . . or DDD for short—which is the oldest business improvement district in the U.S., funded by a special taxing district established by the property owners of downtown and city voters.

Chartered in 1974 as a political subdivision of the State of Louisiana, the DDD is responsible for the physical and economic development of downtown New Orleans. We accomplish this by: (1) facilitating and expediting private real estate and business development, (2) by helping to fund capital improvements such as the \$17 million Canal Street Revitalization Project, which was under construction when Katrina hit, (3) by development *planning*, and (4) by providing enhanced public services downtown, such as sidewalk cleaning and enhanced public safety.

The DDD is acutely aware of the devastating economic and social costs of Hurricane Katrina. Our own offices downtown were flooded by 18 to 24 inches of water, destroying documents and equipment and displacing our staff. Our full-time staff has dwindled from 14 down to 7 due to layoffs and resignations caused by the relocation of staff members to other parts of the country. The DDD has downsized staff and programs in order to brace for a projected 50 percent reduction in property tax revenue in 2006.

All this happens at a time when the services of the DDD are more necessary than ever.

Downtown and the French Quarter for many years have been the most important economic generators in the City of New Orleans:

- We are the center of the city's hospitality and tourism industry, with 25,000 of the region's 38,000 hotel rooms.
- We are a center for medical research and clinical care—home to both the Tulane and LSU health science centers.
- Our office and business service sectors employed about 70,000 people in other key industries, such as oil and gas, when Katrina hit.
- And downtown, unlike many counterparts across the country, continues to be a major tourist and retail shopping destination. With three major shopping malls and hundreds of thousands of square feet of street-level retail, downtown has served—and can continue to serve—as the city's main source of retail goods and services.

Downtown can be, once again, the economic engine that revives New Orleans. But several things must happen for downtown to revive:

First, local governments, and agencies such as the Downtown Development District, must receive alternative funding to allow us to devote every bit of our professional expertise and local knowledge base to overcoming downtown's challenges. The DDD is applying for a Federal Community Disaster Loan, and we are grateful for these funds. Yet the maximum loan limit—25 percent of one year's operating expenses—will not come close to making the DDD whole, and capable of responding

sufficiently to the enormous challenges we face downtown. We need Federal grants to the City of New Orleans, DDD and similar agencies in the disaster zone so we have the financial resources to do the good work we are capable of.

The Downtown Development District also adds its voice to the litany calling for an immediate Federal commitment to build a levee system capable of withstanding a Category 5 hurricane and to make coastal restoration a top priority. Working on the ground with downtown businesses and property owners, we know that this is foremost on our constituents' minds. It's about more than peace of mind. It is a *critical economic issue* that will *stall reinvestment* until it is dealt with.

Fixing the levee system is closely linked with another DDD concern: Keeping the insurance claims process fair and rates affordable for those who do business and live in the devastated area. The DDD calls for the Federal Government to do all it can to eliminate redlining, and to keep insurance rates reasonable. If casualty and liability insurance were not available in New Orleans, or were unreasonably priced, it would spell disaster for our recovery. Business cannot thrive without insurance or with an uneconomic cost structure. We ask the Federal Government to intervene if necessary to ensure fair and reasonable treatment of businesses and residents along the Gulf Coast.

Speaking of an uneconomic cost structure, I would be remiss, if after spending 30 years employed by Entergy, if I did not mention the need for Federal grants to assist private electric and gas companies to pay for the restoration of their devastated systems. This is essential because if customers are asked to pay for these enormous restoration costs, rates would skyrocket. Remaining customers would have difficulty paying such bills and economic development recovery efforts would be stifled, not only downtown, but in the rest of the region. Therefore, Federal intervention such as the precedent set following the 9/11 terrorist attack; where Con-Edison was provided with Federal funds, is crucial to this city's recovery.

In addition, small businesses are also hurting. Getting Small Business Administration (SBA) loan funds *immediately* into the hands of downtown and other businesses is crucial. Many small businesses have little or no reserves to tide them through disasters of this magnitude. They are losing talented human resources to other parts of the country because they cannot afford to pay staff; they will soon lose leases or mortgages if they do not resume payments; and many cannot resume operations to pay for these things because they have lost equipment and inventory, but they do not have the funds to replace them.

Well over 100,000 businesses have applied for loans and are still waiting for assistance. And *every day more businesses go under* because they have not been given this critical lifeline to success. Please help our small businesses to succeed by *expediting the SBA process* and taking into consideration the unique circumstances caused by Katrina, whereby many have lost all financial and other records.

The DDD also calls on the Federal Government to do all it can to help us house our New Orleans workforce. It's impossible to overstate how critical this is to reviving downtown businesses. Many hospitality businesses have lost 80 percent of their workforce due to the dispersion of New Orleanians across the country. Many employees who would like to live and work in New Orleans once again *cannot, because there is not enough housing to support the number of jobs that are left in the city*. This is a rare problem to have: too many jobs and not enough workers, but this is what is occurring downtown and in other re-opened parts of the city. It is clear though, that the jobs will not wait forever for workers to fill them. If we do not react quickly, jobs and businesses in the "dry" parts of New Orleans will be the next victim of Katrina. The DDD asks that the Federal Government step-up its deployment of trailers and other forms of temporary housing in order to meet the short-term housing crisis.

