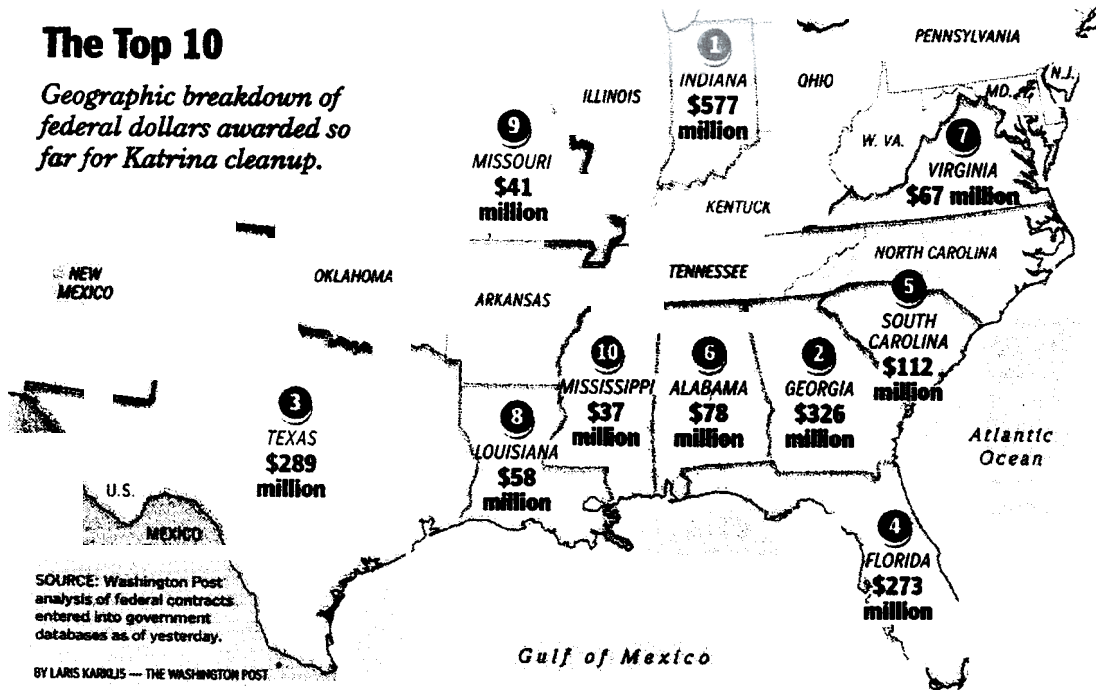


TUESDAY, OCTOBER 4, 2005

The Top 10

Geographic breakdown of federal dollars awarded so far for Katrina cleanup.



THE GULF HURRICANES

Gulf Firms Losing Cleanup Contracts

Most Money Going Outside Storm's Path

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Washington Post Staff Writers

Companies outside the three states most affected by Hurricane Katrina have received more than 90 percent of the money from prime federal contracts for recovery and reconstruction of the Gulf Coast, according to an analysis of available government data.

The analysis by The Washington Post takes into account only the first wave of federal contracts, those that had been entered in detail into government databases as of yesterday. Together they are valued at more than \$2 billion. Congress has allocated more than \$60 billion for the recovery effort, and the ultimate total is expected to rise far higher.

But already the trend toward out-of-state firms is clear, despite pledges by administration officials that federal funds for Katrina relief will become an engine of local economic redevelopment. Among the contracts analyzed, 3.8 percent of the money went to companies that listed an Alabama ad-

dress, 2.8 percent to firms in Louisiana and just 1.8 percent went for Mississippi contractors. Taken together, that amounts to less than \$200 million.

The lack of contracts for firms in the devastated area has angered local political and business leaders who say they fear that even with the massive commitment of federal money, the region's recovery will be stymied if funds primarily flow into the pockets of large, out-of-state corporations. It has also raised the ire of small-business advocates, who say the government has tilted the playing field against the companies that most desperately need the work.

"The large federal agencies know the large, national corporations — people who have access. The smaller, local companies do not have that access," said Rep. Charles W. "Chip" Pickering Jr. (R-Miss.). "So the large corporate players are getting the contracts. And the small, local ones that need to put people back to work are at a disadvantage."

The Department of Homeland Security esti-

"The large federal agencies know the large, national corporations."

Rep. Charles W. "Chip"
Pickering Jr.

See CONTRACTS, D3, Col. 1



BY ETHAN MILLER — GETTY IMAGES

Workers from Sullivan Trucking Co. of Kentucky, a FEMA contractor, clean debris from homes in New Orleans.

Cleanup Contracts Skirt Gulf

CONTRACTS, From D1

mates that as of early last week, 72 percent of the \$1.6 billion that the Federal Emergency Management Agency had committed so far to contracts for Hurricane Katrina relief went to small firms nationwide in either prime or subcontracts, said department spokesman Larry Orluskie. But he said only 6 percent of the funds have gone to companies in Louisiana, Mississippi and Alabama — a region where small firms make up a disproportionately large share of the economy.

