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HURRICANE KATRINA: WHAT CAN THE GOVERNMENT LEARN FROM THE PRIVATE SECTOR'S RESPONSE?

HEARING

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

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HURRICANE KATRINA: WHAT CAN THE GOVERNMENT LEARN FROM THE PRIVATE SECTOR'S RESPONSE?

WEDNESDAY, NOVEMBER 16, 2005

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:04 a.m., in room 342, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Committee, presiding.

Present: Senators Collins, Voinovich, Lieberman, Akaka, Carper, and Pryor.

OPENING STATEMENT OF CHAIRMAN COLLINS

Chairman COLLINS. The Committee will come to order. Good morning.

Today, the Committee continues its investigation into the preparation for and response to Hurricane Katrina. Our focus this morning, at our seventh hearing, is on the effective actions taken by the private sector before, during, and in the immediate aftermath of this disaster, and what Federal, State, and local governments can learn from the private sector.

In the first hours and days after Katrina struck, drinking water, food, and other vital supplies poured into the devastated cities and towns of the Gulf Coast. Building materials, tools, generators, and trained personnel were brought to the front lines of the disaster to provide shelter, to reopen roads, and to restore essential services.

This remarkable performance was not the result of a coordinated effort across all levels of government. Rather, it was the result of individual efforts by businesses large and small, efforts that were not directed by a central command, but rather by a common purpose.

Not only were businesses able to recover and reconstitute quickly, but they were also able to provide supplies, equipment, and food and water to aid in the recovery of the local communities—something for which they should be commended. We are here today, however, to learn how they were able to respond so quickly and so effectively when government did not.

At our hearing last week, we examined the actions of the principal government agency that responded with similar speed and effectiveness, the U.S. Coast Guard. As we will learn from our wit-

nesses today, their businesses and the Coast Guard share some crucial characteristics that resulted in success.

Like the Coast Guard, these businesses prepared for this disaster by learning the lessons of previous disasters and by configuring their disaster preparation and response capabilities accordingly.

They prepositioned their assets and personnel out of harm's way so that they would be available to deploy as soon as conditions allowed. They brought in assets and personnel from other locations to assist. They anticipated the failure of conventional communications systems and took measures to overcome those failures. And perhaps most important, they empowered their front-line leaders with the authority to make quick decisions and to take decisive action.

There is, of course, a fundamental difference between the Coast Guard and the private sector. The Coast Guard's core mission is to protect the American people. The core mission of a business is to maintain its operations and its ability to provide useful goods and services to consumers. But by protecting their assets and personnel, and by taking steps to restore their operations so quickly in the storm zone, these companies were positioned to help others and to serve society as a whole.

Our witnesses today represent four business sectors that played key roles in Katrina relief: Retail, hospitality, power, and technology. Although their individual experiences differ, they share key success factors of strategic planning, tactical preparation, and front-line decisionmaking.

As a result of those factors, Wal-Mart was able to use its massive and highly efficient distribution network to get needed commodities to those who had lost everything in the storm.

Starwood Hotels used its extensive experience in hurricane-prone regions to become an invaluable source of shelter during Katrina, never completely shutting its doors and leading New Orleans hotels in returning to full operations.

Mississippi Power is a company that, of course, was unable to move its assets out of the storm's path, and almost every piece of its infrastructure was devastated. Yet, because it prepared for just such a possibility, the company was able to get back up and running ahead of any reasonable expectation.

Through extensive planning, IBM recognized that restoring communications would be essential in the aftermath of any disaster. From prioritizing expertise in immediate humanitarian relief to helping displaced workers find jobs, IBM's communications expertise has greatly assisted the recovery.

The outpouring of generosity, the demonstration of competence, and the unleashing of initiative by Americans—whether individuals or businesses—have been the bright spots in a story that has, in far too many other ways, been discouraging. The quick and efficient delivery of private sector relief to Katrina's victims was not, however, a matter of luck. It was the result of planning, preparation, and action.

We have much to learn from the private sector, and we must do all that we can to apply those lessons to the operations of government.

Senator Lieberman.

OPENING STATEMENT OF SENATOR LIEBERMAN

Senator LIEBERMAN. Thank you very much, Madam Chairman. Thanks to the witnesses for being here. I look forward to their testimony. Thanks, Madam Chairman, for convening this seventh hearing on our ongoing investigation into the preparations for and response to Hurricane Katrina.

Today, as you have indicated, we temporarily turn away from examining the role of Federal, State, and local agencies and focus instead on the role of private companies that were prepared and uniquely positioned to help save lives in emergencies like this one, companies like those represented before us today. And, of course, we are focused, as you have said, also on what government might learn from what these companies prepared for and did after Katrina struck.

In some areas hit by the storm, stores like Wal-Mart, Target, and Home Depot were virtual lifelines for dazed and bereft citizens who were fortunate enough to have survived Katrina's wrath. These companies and their employees became key distribution points for food, water, clothing, generators, and other supplies because they were prepared and because they had the capacity to do what they do every day, which is to move goods and provide services.

Mississippi Power, a subsidiary of Southern Company, as you have indicated, was able to restore life-sustaining electricity to hundreds of thousands of customers well ahead of schedule, apparently in good part because it has a culture of empowering managers to make decisions free from bureaucratic authorization requirements and other entanglements.

Starwood Hotels, which operates three properties in New Orleans, provided vital services to its customers, employees, and first responders during and immediately after the storm and was able to get its hotels back up and operating within days after the storm. I believe I saw you on CNN.

Mr. REGAN. You probably did, yes.

Senator LIEBERMAN. You looked good. [Laughter.]

Mr. REGAN. Tell my wife that.

Senator LIEBERMAN. And IBM, one of the world's leading information technology companies, has much to teach us in terms of how to harness technology to plan, manage, share information, and coordinate disaster-related activities better than government obviously did in response to Hurricane Katrina.

We examine these stories today again to learn lessons that can help other businesses, but also can help the government be better prepared to respond when disaster strikes.

I want to, Madam Chairman, make just one broader point here as we focus on the private sector, which is after September 11, as we began with a sense of urgency to examine how to protect ourselves, in that case, from terrorist attack, we became aware of a surprising fact, which is that the private sector owns 85 percent of our Nation's critical infrastructure, which is to say our communications networks, power grids, financial and health services, chemical plants, oil refineries, transportation systems, and the list could go on. These companies really form the backbone of our society and economy and, therefore, must be prepared in the national interest

to respond to crises, and we must work with them in government to protect them at all costs.

That is why we created an Infrastructure Protection Division, so-called, literally, in the Department of Homeland Security, which was the first of its kind at any Federal agency. The point was that the government needed to work with the private sector to make sure that systems so crucial to our lives and way of life are adequately protected, and if attacked by terrorists or, as we saw in Hurricane Katrina, overwhelmed by the forces of nature, we are able to recover quickly and restore services.

Among the lessons reinforced by the witnesses that we will hear today is that it is the old lesson, but it is true in these unusual, in some ways unprecedented, times, there is no substitute for preparation, and that leadership is a key to crisis response, and in our day particularly, even more than always, communications are critical to response to a crisis, particularly, and I suppose self-evidently, by those who are on the scene, the ability to communicate.

We also learned that the Homeland Security partnership between government and the private sector must be improved. In the final analysis, when the lives of the American people are at stake, whether from terrorist attack or natural disaster, we must unite as a team, as you and each of your individual organizations did, using all of the strengths of this great and extraordinary country, whether from public, private, or nonprofit sectors. We have to operate as one to get the job done. You did that, and I hope your testimony today helps us prepare our country to do better at achieving that kind of cooperation and unity of effort when the next disaster strikes. Thank you very much.

Chairman COLLINS. Thank you, Senator Lieberman.

I am very pleased to welcome our panel of witnesses this morning. Our first witness is David Ratcliffe, the President and CEO of Southern Company, one of America's largest producers of electricity and the parent company of Mississippi Power. Mr. Ratcliffe has served as the President and CEO of Mississippi Power and has been with Southern Company's family of companies for over 30 years.

Our second witness is Stan Litow. Mr. Litow is IBM's Vice President of Corporate Community Relations and President of the IBM International Foundation. Prior to joining IBM, he served as Deputy Chancellor of Schools for New York City, which is certainly an interesting background. I won't ask whether there is a particular link to disaster preparedness there or not.

Mr. LITOW. Just a little bit. [Laughter.]

Chairman COLLINS. We are also pleased to have with us today Kevin Regan, Regional Vice President of Hotel Operations with Starwood Hotels and Resorts Worldwide. Mr. Regan is responsible for Starwood operations in seven States and the Caribbean and is a 30-year veteran of the hospitality industry. We were talking prior to the hearing, and we decided that he has the best job of any of the witnesses today.

And finally, we are joined by Jason Jackson, the Director of Business Continuity for Wal-Mart. Mr. Jackson, I am particularly interested to learn that you have undergraduate and graduate degrees in emergency and security management, and I will look forward to

hearing how that background contributes to your ability to oversee your duties at Wal-Mart.

Because we are doing an ongoing investigation, we are swearing in all of the witnesses who appear before us, so I would ask that you all stand and please raise your right hand so I may swear you in.

Do you swear the testimony that you are about to give to the Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. RATCLIFFE. I do.

Mr. LITOW. I do.

Mr. REGAN. I do.

Mr. JACKSON. I do.

Chairman COLLINS. Thank you. Mr. Ratcliffe, we are going to start with you.

TESTIMONY OF DAVID M. RATCLIFFE,[1] PRESIDENT AND CHIEF EXECUTIVE OFFICER, SOUTHERN COMPANY

Mr. RATCLIFFE. Thank you, Chairman Collins and Members, for the opportunity to appear before you today on behalf of the Southern Company. I am David Ratcliffe, the President and CEO of Southern Company. Our company is a Fortune 500 company with 40,000 megawatts of electric generating capacity and over 26,000 employees. We are among the largest energy providers in the Nation, providing electricity to more than 4 million customers in Georgia, Alabama, the Southeastern part of Mississippi, and the Florida panhandle.