To address longer-term housing needs, the DDD requests that the Federal Government institute a low-interest loan program for commercial and residential development in the disaster area, similar to the Liberty Bond Program after 9/11. Downtown is already home to several historic and emerging neighborhoods, and we see ourselves as a haven for many displaced New Orleanians in future years. We need to get moving now, though, to develop more mixed-use—and mixed-income—residential developments downtown. The real estate market, however, is in a wait-and-see mode right now. Developers and investors need the strong vote of confidence that a Federal low-interest loan program would signify. With this in place, the high ground of downtown can be home to many more New Orleanians in safe, attractive, and inviting medium and high density housing downtown.

The Federal Government can also assist in returning residents and businesses to New Orleans by providing a tax credit to residents and businesses displaced by Katrina. It's a fact that every family and business that has been displaced has incurred unforeseen costs related to transportation, temporary lodging and facilities,

replacing personal property, and so on. Families and businesses wishing to return to New Orleans will face *additional* costs. The Federal Government can help to remove this disincentive to return by creating tax credits for businesses and families who have been displaced and who return to the affected region. This would help downtown to retain many small- and medium-sized firms in key industries like oil and gas, by encouraging them to return from temporary facilities elsewhere without paying a penalty to do so.

Lastly, the Downtown Development District asks that the Federal Government commit itself to maintaining Federal agency offices and contracts for services in New Orleans. Unfortunately, despite the best efforts of local, State, and Federal Governments, New Orleans will lose many private employers in the wake of Katrina. We at the DDD hope that the Federal Government will send a strong signal of its confidence in the future of New Orleans by committing itself to the City—by maintaining job sites and contracts, and looking for opportunities to expand Federal contracting in the region where practical. This is especially important for downtown in the area of the health sciences, which are so important to downtown's success. Please assure that the National Institutes of Health and other agencies do not give up on the many great scientists and clinicians working in New Orleans on behalf of the Nation.

In closing, I thank you for visiting us here in New Orleans. It is important that you are here, on the ground, so that you can see the devastation for yourselves. I trust you have found that—even after the devastation of Katrina—New Orleans' warm and generous hospitality is still evident. We appreciate your visit and commit to work hard with the Downtown Development District to make New Orleans an even better version of itself in the future. We are committed to doing our part. We know, though, that we cannot fully recover without the assistance of the Federal Government. Thank you.

The CHAIRMAN. Thank you very much. Our last witness is going to be David Guidry.

Mr. GUIDRY. A good Irish name from the Bayou, sir.

The CHAIRMAN. Guico is your company.

Mr. GUIDRY. Yes sir.

The CHAIRMAN. I apologize.

**STATEMENT OF DAVID GUIDRY, PRESIDENT/CEO,
GUICO MACHINE WORKS INC.**

Mr. GUIDRY. Thank you. Chairman Stevens, Senator Vitter, Senator Thomas, I appreciate the opportunity to be able to stand before you today to share with you our experience. We're an oil and gas equipment manufacturer, pre-Katrina we had 60 employees turning our well heads in our factory across the river. We've been impacted many ways by the storm.

Our current workforce is now down to about 20 employees, up from 12 about a week ago. Our insurance claim is in limbo, our bank, or the U.S. mail service held up any payments to our company for nearly 7 weeks, inhibiting our ability to make payroll. Suppliers have put us on COD and the rumors are rampant that Guico Machine Works will go bankrupt. But when I listen to the problems of the gentleman talking about the fisheries, I have to tell you, my problems pale in contrast.

When I was sitting down, I was thinking about the damage that was being done to me. And I decided to deviate from my testimony to share with you something different. All my life I have been taught to believe in the American Dream and the American institutions. When I was 24 years old, I decided to pursue the dream of owning my own business. I was surprised to find that America thought it was so important that they had created an institution called the Small Business Administration, and it was as if they had created it just for me. When I went there, when no one would loan

me a dime, it was the SBA that helped us to secure a \$210,000 loan that started my business. From that, we grew it and we grew it, and 10 years ago when we needed to build a new factory, we went back to the SBA and we explained to them what our vision was, and they anted up \$1.3 million for us to be able to build that factory.

And a cash crunch came about maybe 4 years later, they came back and we were able to borrow another \$300,000. I believe in the SBA, they have been there for me. But what's happening now is quite different. Six weeks after we have applied for a loan, we have to ask these questions. Why has no one from SBA even contacted us to say they've actually received our loan package? Why has no one visited my site even to verify that I'm a legitimate business? Whether I need sustaining money, or whether I need rebuilding money? Why is it that the local office isn't even included in the loop? When we talk to them, they said everything has gone to Washington D.C. Why is my local banker not included in the process? He has been doing business with me for over 10 years and knows all of the components. My credit, my character, and all of the things that are used to judge me in being able to my validity in being able to survive as a business.

And then finally, from the technology side, why can't I even go online to look at where the status of my loan is? When I listen to all the statistics that everyone said here today, I may be one that has already been approved. I may be one that has been rejected. But the thing of it is that I have no idea. Now I have to tell you with all of my heart, I believe that the SBA is going to be there for me, because they always have. The question I have for you guys today is this. Will they be there in time?