"Considering the amount of devastation, having 6 percent capable of doing it is pretty good," Orluskie said. "But we want more."

FEMA spokeswoman Mary Margaret Walker said the agency is trying to direct work to small firms based in the Gulf Coast as a way to bring back economic vitality.

But contracting-law experts say the government is failing so far and that its failure is unsurprising given a contracting system that favors corporate giants over mom-and-pop businesses.

In the first few weeks after the storm, most contracts were awarded based on limited competition, or none at all. To fill those contracts, overstretched government acquisition officials usually turned to companies they knew well, providing them with large, catch-all deals on the theory they are easier to manage than numerous small contracts, according to Danielle Brian, executive director of the Project on Government Oversight.

Economic Toll of Rita and Katrina

Manufacturing Demand

U.S. manufacturing activity was strong in September and construction spending rose at a record rate, primarily driven by demand following Hurricane Katrina. The Institute for Supply Management said its monthly index of manufacturing activity for September was 59.4, compared to 53.6 in August.

ELECTRICITY

482,724

customers are without power in Louisiana and Texas.

TELEPHONE

146,000

BellSouth lines are out of service as a result of Katrina and Rita.

OIL AND GAS PRODUCTION

IN THE GULF

4 refineries are off line because of Katrina-related damage.

8 refineries are shut down as a result of Rita; four are in the process of restarting.

93% Gulf's oil production down from normal levels.

75% Gulf's natural gas production down from normal levels.

GAS PRICES

Average per gallon for regular unleaded

	U.S.	Metro area
Yesterday	\$2.938	\$3.087
Friday	2.922	3.070
Change	+\$0.016	+\$0.017

COMPANIES

» Goodyear Tire & Rubber Co., the largest U.S. tire maker, said it temporarily cut tire production by 30 percent in response to supplier reductions caused by Hurricane Rita.

SOURCES: AAA, Energy Department, Minerals Management Service, Reuters, Bloomberg, BellSouth

GRAPHIC BY THE WASHINGTON POST

George Washington University contracting law professor Steven L. Schooner said lawmakers have taken actions since Katrina hit that have disadvantaged small firms.

For instance, Congress approved an increase in the maximum officials could charge to government credit cards in an emergency from \$15,000 to \$250,000. The change, Schooner said, allowed government officials to quietly make significant, no-bid deals with Fortune-500-size corporations for work normally set aside for small firms. Yesterday the administration backtracked and brought the limit back down to its traditional level.

Meanwhile, many local firms that want to work with the government say they continue to meet with frustration. Kendall Prewett said he has been trying for weeks to get government subcontracting work for his Mississippi-based debris removal firm, B & P Enterprises, but that neither the government nor the prime contractor, Florida-based AshBritt Inc., is returning his calls. "I don't understand why all these people not from here are working, and the Mississippi contractors aren't," he said.

AshBritt referred requests for comment to the U.S. Army Corps of Engineers, which said it is encouraging the award of subcontracting work to local companies.

Rep. Bennie Thompson (D-Miss.) last week asked for a federal investigation into a no-bid, mobile classrooms contract awarded to an out-of-state company that is subcontracting much of the work. He said the job could have been done directly by an in-state firm for roughly half the price.

Thompson said many small firms risk going out of business if they don't get work in the reconstruction. "All of these things being done in the name of speeding things up are going to end up having an adverse effect on the recovery," he said.

The Institute for Business and Home Safety, an insurance industry trade group, estimates that 25 percent of businesses that close during a disaster will not reopen.

There are signs the government is trying to do more to funnel contracts to small firms. FEMA has begun holding outreach events, and the Homeland Security Department is referring companies to its Web site, www.dhs.gov/openforbusiness, for more information about obtaining contracts. It also says it is encouraging prime contractors to use local firms.

The Baton Rouge-based Shaw Group Inc., which has about 18,000 employees and \$3 billion in revenue, has emerged as the largest local prime contractor involved in Hurri-

cane Katrina relief. In addition to helping build temporary housing for displaced residents, the company has a contract to help repair levees and to pump water out of New Orleans.

The company is subcontracting "a very high percentage" of its work, said spokesman Chris D. Sammons. More than 80 percent of the subcontractors are from Louisiana and about 60 percent are small businesses, he said. "Our guys are the managing engineer types — they plan the work, they oversee the work, they write the specs," Sammons said. But subcontractors execute a lot of the actual work, he said.

For example, Sammons said, Shaw hired Louisiana firms Boh Brothers Construction Co. LLC and Cajun Constructors Inc. Another major Katrina contractor, Halliburton Co., is using subcontractors heavily, with 76 percent of them coming from Louisiana or Mississippi, according to spokeswoman Melissa Norcross.

Even so, the overall small percentage of contracts with local firms "suggests a lack of advance planning to tap local small business partners in an effective disaster response strategy," Sen. Olympia J. Snowe (R-Maine), who chairs the Committee on Small Business and Entrepreneurship, said in a statement.