Hurricane Katrina was the worst natural disaster in the history of our Mississippi Power Company subsidiary and one of the biggest operational challenges that Southern Company has faced in its more than 80 years of existence. Katrina's 140-mile-per-hour winds and 35-foot storm surge left all 195,000 customers of Mississippi Power Company and 600,000 customers of Alabama Power Company without power. Nearly two-thirds of Mississippi Power's transmission and distribution system was damaged or destroyed. The company's second-largest electric generating plant was flooded. And its headquarters building in Gulfport was so damaged that it will not be fully operational until late next year.

Our employees, with the help of many outside resources, worked to restore power across the devastated Gulf Coast region in a remarkable 12 days. Your questions to me were related to how we accomplished this. Let me hit some of the key elements of our successful response.

First, extensive preplanning. Based on many years of experience that go back as far as Hurricane Camille in 1969 and continue all the way through Hurricanes Ivan and Dennis of last year, we have developed extensive storm response and restoration plans. In fact, each year, as part of our annual planning process, we actually rehearse or drill our restoration plans. In fact, in Mississippi Power Company, for example, each employee has a storm assignment. They know exactly what their responsibility is, and we drill that responsibility prior to each hurricane season.

[1] The prepared statement of Mr. Ratcliffe appears in the Appendix on page 33.

Second, we have a discipline of continuous improvement through rigorous post-storm critique. We learned much from Hurricane Ivan last year and its impact on our Gulf Power subsidiary in the panhandle of Florida that helped us better prepare for Hurricane Katrina. And, in fact, we are now in the process of debriefing Hurricane Katrina's impact in Mississippi and throughout the Southern Coast.

Third, a bent toward self-sufficiency and front-line empowerment. Our Mississippi Power Company management team began 2 weeks before Katrina to prepare. By the time it hit, we had spent $7 million in securing equipment and logistical support and had staged 2,400 out-of-state workers on the fringe area of the storm to be ready to respond. Being a vertically integrated company enabled us to provide significant in-company support.

All of this is how we were able to provide 140,000 gallons of fuel to 5,000 trucks every day, over 30,000 meals to workers every day, and to provide our own 250-person armed security force, and our own internal communications subsidiary, Southern Link Wireless, allowed us to continue to communicate even the immediate day after the storm. In fact, it was one of the only networks available to us.

Next, as the song says, we had a lot of help from our friends. We received exceptional assistance from Mississippi Governor Haley Barbour, who had the foresight to call a joint meeting the day after the storm with the Federal Emergency Management Agency, the Mississippi Emergency Management Agency, County EMAs, and Mississippi Power to share plans and communicate actions. This meeting was instrumental in the excellent coordination and cooperation between Mississippi Power and all agencies involved. In fact, we embedded one of our employees with FEMA and MEMA operations to deal continuously with issues as they arose. We had no instances in Mississippi of FEMA confiscating staging areas, fuel, or food.

Through our industry mutual-assistance agreement, we were able to add 11,000 workers from throughout the United States, even as far as Canada, to our restoration efforts. Our suppliers provided significant support. In fact, we never ran out of supplies.

And last but certainly not least, we have a strong culture amongst our 26,000 wonderful employees that is driven by teamwork and trust, superior performance, and total commitment to our customers. It is an honor for me to have the opportunity to represent them here today. Thank you.

Chairman COLLINS. Thank you. Mr. Litow.

TESTIMONY OF STANLEY S. LITOW,[1] VICE PRESIDENT, CORPORATE COMMUNITY RELATIONS, AND PRESIDENT, IBM INTERNATIONAL FOUNDATION, IBM CORPORATION

Mr. LITOW. Thank you very much. I am Stanley Litow, and I oversee IBM's corporate citizenship and philanthropic activities worldwide. Over the last 10 years, IBM has been one of the leading corporate contributors of cash, technology, and talent to not-for-profit educational institutions and government across the United

[1] The prepared statement of Mr. Litow appears in the Appendix on page 39.

States and around the world, and we are committed to applying our skill and our ability as an innovator against the challenges that exist in communities across the globe, addressing education and societal concerns and doing so in a fundamental and systemic way.

As a global company with over 330,000 employees and customers in more than 165 countries around the world, we have a unique understanding, we believe, how a single devastating event in one city in America or in one corner of the world can be destabilizing for us all. Natural and manmade disasters remind us just how interconnected we all are and how fragile our networks can be. But they also remind us how generous, how resourceful, and how focused we can be as a global community when we can put political, economic, and other self-interests aside and pull together, responding in a time of crisis, whether it happens next door or halfway around the world.

We have a long-term and deep-seated commitment to corporate citizenship, and our work includes launching the world's first humanitarian public grid project to help find a cure for diseases like Alzheimer's and AIDS, raising literacy by finding a new way to teach children and non-literate adults to read, and making the Internet more accessible for seniors and people with disabilities. But through our experience, we have learned that corporate citizenship is exemplified most clearly in times of a crisis, and in the face of earthquake, hurricane, and an act of terrorism, IBM has responded immediately, working collaboratively with not-for-profit organizations and government and other private sector players to bring our expertise and our technology to affected areas as promptly as possible.

You referenced September 11. After September 11, IBM was on the ground within 48 hours. We provided the communications network for the police and for rescue workers and not-for-profit organizations. We set up an infrastructure for communications systems, and we also provided a coordinated system to track services being provided to victims and their families after September 11.

IBM has a Crisis Response Team that has responded to more than 70 critical incidents in 49 countries during the last decade. The team provides immediate 24/7 assistance, including international humanitarian relief, emergency management, and on-site services, as well as business services to government and business entities in the United States and around the world.

After the tsunami hit in Southern Asia, IBM deployed over a 10-week period our Crisis Response Team and more than 700 of our employees, business partners, and customer volunteers across four countries, in India, Sri Lanka, Indonesia, and Thailand. It was clear within the first week that the tremendous challenges faced by these governments as well as relief agencies, businesses, and organizations could be aided significantly through technology.

So among the solutions we provided were open-source applications to address a complex set of needs, including the tracking and identifying of the missing, dead, and injured, as well as displaced individuals and orphans. We consolidated services to the United Nations, NGOs, private sector, and government information, and provided on-the-spot analysis and reporting systems because com-

munications was critical there, too. We developed an organization registry, a camp management system, relief and assistance databases, logistics management, financial restitution tracking systems. In fact, we deployed a high-speed wireless data and voice transmission system and a range of equipment for mobile computers, services, hubs, and routers to specialized education solutions. And to help the countries become self-sufficient in managing the ongoing crisis, we trained thousands of volunteers and government officials on customized software applications.

After our work concluded in Southern Asia, we left with a set of customized open-source solutions that we believe could be easily modified and deployed across other disaster areas, as well, and they included a relief material management system, a fund management tracking system, a victim tracking system, a relief camp management and I.D. card system, including biometrics fingerprint and photo identification, report generation, statistical analysis, a help line tracking system, and a range of systems that could be deployed and customized across the world in any disaster.

Four days before Katrina hit, we opened our emergency operations center in Louisiana, and because of our intensive experience across multiple disasters in the United States and globally, after Katrina hit and subsequently after Hurricane Rita, and recently in Pakistan after the earthquake hit, IBM was able to deploy assistance more effectively and efficiently. IBM talent, technology, and systems were on the ground and on the ground quickly.

After Hurricane Katrina hit, our goal was to deploy the crisis response team, locate it in Baton Rouge, to set up the Missing Person Reunification Project. A number of websites and local registries, including two that IBM hosted, one for CNN and the other for the Urban Broadcast Network, were helping evacuees and the public locate missing family members, friends, and colleagues. We worked with the State of Louisiana to implement the Entity Analytic Solution, a new IBM solution that integrated these different databases and made it possible to search for a single, unduplicated, up-to-date list of people to support reunification.

We set up Jobs4Recovery with the U.S. Chamber of Commerce so that jobs for people who had been displaced could be posted. Individual businesses could identify what people that they needed, and people could use them in the not-for-profit or the government sector.

For the American Red Cross, we set up a disaster relief self-registration Internet site. We designed it, we developed it, and we deployed it, working with the Red Cross. The Internet site captures and stores demographic and family data in a secure database through a user-friendly webpage. These are particularly helpful in moving forward with those who are affected by a disaster and can apply for benefits online. The Red Cross has the ability to validate information, check for duplication, and manage the application process.

We worked for the Centers for Disease Control. We provided support to CDC, U.S. Department of Health and Human Services to address health needs and assure that evacuees had access to their prescription records and care for both chronic illnesses and trauma resulting from the disaster.

We set up an online curricula management application because students from New Orleans who went elsewhere needed information to their new teachers and new administrators on their standards and tests out of Louisiana so that teachers in other States and other geographies could keep track on where they were.

We also provided trauma specialists, and we worked with them to train the teachers and welcome evacuees into their classroom and identified how to provide direct services.

We worked with the City of Houston to develop an application to track and manage temporary housing and manage and assign individuals to appropriate facilities, and we helped Points of Light set up a volunteer website, volunteer.org.

Obviously, things are far from completed, and the IBM team and resources are still at work in Louisiana. And while we are still involved, we moved several of those people to Pakistan to intervene after the earthquake.

In recent years, IBM has learned a great deal about disaster relief. Let me summarize them.

First, we can't predict disasters, but we can prepare for them. The degree to which we are able to do so can make a tremendous difference for the people and governments that move forward in times of crisis. As a Nation, we must ensure we have the plans, the resources, the people, and the technologies—we don't need to duplicate them—that are ready.