I appreciate the opportunity to visit with you this morning, thank you all for listening to what I had to say.

[The prepared statement of Mr. Guidry follows:]

PREPARED STATEMENT OF DAVID GUIDRY, PRESIDENT/CEO,
GUICO MACHINE WORKS INC.

We are an oil and gas equipment manufacturer who was in the middle of the best sales year in our twenty-three year history. Our company had sixty employees churning out wellheads and related products in our plant located on the Harvey Canal in Jefferson Parish. Pre-Katrina our business had accounts receivable of nearly \$1,000,000 from sales of \$400,000 per month. However, after Katrina hit, our sales in September dropped to zero. In October, sales were \$80,000. The problem for my business is that for six weeks, the mail delivered no checks and while our customers are still giving us orders, we have no shop employees to fill them. We are down from 60 employees to 12 because we are having trouble making payroll. However, we have a facility full of materials and machinery that is sitting idle.

Suppliers put us on COD, core management employees had to be paid, and loan relationships had to be met. Deferments were later offered, but the auto drafts had already been taken. My community bank was underwater and is in no better shape than my business. The Small Business Administration (SBA) and its disaster loan program is our only way out of this situation. Three weeks after Katrina hit, our business attended a seminar at Southeastern University regarding the disaster procedure process. Our application for SBA disaster assistance went out one week later. Other than the reports we hear from SBA representatives at small business gatherings, we have heard nothing back from them. I have had three different prior loan relationships with the SBA and could not have built my company without their help. Their thoroughness and due diligence is to be applauded as a government agency really helping businesses in normal times. However, Katrina is anything but normal times. I have applied and been approved for normal SBA loans and they do a good

job on those, but in this emergency situation, the SBA is failing me and my business.

I am an active member of several business organizations and have chaired several of them in the region. I cannot tell you how many struggling businesses are counting on “the Cavalry” to arrive in time and help us. But, rather than seeing “the Cavalry” come down here and help, instead the running joke is that SBA disaster funded loans are like UFO’s. Everyone knows that they are out there and there have been sightings of some, but I do not know anyone who has actually seen one. That is why I was happy Louisiana started their bridge loan program. Although I have heard nothing back from the SBA for over a month, I applied for a bridge loan through the State of Louisiana program and got it within seven days. This program goes through local banks, so I just went into my local bank, a bank that knows my business and already has my credit history, and they got me a response quickly. That is how things should work, businesses need immediate capital to make repairs, make payroll and get back on their feet—in two to three months many of these businesses will be gone, maybe forever.

Let me contrast my experience with the Louisiana bridge loan program with my experience with the SBA disaster loan program. To date, we have received no acknowledgment that the SBA is even in receipt of my loan package, not to mention any word back as to when I can expect to get any funding. We knew to send our loan package certified mail, but how many business knew this? At a minimum, for the sake of customer service, the SBA should have an acknowledgment sharing some idea of the process and the length of time should have occurred. Perhaps, after receipt of a loan package, the SBA could arrange a timely site visit. This way they could have proof of a storefront to slow fraudulent claims, and then they could give an assessment of whether a re-building loan or life sustaining loan is needed.

Also, perhaps the SBA could allow businesses to use present banking relationships to help in the underwriting of the loan. Along the same lines, I suggest they use the local SBA office for greater input, as they know the local business and local landscape. Maybe they could form an “express line” process for prior SBA customers. You already know these guys so maybe that could help in the future to get businesses with a history with the SBA to process their loans quicker. For the next disaster, this would help out affected communities. If some businesses get loans, this would help other businesses in the area while they are waiting for their loans to come through.

Another suggestion that I have is to provide online tracking of the status of your loan. This way you could track when it is received, when it is being processed, and when you could expect to hear something back. They have online banking, online package tracking, the SBA should allow businesses to track the process online as well. The current system is not providing us with any information, and more importantly any certainty. Our business is making day-to-day decisions based on the availability of funds. I applied for \$1,500,000 and need some certainty. I have no idea if I will receive that amount or if I will get nothing. But at this point, given how things are going, I have to plan as if it will be nothing so my business, my family and my employees can get by. I do not have a clue on when the money is coming, if it’s coming, so I cannot plan and cannot spend a dime. If I had some certainty, I could make a business plan but this is just crazy not having funds and any certainty as to how/when I can expect to hear back!

Thank you.

The CHAIRMAN. Well, thank you very much. Mr. Perry, what you’re seeking is promotion dollars really, right? In connection with your association?

Mr. PERRY. Yes sir, on behalf of all the businesses in New Orleans, yes.

The CHAIRMAN. I’m—I’ve got to tell you, I’m not an expert in this area. Someone previously testified that nonprofits are not eligible for disaster grants. Is that your understanding?

Mr. PERRY. We believe that that is correct, but in working through the office of the Lieutenant Governor here, which is statutorily charged with the oversight of the tourism industry, there are mechanisms for us to work in partnership to do that.

The CHAIRMAN. Well, what’s your suggestion, as to who should get the money?

Mr. PERRY. We believe that the most appropriate so that it would be fully audited by the Louisiana auditors and by Federal auditors, would be to flow through the office of the Lieutenant Governor, because then you'll have all the checks and balances that would be appropriate to see where the marketing dollars were spent and for what purposes.

