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In Shift, FEMA Will Seek Bids For Gulf Work

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WASHINGTON, Oct. 6 — The head of the Federal Emergency Management Agency told a Senate panel on Thursday that the agency would seek new bids on \$400 million worth of contracts that had originally been awarded with no competition in the Hurricane Katrina recovery effort.

In announcing the move, R. David Paulison, the agency's acting director, responded to sharp criticism after FEMA suspended normal contracting rules in the frantic first days of trying to help storm victims and rebuild the Gulf Coast.

The contracts up for bidding — worth up to \$100 million each — were awarded to four giant firms specializing in construction, engineering and consulting, said Nicol Andrews, an agency spokeswoman. The businesses have long records of work for the federal government, and some have executives or lobbyists with close ties to the Bush administration.

Mr. Paulison did not indicate that his agency had found anything inappropriate in the contract awards, but he appeared to agree with critics who have warned that awarding contracts without bids could result in abuse and waste.

"I've never been a fan of no-bid contracts," Mr. Paulison said in an appearance before the Senate Homeland Security and Governmental Affairs Committee. "All of those no-bid contracts we are going to go back

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and rebid."

Agency officials acknowledged that they had rushed in awarding the contracts and say they now have time to reconsider them. They can re-open the process because the four companies have already exceeded a \$50,000 minimum threshold that allows the agency to terminate the deals. The recovery effort will not be slowed during the bidding because the contractors will continue to perform work, agency officials said.

The four contracts up for rebidding were awarded early last month to The Shaw Group of Baton Rouge, La., Fluor Corporation of Aliso Viejo, Calif., Bechtel National of San Francisco and CH2M Hill of Denver. They have already won commitments from FEMA for a total of \$125 million in work, identifying sites for trailers and mobile homes for Hurricane Katrina evacuees and then installing the housing across Louisiana, Mississippi and Alabama.

Government watchdog groups have been raising questions from the moment these contracts were awarded. The Shaw Group's lobbyist is Joe M. Allbaugh, the former FEMA director and a friend of President Bush. Bechtel has ties to the Republican Party; George Shultz, the former secretary of state under President Ronald Reagan, is on the corporation's board, and Riley P. Bechtel, the chairman and chief executive, served on President Bush's Export Council.

In discussing the decision to suspend the no-bid contracts, Mr. Paulison was responding to questions from Senator Joseph I. Lieberman, Democrat of Connecticut.

"It sure looks, with hindsight, that FEMA would have been in a much better position if it had had a lot of contracts in place that had been bid that were standby contracts to provide exactly the kind of services that FEMA rushed in to provide on a no-bid basis," Mr. Lieberman said. He said "taxpayers may have ended up paying more money" than they should have.

Mr. Paulison sought to reassure the senator, saying, "We can put things in place for the future where we will not have to depend on no-bid



Doug Mills/The New York Times

R. David Paulison, acting director of the Federal Emergency Management Agency, plans to reopen contracts.

Since Hurricane Katrina hit, leaving hundreds of thousands homeless, FEMA has signed contracts for more than \$2 billion in temporary housing, including more than 120,000 trailers and mobile homes.

Mr. Paulison's appearance before the Senate came the same day the House voted, 347 to 70, to approve on the Department of Homeland Security's 2006 fiscal-year budget, which reduces financing for the Federal Emergency Management Agency by 12 percent, to \$2.6 billion. The Senate is expected to vote on the department's overall \$31.9 billion budget soon.

Part of the reduction reflects emergency appropriations Congress has already made to cover hurricane-related costs and a reorganization requested by the secretary of Homeland Security, Michael Chertoff. The reorganization would transfer some duties from FEMA to other agencies. But the base budget for FEMA — including financing for its response to disasters and for programs aimed at reducing damage from future hurricanes or earthquakes — was trimmed in the measure passed Thursday night.

That evoked immediate criticism from emergency management experts.

"It's difficult to understand the

logic behind another round of budget cuts to FEMA at the same time Congress is questioning their ability to respond to future disasters," said Trina R. Sheets, executive director of the National Emergency Management Association.

The overall budget for Mr. Chertoff's department will go up 4 percent, in large part because of extra spending to enhance border enforcement efforts.

The Homeland Security budget adopted by the House Thursday evening includes \$1.3 billion more than President Bush had requested. Despite calls for an increase after the bombings in London this summer, the bill includes \$150 million in grant funds for transit system nationwide, the same amount as this year. The bill includes \$4.6 billion for aviation security, \$7.8 billion for the Coast Guard and a total of \$9 billion for Customs and Border Protection and Immigration and Customs Enforcement.

contracts for future use."

Spokesmen for Bechtel and Fluor said Thursday that they had no objection to the agency's competitive bidding plan. They also defended the original contract awards, saying their companies were selected based on their ability to perform the work, not on any connections the company's executives might have.

"If FEMA decides to rebid contracts, we certainly will accept their decision to do so," Howard N. Menaker, a spokesman for Bechtel, said.

Critics said they welcomed the decision to reconsider the deals, but questioned why the effort did not include some no-bid contracts awarded by the Army Corps of Engineers.

"Competition benefits the federal government and taxpayers and allows us to get more value for the goods or services that the government purchases," said Scott Amey, general counsel to the Project on Government Oversight, a nonprofit group that investigates federal contracting.