Second, advanced planning of people, tools, and technology, formal agreements among public agencies and voluntary agencies to share information, be on common databases, to make decisions is vital and important.

Third, in cases such as Katrina, September 11, or after the tsunami, rapid response is critical to the assurance of the safety of the situation. Basic communications systems are vital. They must be established and restored immediately so that local and regional officials can get the help that they need to be able to deploy on-site.

Fourth, local, regional, and national governments, along with the private and the voluntary sector, must work collaboratively. Models and best practices are available. They are critically important to learn from, and technology isn't something separate that you buy. It is integrated into everything that you do. It is how you respond in times of crisis. It can only be effective if it is integrated into a set of services, operational plans and strategies, and prepared in advance.

It is a most sobering thought to know that disaster will strike again, often without warning and always without regard for the people and places it leaves in its wake. If any good can come from a disaster, then it must be our ability to take the absolute best most effective practices from one situation and bring them to the next. We must be sure to customize our resources and be ready for the next disaster if and when it should strike. Thank you very much.

Chairman COLLINS. Thank you. Mr. Regan.

TESTIMONY OF KEVIN T. REGAN,[1] REGIONAL VICE PRESIDENT OF OPERATIONS, SOUTHEASTERN UNITED STATES AND CARIBBEAN, STARWOOD HOTELS AND RESORTS WORLDWIDE, INC.

Mr. REGAN. Good morning, Madam Chairman and distinguished Members of the Committee. I am Kevin Regan, Regional Vice President of Operations for Starwood Hotels and Resorts Worldwide. Starwood operates 750 hotels worldwide, and we have three major hotels in New Orleans. Thank you for allowing me the opportunity to participate in this hearing on behalf of Starwood to discuss how our company successfully met the challenges faced from Hurricane Katrina. It is with great pride that we offer this information so it may provide some insights that may be helpful to our government in managing future crises.

Let me assure you that while we are proud of our accomplishments, we are also cognizant that the difficulties Starwood faced in New Orleans were of a much smaller scale than the entire region faced. In our frame of reference, however, the challenges were incredibly huge. The lessons we learned from Katrina, in our view, are the keys to successfully managing almost any crisis—planning, leadership, teamwork, and communication.

After Katrina left the city devastated, we were the first hotels downtown with power, trucked-in water, air conditioning, and were the first hotels to open back up with restaurants. While some of the other hotels may have closed and evacuated their employees for weeks, we were able to accomplish those things because we had a plan, we had leadership, we had coordinated teamwork, and because we communicated.

Post-September 11, we had to increase our focus on non-natural disasters and plan even more for the unexpected. Development of our new global crisis management plan involved dozens of Starwood executives worldwide and some key consultants. Starwood today has in place a comprehensive emergency and crisis management plan and a preparedness and response at the corporate, division, and hotel levels. It instills responsibility and authority at each level, and very importantly, it provides for ongoing communication throughout the organization and within the team directly involved in the crisis.

At the core of all our plans are the mandates to always, one, do the right thing, and two, to ensure the safety of our guests and associates above all else. I spoke earlier of leadership being a key to successfully managing a crisis, and it certainly was with Katrina. I am personally humbled by the praise, but I share rightfully with many others at Starwood, including teams of corporate executives, area managing directors, local general managers, and other States that we were fortunate to have with us.

Without any of these, we would be talking today of failure instead of success because in any crisis, the difference between success and failure is the quality of leadership. It is a dedicated team of knowledgeable people that can take the plan devised during calm and execute the elements of that plan during a crisis.

[1] The prepared statement of Mr. Regan appears in the Appendix on page 44.

A most critical element in success of leadership is empowering those leaders with the authority to act. At Starwood, the crisis plan provides for decisionmaking at different levels of the organization based on needs and appropriateness, and within the chain of command, authority is provided at the level closest to the crisis as possible with other levels in the chain providing support.

For example, our team in New Orleans had full authority to order whatever equipment and services we felt necessary to deal with each need, including generators, water trucks, construction, clean-up crews, and more. Decisions to provide free housing and food to all evacuated associates for a month at any Starwood hotel in the country were made at the corporate level because it impacted the organization more broadly. And all levels jointly reached the decision to pay all New Orleans-based associates for 1 month of September regardless of where they were living after the storm. Those who could return to work in New Orleans to assist in recovery were paid double.

Our plan calls for a series of actions. At the beginning of the storm season, we set up communications for all our hotels in the region to review extensively. We had check-lists of what must be done in the preparation time frame during the hurricane season to ensure we had overall readiness. As a possible storm approaches, our plan helps organize each hotel with the supplies they need to have on hand and the steps necessary to secure the safety of both our guests and associates.

Once a hurricane warning is issued, we set up an emergency command center in each hotel that will give access to communications, and we begin daily communication between our regional recovery teams and our corporate leadership team and property teams and secure all needed assistance prior to the storm. We begin communicating with guests. We establish hotlines for our associates, and we establish a final list of guests and associates remaining on the property.

In the case of Katrina, on Friday, August 26, we began a series of daily conference calls with the hotel management in New Orleans, our regional recovery teams on stand-by, and our appropriate corporate staff in White Plains. Our hotels began all preparations according to the plan, even though predictions then said the storm would miss New Orleans. For example, the Sheraton ensured that there was enough food and water for 1,000 guests for 5 days. Emergency generators were checked, along with supplies of diesel oil and batteries. Essential personnel were notified to be on stand-by.

By Saturday, August 27, it was clear that Hurricane Katrina was headed for the city. Unfortunately, by the time the evacuation orders came, especially the mandatory evacuation on Sunday, despite our best efforts, there was neither ample time nor resources to evacuate many of our guests. Once it was no longer possible to evacuate, our priority shifted to ensuring the safety of our guests, associates, and their families within our facility.

On Sunday, August 28, we transferred the guests from the W French Quarter Hotel to the W New Orleans, which had greater emergency resources. At the W French Quarter, we offered to house the Eighth District Police Command, which turned out to be helpful in securing the properties in the days to come.

At the Sheraton, we had approximately 1,500 guests, associates, and family members, with another 600 at the W Hotel. I am pleased to say none of the guests, associates, or family members in the hotels suffered any injuries.

While our hotels were taking care of hundreds of details that I simply don't have time to outline, our regional and corporate team had assembled the equipment, generators, power technicians, assessors, and recovery teams and positioned them in strategic locations for ease of transportation once the storm had passed. Dehumidifiers, diesel fuel, gasoline, and replacement supplies of food and water were all staged so we could bring them in once we assessed the damage.

In most hurricanes, we anticipate more short-term loss of power and water, but the massive flooding of the city due to the collapsed levees created substantially greater challenges than we ever had faced before. We alerted our ground teams in Atlanta, where we had moved our sales teams, and the corporate office in White Plains regarding the need for temporary housing for our 850 associates and their families.

On Tuesday, August 30, the rising flood waters created intense urgency to evacuate the remaining guests and associates. At the W Hotel, we found buses in Lafayette and still took more than 7 hours to get from there to the hotel to get the guests out. At the Sheraton, we thought we had found buses, but before all arrangements had been made, the water was too deep to move them. The team scrambled again to find buses, eventually arranging for 14 buses from two tour companies out of Baton Rouge.

By 6 p.m., Wednesday, August 31, all our guests and most associates had been evacuated to Dallas. Neither the Sheraton nor the W Hotel at any time sent any guests to any New Orleans shelters or otherwise added to the burden of the city. In fact, we are proud of the support we provided to the city and Federal agencies during the time, including housing the Eighth District and the Fifth District Police and 400 U.S. Immigration and Customs Enforcement officers.

On Wednesday, August 31, our corporate team arrived in New Orleans and immediately gathered at the command center to get the latest update and determine the priority needs and the next steps. Our corporate team surveyed the situation and began the process of releasing equipment we had staged, arranging for it to come to New Orleans—not an easy task.

Thursday, September 1, we inspected each of our properties and found that security was the biggest concern, as lawlessness was everywhere. Out of concern for our remaining managers, I ordered the evacuation of all but five of our local management team. The W French Quarter was safe with the Eighth District housed there, but not the larger W New Orleans. As we pulled back from the W New Orleans to the Sheraton Hotel, we saw looters break into the hotel behind us. As part of our daily conference call with the corporate headquarters team in White Plains, we decided to contract with Blackwater Security. Their presence allowed us to return to the W New Orleans and move safely between our hotels.

Also on Thursday, our big delivery arrived under escort with dehumidification systems to start pumping cool, dry air into our

hotels to reduce moisture content and stop the growth of mold and mildew.

On Friday, September 2, we had our first deliveries of generators from California, and we powered up the W French Quarter and lit up the New Orleans skyline with the first lights since the storm.

On Saturday, September 3, we had our next shipment of generators arrive by 3 a.m. Sunday morning, we had power at the Sheraton on Canal Street. We contracted to have water brought in to fill our fire protection system and contracted with a company to pump the sewage out of the hotel so that we could then circulate water through, getting into our cooling towers and condition the air to prevent more mold growth. It was not until the middle of the next week that we were able to restore city electrical power at the Sheraton.

By Sunday night, September 4, all hotels' exterior signage were lit up and a time of celebration for our teams.

In the following weeks, there were continuing challenges, beginning with construction, repairs, exposed windows, removing wet carpets, drywall, and the detailed recovery work that allowed us to get back operating before virtually every other hotel in the central business district. We took in our first paying guests at the Sheraton on September 12, 2 weeks to the day after Katrina struck.

To get the hotels operating again, a significant issue that we had to face was getting our associates back to New Orleans. As a hotel company, we had a significant advantage over other businesses in that we could provide a place for our people to live. I wish I had the time to talk about all the things that our incredible people did while we were there.