The CHAIRMAN. I see. Are you satisfied that the Convention Center will be restored in time for these conventions if we can assist you in getting them back?

Mr. PERRY. Sir, we believe sir. We are working on a very tight timeframe right now. We've lost over \$2 billion of business during this period. We're shooting to open June 1st of next year with the American Library Association, a 21,000 member organization, to kick off the new season. But we've lost many of our—we've lost many of our customers obviously as you can imagine over the next year. If we are able to get these dollars in for the Convention Center, we'll be able to have it opened, and fully restored and renovated, and the impact of that in the next 24 months probably is in the \$5–\$6 billion range, just on having the facility back online. Tremendous impact. And for the Mayor, what's so problematic for him is with our industry effectively shutdown right now, his entire revenue base is damaged. And that's why he's had to lay off so many people and can't provide the basic city services.

We're trying to find a way to pay for it ourselves. And so that's why we're asking for that amount of Federal assistance.

The CHAIRMAN. Thank you very much. Mr. Coleman, we all appreciate your statement, DDD is obviously very lucky to have your experience. I did not know that CON ED had gotten money directly. My staff has looked this up and we find that there was money provided to—we appropriated funds to Housing and Urban Development for the Lower Manhattan Development Corporation, which was to reimburse the utility companies for what you suggested, uncompensated costs associated with restoring services. The amount of money involved in that was \$250 million. Have you an estimate through DDD of how much money would be needed here?

Ms. COLEMAN. Are you asking specifically about the utility company?

The CHAIRMAN. The utility companies, yes ma'am.

Ms. COLEMAN. Right, I'm wearing two hats. Regarding Entergy, what I have seen, what has been asked for. I have retired, so I'm not as close, but I do talk with them all the time. I believe they are asking for a little over \$400 million for the restoration. When you look at what's happened in the City of New Orleans, it's the entire customer base of Entergy New Orleans that was impacted. Not a portion of it, but the entire customer base lost. The company lost approximately 70 percent of its customers. And we're working to restore those that are able to take service. But the restoration costs are enormous and that's why the company is asking that there be some type of Federal relief so that customers will not have to bear that burden. It would be very uneconomic, we could not try to bring business here if we didn't have a rate structure that was competitive.

The CHAIRMAN. I think you're right, there's a substantial precedent there in terms of the New York action, and we'll look into that, and hopefully be successful in assisting you. Senator Vitter.

Senator VITTER. I wanted to ask Steve Perry. Steve, we're talking a lot about the 9/11 comparison, what precisely was done for New York tourism, marketing, and branding after 9/11 and in what amounts? And I want you to specifically exclude the National Airline piece, which I would put in a different category to make the comparison a little fairer, but what was done for New York tourism, marketing and branding after 9/11?

Mr. PERRY. It was virtually the identical \$40 million for the marketing and branding side that we are asking for, it's even more critical here, as you know Senator Vitter, because tourism is important in New York, but it's just a tiny piece of their economy. Here it's disproportionately large. \$40 million came from the Federal Government on a series of grants through both the City and the State entities that were received in through the Empire State Organization. And frankly, that combined with Mayor Guiliani's pitches helped restore tourism very very quickly to New York City, and in fact, New York City's tourism base right now is the strongest it has been in probably 25 years. Here it's disproportionately critical, because so many of the employees in our tax base depend upon it and because so many of our customers are literally in here this month making decisions as to whether to come next fall, or even the spring of 2007. So, the tide is going to turn in the next 90 to 100 days and that's why it's so important for us to get this money for assistance as soon as possible.

Senator VITTER. In the New York case after 9/11, were they also helped by any donated air time, or other in kind contributions that went toward a national marketing campaign, and if so, is that same sort of private sector contribution available here?

Mr. PERRY. It is, we have already begun exploring. I'll give you an example. The New Jersey Association of Broadcasters, I mean how far away could that be from Louisiana, have offered to give us \$250,000 of free radio time in the State of New Jersey. We're doing this in nearly every state. We're going—we're doing everything we can to help ourselves right now. We're going to every other—everyone of our peers in other states and cities. We're going to every national trade organization in our business. We're going to all of our national customer bases. Those associations that meet here regularly. And Senator Vitter, we are asking for every contribution we possibly can to help re-image and re-brand us.

Senator VITTER. So therefore it's fair to say, any Federal dollars could be leveraged significantly and used as a base on which to add on these sorts of private sector contributions.

Mr. PERRY. We have a multiplier effect, and when you think about the \$40 to \$60 million that we're talking about, just for New Orleans alone, there are not many times the Federal Government can think of investing \$40 to \$60 million and getting \$5 billion of economic impact in return. And for us it's the life and breath of our businesses now.

Senator VITTER. David Guidry, I really appreciate your comments about the SBA because that has been a big focus, and quite frankly, a huge frustration of mine. And we've heard that from you,

unfortunately we've heard it from a whole lot of business folks. I just want to repeat that tomorrow morning, the Senate Chair of the Small Business Committee is having a hearing exactly about the frustrations you're talking about: Slow time line, lack of approved loans, et cetera, so I'm certainly hopeful we're going to begin to get SBA's attention. But could you also speak to this proposal for bridge loans, because it's my understanding that even if the SBA were working in a very timely manner, their normal menu of loans and options would have some gaps in it. In terms of the current needs of small business on the ground here, and that's what this bridge loan proposal is designed to fill in, could you speak to that a little bit.