In closing, the key lessons for our team were to have a plan and execute the plan well, which also means being flexible and creative, to expect the unexpected, and to rely on our people, and most importantly, communicate, communicate, and communicate. Leadership is more than taking responsibility for your actions. It is making the decisions when they must be made and not waiting for someone else to make them for you. It is having the decision-making at the ground level.

New Orleans is a great city with such a rich history. It is, in fact, my birthplace, and its foundation is built on its people. The heart of the city isn't the Quarter or the Garden District. It is the people who live there, work there, and love there.

I appreciate the opportunity to appear before this distinguished panel today, and I hope that what I have said will benefit the city that I love and help solve problems for the future. Thank you.

Chairman COLLINS. Thank you. Mr. Jackson.

TESTIMONY OF JASON F. JACKSON,[1] DIRECTOR OF BUSINESS CONTINUITY, GLOBAL SECURITY DIVISION, WAL-MART STORES, INC.

Mr. JACKSON. Good morning, Chairman Collins, Ranking Member Lieberman, and distinguished Members of the Committee. Wal-Mart Stores wants to thank the Committee for its work that it is

[1] The prepared statement of Mr. Jackson with an attachment appears in the Appendix on page 53.

doing here and for holding this hearing today. We are very honored to be present and pleased to be part of this process.

My name is Jason Jackson. I am the Director of Business Continuity for Wal-Mart Stores. My department is responsible for mitigation, preparation, response, and recovery to all types of business disruptions globally, from natural disasters to manmade disasters, significant epidemiological issues, and security-related events, such as a terrorist incident.

Wal-Mart is based in Bentonville, Arkansas, and our company employs approximately 1.3 million associates from all 50 States and approximately 1.7 million associates worldwide. Each week, over 138 million customers choose to shop at Wal-Mart, and we believe that reflects our dedication to providing everyday low prices to our customers.

Wal-Mart doesn't just operate stores, clubs, and distribution centers in communities, though. We take a very pro-active stance in involving ourselves in those communities. And with crises being the discussion today, really, the sustainability of those communities is really near and dear to our hearts.

Each of you has a copy of my written statement for the record, and I invite you to look at that as it is more detailed testimony as to what we did during Hurricane Katrina, but I will briefly sum up the highlights for you today.

Being properly prepared to manage a crisis is critical to corporate sustainability, and the approach that we take to crisis management is similar to the government's. We take an all-hazards approach. And because of Wal-Mart's large footprint throughout the country, probability suggests to us that we will have to address crisis on a regular basis at a local, State, national, and sometimes global level.

Before we start to focus on the hurricane, it is important to share with you that in the emergency management process, Wal-Mart really has three basic focuses that we look at, the first being the welfare of our associates; the second being continuity of operations and reconstitution of operations; and the third being community support, and these serve as the basis for which we build all of our plans.

There are certain elements oftentimes that are specific to an industry or to a business that we feel are critical to success. Very quickly, these for us in emergency management are quick situation identification, knowing what is coming, and mitigating it as much as possible.

Emergency structure, as far as having good and proper solid plans in place, having an emergency operations center that functions 24/7 to watch out for all of our facilities, and work on a proactive basis to try to mitigate and prepare the company for potential business disruptions and then also to orchestrate the response and recovery when those do occur, and also having good communications processes.

Having scalable and flexible operations, operations that can change with the variables that present themselves as they unfold in a disaster, operations that are capable of growing in size, consummate with the level of the disaster.

Just as important is total company support, again, having that balance between the strategic that may be coming from the home office, but also the tactical and the autonomy of the managers at the local level to make decisions that are the best for the community and for the situation at hand.

Having efficient communications, and I am not just saying communications, which we know is key to success, but efficient communications in the way that we transmit information from the field, collect it into a big picture, and then disseminate that back out so that we can take the best action points.

Also, leveraging our strengths. Each of us that sits here before you has strengths in our company. For us, one of those things is moving things from point A to point B very efficiently and effectively. We do it every day, as Senator Lieberman said, so capitalizing on these strengths becomes very important during a crisis.

Some of the other strengths that we have is our information systems and how we utilize our technology to know what the consumer and the communities are going to need pre-disaster, if we are offered that opportunity, and then also post-disaster to make sure that those people have what they need to properly recover from whatever situation just occurred.

Our logistics system, of course, is very robust, and we have over 100 distribution centers and thousands of trucks, but they operate in a very coordinated fashion. This also includes eight distribution centers that are reserved with disaster merchandise, square footage that is set aside just for merchandise should a crisis occur.

Also, understanding the big picture, and while we talked about Hurricane Katrina and the impact that it had on the States of Louisiana, Mississippi, Alabama, and Florida, it is important to note that there is the rest of the Nation that we still have to look after while the crisis is occurring, so understanding what the needs are and making sure that the needs are met for those people in the other portions of the country.

And finally, our corporate culture as one of the key elements. We teach people to strive for excellence and to do the right thing, and most importantly, to be active participants in the situation and not just sit on the sidelines.

For us in Hurricane Katrina, things really began when the storm developed into a tropical depression. Most people think, a lot because of the news media, that the hurricane was more about Louisiana and Mississippi and the second impact that it had, but we had a significant investment in Southern Florida that we had to look after, as well, as far as our associates and our stores and facilities and operations. So looking at August 23 is really when our operations started, and from there, the response that was kicked off as far as the merchandise that was dispatched into the stores for the communities, these teams that were staged, the generators that were staged, and all the other preparative and mitigative actions that were taken prior to that initial landfall.

Once the storm moved out of Florida, we had to look at then a recovery operation and community support operation in Florida, at the same time preparing for the second landfall in the Gulf States. With that, as the storm moved ashore, it was actually our moment

of peace and quiet because there was nothing that we could do at that point in further preparing for that storm.

But as soon as that storm passed through in the Gulf States, we immediately found ourselves operating on a number of fronts. We found ourselves taking care of our associates and making sure that they had food and water, and we are talking about 34,000 people that were impacted related to our company, and with that, making sure that they had money and that they had a job to go to. We operated in restoring our facilities and reconstituting our own operations. We had 171 facilities that were impacted in the Gulf States and in Florida, and with that, we were able to reconstitute operations up to a level of 66 percent within 48 hours after landfall, and then in 6 days, up to 83 percent.

With that, we also had to provide community support and relief in liaising with local agencies, finding the needs, working with the NGOs and other private sector entities to make sure that the communities were supported. We sheltered police officers. We fed and clothed people in communities and in the emergency services located in the immediate impact zone. We provided resources across the region. We dispatched generators and provided power to places that didn't yet have power during the early days, and in some cases continue not to have power. We provided communications by dispatching in our systems teams to provide temporary satellites that restored network and voice communication, and the list goes on as far as the actions that we took in the immediate area.

But one of the fronts that people sometimes don't discuss or think about is what happened in the peripheral. At the same time that we were providing support to the immediate, we were also providing support to the States that took in all the evacuees. We saw a mass population shift during Hurricane Katrina, and it became evident that we would need to help and be that support mechanism to those States, to those shelters, and to the communities in the peripheral States.

And in that, we saw ourselves doing things like setting up donation centers, for instance, at the Astrodome in Houston or at Fort Chafee in Arkansas, and with that, a tremendous amount of other actions that we took as a company, including setting up a web locator website that had over 53,000 posts and 5 million hits, provided computers to 150 shelters, provided mobile and temporary pharmacies to help with the pharmaceutical needs of evacuated populations, and so forth.

There were just a few key lessons as you read through my testimony that you will come to find, and I think they are very universal, communication being No. 1, internally and externally, how we communicate with each other, institutionalizing the process of emergency communications between the public and the private sector.

Also, development of expectations is also a key point in making sure that we understand each other, both across the private sector and across the public and private sector and the NGOs and the other entities that are involved, to make sure that we are developing solid plans based upon good information from each other about what FEMA is going to do or what the State agencies are

going to do or what Wal-Mart is going to do or what we are capable of doing and what our limitations are.

Additionally, learning from those that know. We know that we don't know everything. We know that there are best practices out there in government and in other areas of the private sector that we can learn from. But at the same time, we can be a teacher, for instance, our logistics systems, as you mentioned.

And then partnering for success. Emergency management and response to emergencies has to be a comprehensive effort on the part of the private sector, the public sector, and the NGOs and other entities that are involved.

In life, there are certain absolutes. One of those absolutes is the fact that we will face another major crisis in the future. Whether it is a natural disaster, a manmade disaster, a significant pandemic event, or a terrorist event, we will all be required to respond again, and whether we are successful or unsuccessful depends wholly upon whether we learn the lessons that we are talking about here today and whether we continue to take advantage of the opportunities that present themselves.

I thank you for your time and allowing me to speak on behalf of Wal-Mart.

Chairman COLLINS. Thank you very much for your excellent testimony.

As I listened to each of you today, I was struck by the meticulous planning and the escalating series of actions that you took in advance of Katrina making landfall. It contrasts so sharply with the lack of planning and the slow response of FEMA, which sent only one person in advance of Katrina's striking New Orleans to be in the city.

Mr. Ratcliffe, I think you said in your testimony that you start taking action 2 weeks prior to a potential storm, and then you track it every day and adjust accordingly. You talked about in the case of Katrina that you had activated your disaster plan with 20 storm directors implementing their clearly understood responsibilities, and you talked about that by the time Katrina struck, you had already spent $7 million in securing equipment and logistical support.

Mr. Jackson, I think you said in your testimony that by August 23, you were already preparing and tracking Katrina.

Mr. Regan, I want to ask you, when did Starwood decide that Katrina was a threat to your operations to which you might have to respond?

Mr. REGAN. Well, early enough, we had Katrina coming into the Southern part of Florida, which is also part of my region, so we were dealing with that prior to probably about as soon as the storm was named, which was a few days in advance. It was a Category 1 when it came across South Florida, and I think that from that perspective, as it went across, we were already planning in New Orleans.

We had planned for a long time in New Orleans because of the situation there with being below sea level and everything else. We have all our game plans at the beginning of the season, which is June 1, we have all our preparedness in place, and what happens

is as soon as a storm is named, we start tracking it from that point.

Chairman COLLINS. Mr. Litow, same question for you.

Mr. LITOW. Yes. We started our planning several weeks in advance, 2 to 3 weeks in advance, and we deployed our emergency response team, our crisis response team, on-site 4 days in advance of it hitting.

Chairman COLLINS. To me, that is such a fundamental difference in the private sector response versus government's response. On what information did you rely to start to implement your plans? I think I read in your written testimony that some of you actually have private meteorologists. Mr. Ratcliffe.

Mr. RATCLIFFE. That is correct. We use a contract meteorological service. It is the most important information in trying to get prepared for a storm, to figure out how intense it is going to be and where it is going to go, and that is often very difficult to project. When you have a major service territory, like Mr. Jackson and I are talking about, and even Mr. Regan, the challenge in trying to be prepared at the right place at the right time is not insignificant. So having good meteorological data is an absolute necessity.

Chairman COLLINS. Mr. Jackson, does Wal-Mart also have a private meteorologist service?

Mr. JACKSON. We do. We contract with a consulting company that provides that data, but we also utilize the National Weather Service, National Hurricane Center data, as well. We are looking at the storms, particularly for hurricane season, back when they are tropical waves and they are not even a depression yet so that we have an idea of, this may be coming in the next 10 days. So we try to go out as far as possible to make sure that we are taking the proper actions and watching those storms closely.

Chairman COLLINS. Another aspect that you all have in common is you were able through ingenuity to maintain communications with your employees or with the managers during the storm. Mr. Regan, I want to ask you, however, what communications were like from your perspective with the local and State Government and with the Federal Government, as well.

Mr. REGAN. I guess the easiest way is there was a lack of communication totally on the outside. We would find out information that was being transferred around the city through the local police department that was in the hotel.

During the course of time, for about 3 or 4 days, there was absolutely no communication whatsoever. There was no support from a standpoint of military or anything else downtown that we saw. The flood waters, all we would hear from the police were that the flood waters were still coming up, which they never came up any higher than where we were. We sat a little bit higher than everybody else, so we had a little water probably on the street and that was about it.

But from a communications standpoint, we did not hear anything. The Mayor did have a hearing at the hotel about 4 days, 5 days after the storm, but he wasn't there. I think it was one of his representatives or a spokesperson came to talk about just what things were going on and what they were trying to do.

The one key thing that I think in any crisis or anything that you look at is leadership, and the sad part about it in New Orleans is there was no visible leadership anywhere. The police department, they had no leadership. They had lost their precinct. It was underwater. Seeing anybody from the Mayor to the Governor to the President not there in the first few days left a lot of things for people to say, who really cares what is going on? And it also left anarchy in the city. It was very chaotic.

From my perspective, and strictly the way that we did it, we hit the ground running. We got there as soon as the levee broke, and we had plans going in there anyway, so we were all set. We hit the ground running. And the thing was, we were there talking to people and the media was there, and there were people that were looking for stories that they could get out that were positive. Of course, there were a lot of negatives, but I think the key to everything is leadership.

And communication-wise for us, we went in with satellite telephones, but our team in the hotel was able to get us up and operating right after the storm. So we were down for maybe a couple of hours at the most.

Chairman COLLINS. That is very impressive. I think it was the Fortune magazine piece that was entitled, "As Government Broke Down, Business Stepped Up," and I think what you have described is exactly what happened. Thank you.

Senator Lieberman.

Senator LIEBERMAN. Thanks, Madam Chairman. Thanks to the panel. This is very encouraging, I suppose even inspiring testimony, which I hope we learn from.

I will say to you that the one Federal agency that we feel very proud of in its response, and in some sense mirrors, or maybe you mirror them, was the Coast Guard. They responded to the weather signals. They did so much of what you have done. They moved their personnel out of the immediate danger area. They brought in more personnel from around the country, and they were right there within hours of landfall to start rescuing people.

Madam Chairman, I really want to briefly put a statement in the record.[1] These four companies are models, but there are a lot of other companies who jumped right in and helped out. I just heard a report, and I had my staff write it down, Diageo, a distilled spirits company, happens to be international. It is London-based, but it has its North American headquarters in Norwalk, Connecticut. Four days before landfall, they moved power generators and water, not distilled spirits——

Chairman COLLINS. I thought you were going to say they sent much-needed alcohol to the region. [Laughter.]

Senator LIEBERMAN [continuing]. To Baton Rouge. I was struck in the report because Senator Collins and I visited Pass Christian in Mississippi, but it happens that one of those big generators ended up in Pass Christian, and so thanks to all you other folks in the private sector who really did well.

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[1] The prepared statement of Diageo and Humanitarian Relief appears in the Appendix on page 66.

Senator Collins' first few questions really got to part of what I wanted to talk about. The breakdown of communications here was really unsettling at the government level. Is there anything else any of you want to tell us about how you were prepared to maintain your communications so critical to the way you functioned in a disaster? Mr. Ratcliffe, you made a very brief reference that I wanted to have you build on a little bit.

Mr. RATCLIFFE. Thank you, Senator. We are fortunate in that we actually operate a subsidiary company that is a wireless network and a dispatch mobile radio. We operate it as a requirement for our own core business, but it has incremental capacity that we sell in the marketplace, also. It is basically exactly the same Motorola technology that Nextel sells commercially and we sell in our footprint. We own and operate that subsidiary and its infrastructure, and it is absolutely critical to our success and day-to-day operations.

On day one after the storm, it was the only network available to us, and I cannot emphasize how important it is (one of the lessons we have learned) for the first responders to be able to communicate with each other.

Senator LIEBERMAN. Right.

Mr. RATCLIFFE. That is an absolute necessity, and one of the things we have to do in this Nation is to build in the capability in these kind of restoration efforts for first responders to communicate.

Senator LIEBERMAN. We are going to bring you back, Mr. Ratcliffe, to testify on behalf of a bill that Senator Collins and I have that does exactly that, but thank you.

Mr. RATCLIFFE. We were the only folks who had the ability to communicate——

Senator LIEBERMAN. Why was that? What happened to the other networks that you were able to avoid?

Mr. RATCLIFFE. Well, first of all, we were somewhat lucky. I would be remiss if I didn't say that.

Second, our design criteria, because of the business we are in, are more rigorous than other networks.

And third, we stood the test in keeping our systems running. There were some situations where the other providers did not have adequate backup generators, did not fuel their generators——

Senator LIEBERMAN. So that once the electricity went out, the towers, for instance, were not working?

Mr. RATCLIFFE. In some cases, the towers were down.

Senator LIEBERMAN. Or they were down——

Mr. RATCLIFFE. In other cases—understand that electricity drives everything that we do.

Senator LIEBERMAN. Right.

Mr. RATCLIFFE. Even the switching networks require electricity. So we have to have backup generators for the switching stations and the communications network. To the extent people don't have backup generators or don't provide fuel in an extended fashion then they are going to fail.

Senator LIEBERMAN. Let me ask this question. One of the most poignant stories that came out, for me, of New Orleans was the picture of Mayor Nagin in a hotel room, no communications ability,

one staff member has a personal computer, and over that computer, they hooked into one or two or three—or I think it might have been six or seven—phone lines, and that is it for the Mayor of New Orleans, I think it was Tuesday. It wasn't even Monday, the day of landfall.

From your own experience, what should New Orleans do as it rebuilds to make sure that never happens again?

Mr. LITOW. I think, first and foremost, you need a communications plan and strategy in advance. There are two things that are involved here. One is restoring communications, and we provided for a whole range of government and non-government agencies after September 11, and after the tsunami a communications network that people used.

Senator LIEBERMAN. You mean that you actually brought in yourself?

Mr. LITOW. Yes, we did. The second thing that you can do is you can make sure that through collaborative software, the variety of information systems can work with one another. That is a second and more difficult issue. After the war in Bosnia, for example, refugees came over the border in a variety of different sources, and they went into a variety of different camps. Because of not having one collaborative software system, they couldn't locate people when they came to different places.

So when you have a core base of information about a victim being served by a variety of different agencies, you have got to have an integrated system so that people can understand who needs what services and everybody can have the same information, and it is not all that difficult to get everybody operating on the same page.

Senator LIEBERMAN. Mr. Jackson, my time is almost up. Just give me a few words about how Wal-Mart prepares itself to continue to communicate in a crisis like this.

Mr. JACKSON. One of the things, and I think we face the same challenges that a lot of people face when you lose telephone lines and you lose cellular towers and such, and to kind of add on to what Mr. Litow was just saying, is to have a backup plan, also. Having a good communications plan is fine, but having a backup plan that is separate from that system, that is tested and——

Senator LIEBERMAN. Were you able to continue to communicate from Bentonville to your people in the Katrina-hit area during the storm?

Mr. JACKSON. Yes and no. There were periods of blackouts, for instance, and that is when you have to rely on different systems, like associate accountability. I am going to go down the road and check on the store, and if I am not back in an hour, please send someone for me. Having that accountability process is much more mundane and fundamental, but still serves the same purpose.

Senator LIEBERMAN. What is your backup system?

Mr. JACKSON. Our backup system is tactically sending in as quickly as possible our temporary satellite systems that have voice-over phones.