Mr. GUIDRY. Yes sir. The uncertainty. And guys, I want you to walk in my shoes for a second. OK. I'm trying to plan the destination of a company that employs 60 people. And we need to figure how we're going to be able to make it through what we consider this next 6 months. And obviously, the choices that we're going to make will have a lot to do on the amount of capital we will have available to us. The 90-day suspension of payments that nearly every long term creditor we have will run out, in the end of December.

We have those immediate needs of maintaining what we call our intellectual capital. The top people in the company that keep us running. Then the second component is incentives to help to lure our people back. We have some folks that are in Houston that will be lured back via housing, lured back via some economic incentives, and even our ability to be able to compete with what has just become this wild wage scale that has occurred inside New Orleans. So a bridge loan that would help us to be able to stem the tide of the bleeding that occurring in the company right now, knowing that the cavalry will come in 90 days, 180 days. Or even if I just know that the cavalry won't come. It will allow our decision process to make our company survive. Because we—I'm an entrepreneur, I will survive. I'm not interested in business grant. I'm a for profit operation. OK. Whether—if I could get a loan from the bank that would be fine. It's just that SBA has always marketed itself as having this disaster loan component. A safety net that we just always felt that we could count on.

Well, we've done our part in the disaster side, OK. It is now—to like this safety net was going to kick in for us. And so it's the uncertainty. The bridge loan, speedy, it involved people in the process who know me. It was done via our bank which made it a lot simpler. And I've got to tell you our bank knows which—our banks here in the area know how to perform what we call battlefield triage. Which companies are savable. Which companies need working capital to exist just 90 days, which companies need it for 180 days. And everybody's not going to survive and the local banking industry knows that. And the SBA has done itself a disservice by not employing that institution.

Senator VITTER. Do you have any particular insight to why the SBA has been so slow moving on this, is it just being purely overwhelmed by the numbers not having the people, or what's going on?

Mr. GUIDRY. I don't know, you know. The running joke on the SBA funded disaster loans is like UFOs, we all believe they're out there. There have been even sightings of some. But I don't know a soul who's ever seen one. And so we—I can't speculate on it Senator, it's kind of mind boggling to be honest.

The CHAIRMAN. Mr. Guidry, I was in Alaska at the time, the 1964 earthquake, and had a small business, a law firm, and the house was substantially damaged. I applied to the SBA and for each—for a loan for each operation and was turned down. And a little while later, well they got it back—I petitioned for a review they got back to looking at it. And it was the sheer number of people involved. So I hope you don't lose hope, I didn't. And I went back again and got my loans and survived obviously. But these people are now dealing with a disaster area from Mississippi, Louisiana, Florida, Texas, and Alabama. All these disaster areas all at the same time. So it's a massive problem to deal with individual applications. And I learned that it's a problem waiting. So I hope you not lose heart. And I hope that they will come around. We're going to have that hearing tonight. But very clearly, the numbers involved in these disasters now, are the greatest in history. I hope we all keep in mind that there are human beings at SBA too, and they are just overwhelmed.

Senator Thomas?

Senator THOMAS. Mr. Chairman, thank you so much for allowing us to come and be here. This has been an excellent experience for us. We've heard a lot about the problem, and of course, we have some in our states, not nearly the size of this one, so it's an experience. And you've done a great job in helping us understand it. I appreciate your comments about SBA. I hope we can move along with these kinds of things. Mr. Perry, tourism is a major thing in my state. It's one of our three highest things, so I understand what you're saying. So I'm going to go back and feel very strongly about assistance here and doing the things that we can do to be helpful, and I think most people do.

Senator Vitter has done a great job, and Senator Landrieu also, in promoting what needs to be done here and helping us to understand it.

Just for your own information, you need to understand as we go back, it's not going to be as easy a job as you might think. I mean take a look at what we're doing now, we're talking about the highest deficit we've had in this country for a very long time. We're talking about that we just last week reduced spending by \$35 billion, and so we're trying to keep a hold of spending and we should. We have to do that. We're trying to keep the economy strong by not raising taxes and so on to do that. So we're looking at health care costs that are going to be going up. So all I'm saying to you is, I think that we're committed, but it isn't going to be the easiest thing in the world to be able to do this. And when we do it, we will provide these things basically that you're talking about here. I think we have to have accountable spending, we need to know where that money's going, who's responsible for it. We've had some experience in these kinds of places where the spending has not been watched. And I think that's very important, people feel strongly about that. We need to make the best choices for spending

so that what's spent here, and you're going to be very key to that, as to what's most effective for now and for the future. And there has to be leadership in this process so that somebody is accountable and somebody is responsible. And from our standpoint, one of the keys is going to be accountability and what the Federal Government's doing. That's part of our job as well.