Senator LIEBERMAN. Just a final question. The two of you that have the most presence here—maybe I am not being fair to IBM—in New Orleans, as you watched the weather forecasts coming in,

did your emergency plans include preparation for response to the possibility of the levees breaking and flooding occurring, or were you planning simply for response to a bad hurricane?

Mr. REGAN. We had plans—from Starwood's perspective, ours was basically a plan for the hurricane, and we do have flood plans, also. So we knew exactly what we were doing. We knew that we were in trouble from the levee standpoint. If it was going to hit and it was going to be to the west of the city or to the east of the city, we were going to get hit no matter what. It was going to flood. So that has been part of our preparedness——

Senator LIEBERMAN. So flooding was part of your preparedness for New Orleans?

Mr. REGAN. Yes.

Mr. JACKSON. And ours would be the same. We have a flooding policy in general as far as emergency procedures go. So we knew that we were going to be looking at a potential flooding situation in New Orleans and responded accordingly.

Senator LIEBERMAN. Thank you. Thank you very much.

Chairman COLLINS. Thank you. Senator Voinovich.

Senator VOINOVICH. Thank you, Madam Chairman. Thank you for holding this hearing and for your continued investigation into the aftermath of Hurricane Katrina.

I am particularly interested in today's hearing, based on my conversations with many private business executives. They have expressed deep frustration with FEMA in getting their respective jobs done.

I believe there is much that the Federal Government can learn from the private sector in terms of best business practices and streamlined response in the event of an emergency. We have heard that sentiment reiterated here this morning. I believe that in order for our response to Katrina to be effective, we must have a clearly defined role for the private sector. If we expect to be successful, we will need a robust public-private partnership.

I find it troubling that in some instances, private sector companies were prepared to respond swiftly to the devastation on the Gulf Coast, while the response from all levels of government were mired in bureaucracy.

I am frustrated by the Federal Government's seeming inability to manage offers of assistance from the private sector. Additionally, I understand that there were a number of reports that FEMA could not even pay contractors who were already helping with reconstruction in a timely fashion. Madam Chairman, I wish that FEMA representatives were here so that they could hear some of this testimony today.

The first question I want to ask is, to date, has anyone from FEMA or the Department of Homeland Security contacted any of your companies to get your perspective on the topics we are discussing here today?

Mr. REGAN. Not with Starwood at this point.

Mr. JACKSON. At a lower level, yes, we have had some representatives, some of the alert networks from Department of Homeland Security come and benchmark with us this last week.

Senator VOINOVICH. Mr. Litow.

Mr. LITOW. We do work for FEMA and for other Federal agencies on particular contracts, but in terms of the overall coordination and planning and advance knowledge, most of the advance communication and contact with Federal agencies doesn't take place because people feel that they are precluded for them bidding on contracts. So there are certain intricacies in the bidding process that make it difficult for businesses who are expert in this area to be able to have pre-planning conversations and discussions that run across a variety of areas with government agencies.

Senator VOINOVICH. Mr. Ratcliffe.

Mr. RATCLIFFE. Senator, I am not aware that we have been contacted.

Senator VOINOVICH. If the Department and Secretary Chertoff were to put together a task force to look at the way FEMA interacted with and tapped the private sector, would you be willing to serve on that task force?

Mr. LITOW. Absolutely.

Mr. REGAN. Absolutely.

Mr. JACKSON. Yes.

Mr. RATCLIFFE. Yes.

Senator VOINOVICH. Mr. Litow, it sounds as if in response to Katrina you accomplished quite a bit. Of the eight areas that you mentioned in your testimony—how many were addressed after Hurricane Katrina hit? Were any actions taken before the hurricane made landfall? Generally, I'd like to understand what assets were in place prior to landfall. Were these preparations made by Homeland Security or FEMA in order to be ready to respond to a hurricane?

Mr. LITOW. Virtually all of the software tools that we deployed were pre-prepared in a variety of different disasters, and we refined them after September 11, after the tsunami, so that when we sent our people on the ground after Hurricane Katrina, we were able to do a demonstration of a set of software applications that could be used by State agencies, Federal agencies, or voluntary agencies——

Senator VOINOVICH. The question I have is, how much of your preparation was in conjunction with FEMA?

Mr. LITOW. In some cases, it was in conjunction with FEMA. In some cases, it was in conjunction with the State of Louisiana. In some cases, it was working directly with voluntary agencies or school systems in a variety of different States.

Senator VOINOVICH. I would be very interested if you would clarify the answers to the questions I have about the eight areas that you have listed here. Please provide me with information about how much of the preparations were in place as part of FEMA's work with you? Did you have a contract with FEMA? How many of the assets were established in a reactionary fashion that occurred when you arrived on the ground?

Mr. LITOW. Most of them were customized on the ground.

Senator VOINOVICH. In other words, they just happened, and you had the capacity to do it because of your previous experience?

Mr. LITOW. That is correct, Senator.

Senator VOINOVICH. Who called upon you to do the things that are listed here?

Mr. LITOW. Well, we worked on the ground, and we did demonstrations for a variety of agencies of what we had and what we thought we could do, and then we asked them to pick and choose——

Senator VOINOVICH. What agencies were those?

Mr. LITOW. The State of Louisiana, State Government, city government, school system, FEMA, Red Cross, and the Salvation Army. We presented those solutions to a variety of different agencies. When we work internationally, we present them to international agencies. After the tsunami, we presented them and showed them at the United Nations. So they are available. They can all be viewed. The people can determine which are most applicable, and they can be customized in any case. It has nothing to do with whether it is a hurricane or another kind of disaster. The core systems are universal.

Senator VOINOVICH. And does FEMA, or did FEMA have a list of your capabilities to share those with people who might need the services?

Mr. LITOW. I can't answer that. They had some of the information, but not all of it was shared.

Senator VOINOVICH. Have any of you had contracts with FEMA?

Mr. REGAN. Yes.

Mr. LITOW. Yes.

Senator VOINOVICH. How has that worked out for you?

Mr. REGAN. We have a contract for guest rooms at the Sheraton New Orleans for 750 rooms a night.

Senator VOINOVICH. In terms of the management of the contracts and the payment for services, how has the process worked?

Mr. REGAN. No issues.

Mr. LITOW. We have a subcontract, three contracts with FEMA, and everything has worked fine.

Senator VOINOVICH. Thank you.

Mr. JACKSON. One of the issues that arose for us was the early identification of the payment processes. We are not a normal contractor with FEMA. During hurricanes and other disasters, we will be asked to provide certain resources that we have available to us. But one of the processes that we ran into was, and again, in the development of expectations, like I talked about, not necessarily having the request come from a purchasing agent, which created some problems for us on the back end. So I think that the further development of those expectations and communications is what is going to preclude that from happening in the future.

Senator VOINOVICH. Thank you.

Chairman COLLINS. Thank you. Senator Akaka.

Senator AKAKA. Thank you very much, Madam Chairman. I am pleased that you are holding today's hearing, and I must tell you that I was struck by the impressive contributions of the private sector during Hurricane Katrina. I also saw that when I toured the Gulf Coast States with members of the Energy Committee in September. It is important that we learn from the experiences of private companies as we determine how to best improve the Federal Government's emergency management capabilities.

Senator Lieberman mentioned, and I am so glad he did this, how effective the Coast Guard was during Hurricane Katrina, and I un-

derstand that GSA also anticipated the direction of the storm and secured Federal buildings, and being the Ranking Member of the Veterans' Committee, I learned that the VA was to be commended for their response and the follow-up to the storm, so there were Federal agencies that worked out well there.

The lesson may be that government can function well and our task is to ensure it functions better, so we look forward to that, but I was really impressed by all of your statements.

Mr. Regan, you said that on Monday, August 29, Starwood Hotels began lining up buses to evacuate the hotel guests at the Sheraton. Why did you take the initiative to look for buses before you knew the levees had failed?

Mr. REGAN. Well, really, we started lining up the buses after the levees had failed. The levees started failing at 11 o'clock on Monday. As soon as the issue happened when the storm came through at 6 a.m. and then hit New Orleans about 9:30, 10 o'clock, the levees started to breach at 11 a.m. There was no communication, that was one of the things, but we did have communication with the police department. When we knew the levees were breached, we knew the opportunity was going to be minimal to be able to get buses to get our people out.

Senator AKAKA. You also decided to evacuate your guests rather than relocate them to the Superdome.

Mr. REGAN. Right.

Senator AKAKA. How did you know that the Superdome was at capacity, even though local officials kept sending people there?

Mr. REGAN. Well, the way that we knew that the Superdome was pretty much at capacity is because they started floating them over to the convention center. That was the backup, apparently, for the Superdome. So when they started sending people to the convention center and we had people walking up Canal Street who were being told, no, you have to go to the convention center because the Superdome is full, and that is what people were being told, we decided that it was better to evacuate our people out of the city because we felt like it would be a burden put on the city itself.

Senator AKAKA. Mr. Jackson, you have described how Wal-Mart response teams are deployed to disaster areas to secure Wal-Mart stores. How many response teams does Wal-Mart have nationally and are these permanent teams or are team members redeployed from other positions in Wal-Mart when a disaster occurs?

Mr. JACKSON. We actually utilize the existing structure that we have in place across the Nation and actually around the globe. We use a pseudo incident command process similar to NIMS or the ICS systems that are typically used, but with local incident management teams really being representatives of those facilities in which they operate normally as well as members of the asset protection teams and loss prevention teams.

So, long story short, the teams are representatives of the people that normally function in that area, and so the number of teams is really not as much the answer to the question as is the structure that is in place to be able to develop teams based upon the scope and size of the disaster itself.

Senator AKAKA. It would be useful to know if other businesses have similar response teams to respond to disasters.

Mr. Ratcliffe, you discussed the importance of Mississippi Power's hurricane recovery plan and the fact that the plan is regularly exercised and revised. However, one of your storm directors was quoted in the press as saying the plan is not utilized by employees during a disaster and that he has not reviewed the plan in years. I am trying to understand the extent to which your plan contributed to your successful response efforts because many government agencies that faltered during Hurricane Katrina also had response plans. Would you please comment on the storm director's remarks?

Mr. RATCLIFFE. Senator, I think the key to any planning is the drilling or the rehearsing of the plan. A lot of folks write plans and put them on the shelf, but if you don't actually force yourself to go through the practice exercise, the drill itself, the plan is not much good. You learn a lot in the practice exercise.

So to the extent we force ourselves to do that every year in anticipation of the hurricane season, we actually work through the response so that our people don't have to try to go find the book on the shelf. They have been through it. They know what the response is by firsthand experience. I think that is why the person responded, he hadn't looked at the book. He knew what to do because he had already rehearsed the drill.

Senator AKAKA. Thank you very much, Madam Chairman. My time has expired.

Chairman COLLINS. Thank you.

I want to follow up on Senator Voinovich's question to you about your contacts with the Department of Homeland Security. When we wrote the law creating the Department of Homeland Security, we specifically created an office to be a liaison with the private sector. In addition, the law provides for a Private Sector Advisory Council, and it is because we wanted DHS to have a robust relationship with major players in the private sector when it comes to disaster preparedness and response and many other issues that the Department is involved with.

To the best of your knowledge, does your company have an ongoing relationship with the Department of Homeland Security? We will start with you, Mr. Ratcliffe.

Mr. RATCLIFFE. We do, and we have been contacted and have interfaced. One of the things that we have done in our industry is look at critical infrastructure and had conversations with Homeland Security about what infrastructure is critical and how should we try to prepare for protecting that infrastructure going forward. So there is not only with our company, but with our industry, a routine interface.

Chairman COLLINS. Mr. Litow.

Mr. LITOW. Yes, we do have regular contact with the Department, and we do have contracts with them, and we work with them regularly.

Chairman COLLINS. Mr. Regan.

Mr. REGAN. We don't, to my knowledge.

Chairman COLLINS. Mr. Jackson.

Mr. JACKSON. I believe you are referring to the Private Sector Office of the Department of Homeland Security.

Chairman COLLINS. Yes.

Mr. JACKSON. We have frequent communications with them, and during Hurricane Katrina, multiple calls coming into our emergency operations center from Al Martinez-Fonz's group, Rich Cooper, and some of the other players from the Private Sector Office.

Chairman COLLINS. If you do have that kind of relationship, which I would hope that you would, I am trying to figure out why the Department doesn't tap into your expertise more.

Mr. Jackson, staying with you for a moment, each of the members of this panel have specialized expertise, goods, or services that were really needed in the response to Katrina. Is there anything that you saw a need for and actually offered to government at any level, and yet that was not accepted? Mr. Jackson.

Mr. JACKSON. I don't know necessarily that we stated certain quantities, but we did reach out across all levels of government and said, these are the resources we can provide. Normally, during a disaster, we work on a basis where we want the agency to ask us for what they need and then we will try to procure that or deliver that to them so that they are not getting things that they don't need because they didn't ask. But I am not aware of any situation where we offered resources and that they weren't accepted or at least discussed.

Chairman COLLINS. Mr. Regan.

Mr. REGAN. Yes. I am trying to rack my brain, but I don't believe there was anything during the period of time that I was there that they turned down that we offered.

Chairman COLLINS. Mr. Litow.

Mr. LITOW. Yes. We did offer to provide the kind of communications network that we used after the tsunami in South Asia, and we were told that they had other priorities and they went down the list and selected other things.

Chairman COLLINS. And yet the lack of a communications network greatly hampered the response.

Mr. Ratcliffe, your situation is a little different, I realize.

Mr. RATCLIFFE. I am not aware of anything.

Chairman COLLINS. OK. Thank you.

Mr. JACKSON. Madam Chairman, may I add on to that?

Chairman COLLINS. Yes.

Mr. JACKSON. There was one resource that we did offer similar to what we did after September 11 and to the private sector. We offered human resources. In the discussions that we had, we talked about possibly utilizing some of our logistics managers to help manage the staging areas or develop a disaster warehouse in that region, and those conversations basically just drifted off.

Chairman COLLINS. Mr. Jackson, following up with you, I mentioned before the hearing the odyssey of the ice, where FEMA was frantically ordering ice and 250 truckloads of it got shipped off to Portland, Maine, not exactly the heart of the hurricane region. To this day, to my knowledge, 150 of those truckloads remain in dry storage.

This raises questions to me about how FEMA orders, tracks, and delivers vital supplies. You were contacted by FEMA and asked to provide some supplies, such as water. Did you get the sense that was the result of an assessment of what would be needed, or was it more a frantic search for the commodities that are needed?

Mr. JACKSON. I would say it sounded more like an assessment, and the reason I say that is this. When the purchasing agent from FEMA contacted us, they say, and they have done this in previous storms, we need 100 trailers of water, and immediately, our questions are, well, do you have the logistics network on the other end to offload 100 trailers of water in a timely manner, or do you know what 100 trailers of water looks like? The response normally to that question is, I was just told to go buy 100 trailers of water.

So it would seem that—of course, not seeing their plans—that they have some type of set, you need to go do this and here is how much money you have, as compared to directing it to a specific need.

Chairman COLLINS. Thank you. Senator Lieberman.

Senator LIEBERMAN. Thanks, Madam Chairman. Thank you again, all of you.

I was struck when Mr. Jackson and Mr. Ratcliffe, particularly, talked about the fact that you retain private consultants as weather forecasters. To ask the question as directly as I can, does that suggest any lack of respect for or confidence in the National Weather Service or the Hurricane Center?

Mr. JACKSON. Absolutely not on our end.

Senator LIEBERMAN. So why do you do it, just because you need more tailored information?

Mr. JACKSON. Somewhat. I think from our perspective, it is more about we want to take in as many pieces of information as possible.

Senator LIEBERMAN. Right.

Mr. JACKSON. Occasionally, we utilize modeling software to look at hurricane patterns and such. So it is not just relying on one source for information, is the key.

Senator LIEBERMAN. Mr. Ratcliffe.

Mr. RATCLIFFE. That is the same.

Senator LIEBERMAN. The same?

Mr. RATCLIFFE. Multiple inputs.

Senator LIEBERMAN. That is reassuring to hear because we quite correctly praised the Coast Guard, but it did appear to me that the National Weather Service performed well here, too, and, in fact, as you look at the record, they seemed to almost be screaming by Friday night to everybody, including in our government, that this is going to really be bad.

Mr. Jackson, as the Director of Business Continuity at Wal-Mart, it strikes me that you might be described as the Secretary of Homeland Security for Wal-Mart, maybe International Security in that sense.

Mr. JACKSON. I don't know if my boss would like that, but——[Laughter.]

Senator LIEBERMAN. Senator Pryor said I could use that title. He will clear it with the management. [Laughter.]

I note as we on this Committee look at organizational questions and issues that are raised by Katrina and generally that Wal-Mart has chosen to put a series of major related functions—mitigation, preparation, planning, response, and recovery—in the same department under you. I want you to talk a little bit about what you see as the advantages of that. To be real explicit, if you want to deal with it—you don't have to—there are some people who have re-

sponded to FEMA's bad performance in Katrina by saying, the problem is they are in the Homeland Security Department. Get them out.

Now, we actually put them there because we thought it made sense to have them with the other disaster preparedness and response, recovery groups. What does your experience tell us about that kind of judgment?

Mr. JACKSON. Actually, I report to the Vice President of Global Security, which I think more appropriately has that title.

Senator LIEBERMAN. He is the Secretary of Defense for Wal-Mart? [Laughter.]

Mr. JACKSON. If you so choose. But in that, really, where we are positioned in the company is a good place. As far as having those four components under my area of responsibility, I think it works best because all four of those areas are supposed to work together. And so in utilizing the resources that I have available to me, to have my planners talk to the people that are working in the emergency operations center, where they are cross-trained and able to seamlessly work together and develop the best strategies is the best way to operate.

As far as the way that the company reacts as a whole, we had total company support from our CEO all the way down and had twice-daily conference calls during Hurricane Katrina with the CEO, his direct reports, and their direct reports, and everyone knew that they would function through the emergency operation and use the structure that was in place.

Senator LIEBERMAN. Thank you. Very helpful.

Mr. Regan, you mentioned and the record shows that some of the hotels in New Orleans are housing first responders and other government personnel. To the best of your knowledge—I guess a series of questions. First, was there any pre-disaster arrangement for that to happen or was it just fortunate that you stayed in operation and were able to house them?

Second, do you think, because you are in this business, that as part of our emergency preparedness, the government ought to have pre-set arrangements for housing the large number of people we are inevitably going to send into a disaster area?

Mr. REGAN. To answer your question, Senator, the first part was Shaw came in and was looking for accommodations after the storm. So none was done prior to the storm at all. There was no anticipation, I don't believe for that.

Senator LIEBERMAN. Yes.

Mr. REGAN. To answer the second part, I think it would make sense logistically to have housing set up for emergency personnel that can respond directly from one location. When we talked about a command center that I brought up before and why we do that is so that we have a nucleus of a working office so that everybody can branch out from that point. Bringing our people and staying in the hotels is probably the most important thing. We can set up command centers for everybody, and one of the things we talked about in New Orleans was the lack of the planning, and it was more reactionary than it was proactive——

Senator LIEBERMAN. Yes.

Mr. REGAN [contining.] And that is probably the biggest concern that we had.