So you know, I see it kind of like a family or a business. When you have an emergency you have to deal with it, and take care of it. At the same time you have to take care of your family and then you have to start looking for ways to offset those costs. And those are kind of the challenges that we're going to have. So I just want to thank you all for what you've provided for us, I feel much more comfortable, as I go back and working with Senator Vitter, to work forward to trying to give some assistance to you all to get your economy back in place.

Thank you so much for your efforts to help enlighten us.

The CHAIRMAN. I also want to thank the court system for allowing us again, to use this room for our hearing. We'll be leaving here in a few minutes and take our helicopter trip and see more of the damage. I said yesterday, I've seen typhoons and hurricanes, and earthquakes, and tsunamis and great fires that covered million of acres. But I've never seen anything like that devastation we saw yesterday.

So we'll be working with you, but I don't know how to say this, but Rome wasn't built in a day, and you can't rebuild New Orleans in a day either. It's going to be a long haul, but we will be with you all the way. Thank you very much.

[Applause].

[Whereupon the hearing was adjourned]

A P P E N D I X

GULF OF MEXICO FISHERY MANAGEMENT COUNCIL
Tampa, FL, October 7, 2005

Hon. THAD COCHRAN,
Chair,
Senate Committee on Appropriations,
Washington, DC.

Hon. TRENT LOTT,
Member,
Senate Committee on Finance,
Washington, DC.

Dear Senator Cochran and Senator Lott,

Thank you for your letter asking the Gulf of Mexico Fishery Management Council to recommend projects to rebuild fisheries and their associated infrastructure in the Northern Gulf of Mexico.

At our October meeting in St. Petersburg, Florida, the Council discussed your request and developed the attached list of recommendations. All three Council members from Mississippi attended the meeting, and our discussion was greatly informed by their experiences.

The Gulf of Mexico Fishery Management Council is taking deliberate action to address overcapitalization and overfishing in several Gulf fisheries. Shrimp and red snapper are overcapitalized. Red snapper is also overfished. In addition, the charterboat sector is overcapitalized, targeting reef fish and mackerel. Inventories are incomplete, but many vessels in these three fisheries have been damaged or lost in the northern Gulf. A voluntary buyout of vessels and permits in these fisheries would help fishermen who choose to exit the fishery following the storms, and, at the same time, would reduce overcapitalization and support recovery of overfished reef fish.

The storms damaged trawling gear, and a replacement program providing nets with the most effective turtle excluder devices (TEDs) and bycatch reduction devices (BRDs) will reduce bycatch in the shrimp fishery.

Docks, fish houses, ice plants, and freezers have been lost and damaged, and fishermen are scrambling to find places to land their fish. Federal relief funds could fill the gap between insured losses and the funds needed to rebuild docks and high quality handling facilities that will bring Gulf seafood to customers.

Over the next months, fishermen could be employed to work with NOAA and the Coast Guard to locate and remove hurricane debris from state and Federal waters and conduct research on the effects of the storms. Longer term, fishermen can work as observers, collecting crucial data to improve fishery management.

The Council has identified vessel monitoring systems, electronic logbooks, and improved bycatch reduction devices, as important tools for responsible, science based management of the shrimp and reef fish fisheries in the Gulf of Mexico. Our management plans call for vessel owners to purchase these tools, which will be difficult for fishermen in financial crisis. We also have a strong need for observer data in these two fisheries, and have asked NOAA to fund observers. Congressional funding of these management tools would be a tremendous boost for sustainable fishery management in the Gulf of Mexico.

Thank you again for considering the attached recommendations, and, thank you for your leadership on these issues at this moment of crisis. Our Gulf Council and NMFS staffs can provide rough estimates of costs for many of these recommendations, and I encourage you to work with them as your committee explores way to restore and recover Gulf of Mexico Fishery Infrastructure.

Sincerely,

JULIE MORRIS,
Council Chairman.

RECOMMENDATIONS TO CONGRESS ON GULF OF MEXICO FISHERY RESTORATION
PROJECTS—ENDORSED BY GULF OF MEXICO FISHERY MANAGEMENT COUNCIL,
OCT. 6, 2005

Overall goals: Compassionate relief response; restore fishing infrastructure; address overcapacity and overfishing through voluntary buyouts and gear improvements; employ fishermen in clean-up and research; provide retraining for fishermen leaving the fishery; add improved management tools to the fishery.

Restoration and Recovery of Fishing Infrastructure

1. Fully fund a voluntary buy-back program for vessels and permits in federally managed Gulf fisheries with limited entry. Vessels bought-back would be scrapped and permits would be permanently retired. The Council's first priority is for shrimp vessels and permits, second priority is for red snapper vessels and permits, and third priority is for charterboat vessels and permits. (Shrimp Amendment 13, currently under Secretarial review, will limit entry by a moratorium on permits, but implementing rules will not be effective until 2006. Congress may need to expedite the moratorium.)

2. Provide funds for replacement of hurricane damaged gear (not including vessels) with best available gear to reduce bycatch and minimize habitat damage (turtle excluder devices)—TEDs—and bycatch reduction devices—BRDs, etc.).

3. Provide funding to dealers/processors to cover the gap between insurance payouts and the cost of rebuilding damaged and destroyed fish houses, freezers, and related infrastructure using best available technology to improve handling and processing of Gulf seafood. Ensure that fishery infrastructure persists in strategic geographic areas to support the managed Federal fisheries in the northern Gulf.

4. Provide funding to NOAA for a two-year sonar project to map hangs and locations of hurricane debris. Also provide funding to contract with fishing vessels to remove hurricane debris from state and Federal waters. Finally, provide funding to remove damaged and destroyed fishing vessels, with special attention to fire and environmental hazards from vessel fuel leaks.

5. Provide job retraining for fishermen who want to voluntarily leave the Gulf fishery.

6. Provide funding to the southeast Cooperative Research Program to support research carried out over the next three years by commercial vessels.

7. Waive cost recovery in red snapper IFQ for three years by providing direct allocation to NMFS for administering the program.

8. Waive minimum income requirement to renew permits for three years for fishermen whose vessels or fish houses were damaged or destroyed.

Rebuilding for Sustainable Fisheries Management

1. Provide funds to pay for VMS for all federally permitted commercial reef fish vessels.

2. Provide funds to pay for VMS for all federally permitted shrimp vessels.

3. Pay for three-year observer programs in the Gulf EEZ commercial shrimp fishery and commercial reef fish fishery.

4. Provide funding to train shrimp fishery observers and reef fishery observers.

5. Provide funding to speed the implementation of the red snapper IFQ and the grouper IFQ.

6. Provide funds for replacement of all shrimp trawling gear in the fleet with best available gear to reduce bycatch and minimize habitat damage (TEDs and BRDs, etc.).

Additional comments: Many Gulf fish stocks depend on northern Gulf coastal habitats. A comprehensive program of habitat restoration, particularly restoration of vegetated wetlands and barrier islands, will be important. In addition, seafood consumers need to be reassured that the majority of Gulf seafood is unaffected by Hurricanes Katrina and Rita—the seafood reaching markets has been tested and is safe for consumption.

November 7, 2005

Dear Louisiana Senators, Congressmen and State Officials:

We are writing to you as a group of tuna/swordfish fishermen with homeports in Dulac, Leeville, and Venice comprising a total of about 40 commercial fishing vessels, our dock dealers and related businesses. Venice is essentially "wiped out" from Katrina as far as fishing is concerned now. While the damage in Leeville is exten-

sive from both Katrina and Rita, Dulac was horrendously flooded with 4 to 5 feet of water from Rita.

Prior to Hurricane Rita's arrival, Dulac was officially declared a mandatory evacuation town where the majority of the fishing boats dock. And sure enough, local officials were correct 100 percent. While a mass evacuation puts extensive responsibilities on elected officials such as providing the means to get the community out both safely and timely, the right decision saved many lives, as we all know from Katrina.

Lives are saved, but many businesses are not.

The financial impact of these two monsters on our businesses is exponential. We know that the budget situation is very tight and that you are doing everything that you can to help Louisiana in the face of this. But we are not asking for every dollar we have lost. We are writing to you today as boat owners, deckhands, dock dealers, trucking companies, and others desperately seeking whatever immediate financial assistance you can find to help us rebuild our lives. Through our fisheries association, we know you have been working hard on this and we are very thankful for your kind efforts. We just want to make sure you are aware of our particular fishery's situation.

We, as Louisiana fishermen, supply more domestic fish from tuna/swordfish longline fishing boats to seafood wholesalers around the country than any other Gulf State. Our Louisiana fleet comprises at least half of the overall U.S. Atlantic tuna/swordfish fleet. Our captains and crews are scattered around in evacuation centers throughout the Gulf States, primarily in Houston. Those who have returned cannot go fishing until their families have shelter. Some await insurance surveys before they can return to work. Because their New Orleans homes were destroyed or rendered uninhabitable, they have no opportunity to return to fishing without abandoning their families. As a major fish-supplying region, Louisiana cannot afford to lose these hard working fishermen.

As Louisiana fish dealers, our fish houses have had nearly no production for over three months. Insurance will not cover our losses because our buildings remain intact. But no production is still out of business.

As seafood truckers and related service and supplier businesses, we need the boats to go back fishing and the fish houses return to activity.

- We desperately need immediate mobile trailers so our captains, crew and families can return home and to work. If necessary, such trailers can be placed on existing dock dealer properties in Dulac and Houma.
- We desperately need the necessary insurance surveys of our New Orleans homes completed as quickly as possible. Some captains and crews are forced to remain onshore just in case the surveyor arrives.
- We desperately need at least temporary relief from restrictive fisheries regulations such as the restriction on using live bait, incidental swordfish trip limits and closures to protect what is now a fully recovered swordfish stock. These restrictions are unnecessary while we strive to rebuild our lives and businesses.

Just like the shrimpers and oyster boats, we also have a lot to recover and we know that it involves a lot of work ahead from us. Please don't let anyone forget about our longline fishery including the Louisiana Seafood Promotion Board. We are a very important fishery and we are also working very hard. But we desperately need your help to provide us with the means to recover. We heard that the Commerce Department declared our fishery as a disaster so we could receive help but we haven't heard anything from them since.

We are also proud members of the Blue Water Fishermen's Association who continue to work hard to represent our interests to you. If you need more information, please contact the Executive Director, Nelson Beideman at 609-361-9229, P.O. Box 398 Barnegat Light, NJ 08006, e-mail nelson@bwfa.org. If he cannot answer your questions, he can make direct contact with any of us.

We thank you so . . . so very much for thinking of us during this difficult time.

Respectfully,

Dock Dealers

Ken Trinh, Jensen Tuna, Inc., Dulac/Houma, LA
 Vinh Tran, St. Vicent Seafood, Inc., Leeville, LA
 Tuan/Khai Nguyen, Sharko Seafood Int'l, Venice, LA
 Steven Le, Steven's Seafood, Inc., Dulac, LA
 Steven Loga, Warehouse Food Group, Dulac/Gretna, LA
 Larry Loga, Tuna Fresh, Inc., Venice, LA
 Michael Nguyen, TUNACO, INC., Dulac, LA
 Archie Dantin, Griffin's Seafood, Leeville, LA

Boat Owners

Mien Nguyen, F/V Night Star II, New Orleans, LA
 Peter Tran, F/V Queen Mary, New Orleans, LA
 Tuc V. Nguyen, F/V Red Fin, Gretna, LA
 Tung "Jim" Nguyen, F/V Peaceful Lady-Red, Chalmette, LA
 Han Nuoi, F/V Master Ray, Chalmette, LA
 Duong Nguyen, F/V St. Joseph & Peter, New Orleans, LA
 John Le, F/V Sea Queen III, Houma, LA
 Tom Huynh, F/V Morning Star, New Orleans, LA
 Michael Pham, F/V Thuan Loi, New Orleans, LA
 Cuc Huynh, F/V Kim Thanh II, New Orleans, LA
 Peter Nguyen, F/V Blue Sea I, Kenner, LA
 Suong Tran, F/V Tran Brothers, Gretna, LA
 Phan Nuoi, F/V Kim Nhi, New Orleans, LA
 Loi Nguyen, F/V Capt. Robinson, Cut Off, LA
 Thien Nguyen, F/V Queensland, New Orleans, LA
 Anna Bui, F/V Lillian, New Orleans, LA
 Khanh Huynh, F/V Miss Lena, New Orleans, LA
 Andy Nguyen, F/V Capt. David, Kenner, LA
 Diem Le, F/V Victoria, New Orleans, LA
 Ban Van Nguyen, F/V Cecilia II, New Orleans, LA
 Tu Le, F/V Sea Queen, Houma, LA
 Hoa Nguyen, F/V St. Maria, New Orleans, LA
 Lan Tran Nguyen, F/V Our Lady of Lavang, New Orleans, LA
 Suong Quang, F/V St. Peter, Gretna, LA
 Hung Viet Tran, F/V DeQueen, New Orleans, LA
 Phuc Truong, F/V Kim Thanh-PN, New Orleans, LA
 Luu Nguyen, F/V Capt. Luu, Dulac, LA
 Dong Tran, F/V Kenny Boy, New Orleans, LA
 Kinh Tran, F/V Capt. Michael, Dulac, LA
 Thien Nguyen, F/V St. Joseph, New Orleans, LA
 Tony Nguyen, F/V St. Benedict, Houma, LA
 Hanh Tran, F/V Alexander, New Orleans, LA
 Ba Truong, F/V Capt. Mike, Houma, LA
 Kinh Tran, F/V Capt. Johnny, New Orleans, LA
 Phuong Nguyen, F/V Lien Hiep, Woodlawn, LA
 Trinh Nguyen, F/V Star Sea, Woodlawn, LA
 Minh Dinh Nguyen, F/V Captain Paul, New Orleans, LA

Trucking Companies

Terry Gold, Panda Trucking Express, Houma, LA
 JJ Conway, Seacap Trucking, Inc., Jessup, MD
 Meade/Harry Amory Trucking Hampton, VA

Diesel Fuel Suppliers

Al Waguespack, Waguespack Oil Co., Thibodaux, LA
 Jean Lamont, Tri-State Oil Co., Belle Chasse, LA

Diesel Fuel Services

Tien Le, LL & T Ice & Fuel, Dulac, LA
 Electronics Supplier/Services
 Ron, EMT Electronics, Inc., Houma, LA

Mechanics

Richie/Joe, S & H Diesel, Inc., Houma, LA
 Robert Lirette, Lirette's Diesel Service, Chauvin, LA
 Gary, Diesel Tech, Inc., Houma, LA

Diving Service

Timmy Price, Diving Service, Chauvin, LA
 Scott Diaz, Scott's Diving Service, Dulac, LA

Drydock and Shipyard

Donald Bourg, Bourg Marine Services, Dulac, LA
 Steven, Bayou Grand Marine, Dulac, LA

Hardware Supplier

Sandy/Chris, Bayou Hardware, Inc., Dulac, LA

Generator and Parts Supplier

Dave Landry, M & L Engines, Inc., Houma, LA

Fishing and Tackle Supplier

Eva, Alario Brothers Marine Supply, Inc., Westwego, LA

Foam Insulation

Charlie LeCompte, LeCompte Insulation, Inc., Houma, LA

(Also there are numerous Deckhands, out of state Tuna vessels who use Louisiana ports, and many additional tuna boat service/supply companies in Louisiana and out of state, whose names can be provided upon request.)