Senator LIEBERMAN. I agree. I think you just said it, that there wasn't real planning, it was a reactionary approach, and when you do that in the midst of a crisis, obviously, you are running terrible risks, and unfortunately, a lot of people paid the price.

Mr. RATCLIFFE. Senator, might I add a comment there?

Senator LIEBERMAN. Yes, please.

Mr. RATCLIFFE. One of the things that we learned in the response to Hurricane Ivan in the panhandle of Florida in our subsidiary Gulf Power Company, we traditionally plan on using the existing infrastructure to house restoration and recovery workers, but in the case of a hurricane of the magnitude of Ivan or Katrina, that infrastructure is often destroyed. You have to have Plan A, but in the event Plan A is not available, you had better have Plan B to house your own workforce. We brought in 11,000 people to the Gulf Coast of Mississippi and provided temporary housing. We fed them twice a day. We showered them. We did their laundry——

Senator LIEBERMAN. How did you do it?

Mr. RATCLIFFE. Well, it is logistics planning. Again, it is lessons learned from prior experience——

Senator LIEBERMAN. Did you bring in trailers or——

Mr. RATCLIFFE. We had trailers. We had tent cities. We had caterers.

Senator LIEBERMAN. That is impressive. Last question, if I may, and this is something contemporary. I don't believe your company serves New Orleans——

Mr. RATCLIFFE. No, sir.

Senator LIEBERMAN [continuing]. But we have been hearing—I have been hearing some complaints from people in New Orleans who have had to wait for inspections of their buildings or houses before the power can be restored and the inspections are slow in coming because the personnel in the city is not up and running with adequate resources. Are there similar problems that you are having in your service area, and if so, how are you trying to get around them?

Mr. RATCLIFFE. Well, let me explain just on the front end of my remarks. Our focus is obviously starting back up the system, getting the poles and wires back up so that we can deliver power is our primary objective. But in situations where you have had potential damage to the facility, it is absolutely critical that you get a certified electrical inspector to go in and make certain before we restore the service, we don't run the risk of burning the house or the facility down because there has been some internal damage to the house.

Senator LIEBERMAN. Right.

Mr. RATCLIFFE. That process is something that we don't do. It is an independent private provider situation. You have to have electrical inspectors available, and that is one of the things that often lags, simply because you don't have a staff of existing people in anticipation of this magnitude of event. So I think that is what you are running into.

Senator LIEBERMAN. Let me understand clearly. Are these people who are retained by the municipalities?

Mr. RATCLIFFE. Private contractors. They are simply qualified electrical inspectors.

Senator LIEBERMAN. That you bring on?

Mr. RATCLIFFE. No, sir. They are in the communities.

Senator LIEBERMAN. That an individual home owner might have to retain?

Mr. RATCLIFFE. That is exactly right.

Senator LIEBERMAN. OK. And so part of what is going on here is that there are not enough of them in New Orleans. Same problem in your service area in Mississippi?

Mr. RATCLIFFE. To some extent, yes, sir.

Senator LIEBERMAN. Thank you all very much. Thanks for what you did in the crisis, which helped a lot of people an awful lot, and thanks for the lessons that you provided us with this morning.

Chairman COLLINS. Thank you.

Let me ask you each one final question. Our Committee, at the conclusion of its investigation, will be preparing a report with our findings and recommendations. We are committed to improving the Federal Government's preparedness and response so that the slow, halting, and woefully inadequate response to Katrina is not repeated, and we are sincerely committed to that task. What final advice do you have for us on what should be done to improve the preparedness and response at the Federal level? I am going to start with Mr. Jackson and work backwards this time.

Mr. JACKSON. I think the same things that we learned out of Katrina and that we continue to learn, is focusing on communication. Pro-active communications on the front end are going to lead us to those discussions about expectations and limitations, which we can build that comprehensive plan that is really going to take us to that unprecedented level of disaster preparedness that we have yet to achieve.

Chairman COLLINS. Mr. Regan.

Mr. REGAN. In our case, we are going through and really evaluating learned lessons again from Katrina, as we have with every other storm. I think the one thing is we look at the process of how we handled it. We look at the process of our plans, and we change the process of what didn't work, where we adapted to what did work.

And I think if you go back from the very beginning and you look at where everything was established, from the breakdown in communications to the breakdown in deployment to everything that happened, you need to go through each one of those plans and determine what part of the process broke down. And once you determine that, you correct that, then you move forward. And I think that is really the most important part from a learning standpoint. It is going back in and finding out exactly what part of the process broke down and correct that part.

Chairman COLLINS. Thank you. Mr. Litow.

Mr. LITOW. I would say, sadly, we have been through many disasters, and in each of them, whether we are talking about September 11 or the hurricanes or international disasters like earthquakes or the tsunami, there are good examples of best practices and practices that are not so good, and we ought to learn from all of them to be able to prepare a comprehensive plan and strategy,

and then make sure that all the various sectors who are called upon to respond have a common set of information. That is public, that is private, that is not-for-profit, and that is the education sector, as well. Get everyone on the same page, understanding exactly what went right and what didn't, and have a comprehensive strategy and plan in place. The next disaster may not be a hurricane.

Chairman COLLINS. Thank you. Mr. Ratcliffe.

Mr. RATCLIFFE. Senator, I would certainly agree with my colleagues. The only thing I would add would be to try to create a spirit amongst the leadership in the various agencies of cooperation and teamwork and a single mindset to make sure that we are focused on the main objective, which is to restore order and to restore society to some sense of normalcy. To the extent we have leadership that cooperates and is driven by teamwork, we would be much better off.

Chairman COLLINS. Senator Lieberman and I serve on the Senate Armed Services Committee, and we spend a lot of time talking about jointness. I think what you are all talking about is that jointness needs to exist at the local, State, and Federal level and in cooperation with the private sector.

We have learned a great deal from your testimony here today, and I want to thank you very much for sharing your experiences and your expertise with the Committee.

Senator Lieberman, do you have any other final comments?

Senator LIEBERMAN. I don't, just to join you in thanking everybody here. There is a lot to learn about preparedness, leadership, and the cultures it sounds like you all created, which we did see in the Coast Guard, which is—don't worry about the bureaucracy. If there is a crisis about to happen, let us just go according to our pre-prepared plans and get this done. Sadly, we didn't see that with FEMA, which is supposed to play the major role here, and that is what we have to correct. So I thank you again.

Chairman COLLINS. This hearing record will remain open for 15 days for the submission of additional materials. Your full written statements will also be included in the record, and again, thank you so much for testifying today.

This hearing is now adjourned.

[Whereupon, at 11:43 a.m., the Committee was adjourned.]

APPENDIX

Testimony of David Ratcliffe
President and CEO, Southern Company
Senate Committee on Homeland Security and Governmental Affairs
November 16, 2005

Thank you for the opportunity to appear before you today on behalf of Southern Company. Our company is a Fortune 500 company with 40,000 megawatts of electric generating capacity and 26,000 employees. We are among the largest energy companies in the nation, providing electricity to more than 4 million customers in Georgia, Alabama, southeastern Mississippi and the Florida panhandle.

Hurricane Katrina was the worst natural disaster in the history of our Mississippi Power Company subsidiary, and one of the biggest operational challenges Southern Company has faced in its more than 80 years of existence. The storm wreaked havoc on the lives of the 1,250 Mississippi Power employees and their communities, destroying homes and in some cases, entire neighborhoods. Many of our Mississippi employees lost their home, with half either flooded or severely damaged. Almost nothing was spared by Katrina's 140 mile-per-hour winds and 35-foot storm surge.

All 195,000 Mississippi Power customers and more than 600,000 of our Alabama Power customers were without power. Nearly two-thirds of Mississippi Power's transmission and distribution system was damaged or destroyed, the company's second-largest electric generating plant was flooded, and its headquarters building in Gulfport was damaged so severely it will not be fully operational until late next year. Yet, before the storm had passed, our employees had put aside their personal losses, and worked, with the help of many outside resources, to restore power across the devastated Gulf Coast region – in a remarkable 12 days.

I could not be more proud of this unprecedented response by our employees. At a high level, our success can be attributed to extensive pre-planning, excellent execution of a well-defined plan and significant help. And it starts with our planning process.

Southern Company's operating subsidiaries maintain detailed and dynamic disaster recovery plans. These plans for our coastal companies are graduated based on the expected damage from the five categories of hurricanes, with specific responses and actions identified for each. Each year prior to June 1, the start of hurricane season, Mississippi Power, for example, conducts a major disaster simulation. We practice annually because as peoples' jobs change, we must be certain that every aspect of the recovery plan is well understood by everyone involved. We routinely revise the plan as we gain new major storm or hurricane experience. In fact, Mississippi Power participated during the review of our Gulf Power Company's assessment of its plan following Hurricane Ivan that slammed the Florida panhandle in 2004. We were better prepared to respond to Katrina because of lessons learned from Ivan. Continuous learning in an organization is a critical component to achieving superior performance.

Our recovery plans provide for flexible and decentralized authority to make decisions as close as possible to the disaster. We start taking action two weeks before a potential disaster, and every day new decisions are made depending on the track and severity of the storm. In the case of Katrina, well before it hit, we activated our disaster plan with 20 storm directors implementing their clearly understood responsibilities. By the time Katrina struck, we had spent $7 million in securing equipment and logistical support.

Even as Katrina was still pounding Mississippi and Alabama, repair crews and trucks were rolling in from other states to begin immediate work on damage assessment and restoration. We had pre-positioned 2,400 out-of-state workers on the fringe of the storm area in Mississippi and in Alabama ready to move in where needed, with clear authority and accountability for the jobs assigned. Through mutual assistance agreements with utilities across our nation, workers from other utilities and contracting companies joined hundreds of employees from throughout Southern Company, and within seven days after Katrina, 11,000 workers from 23 states and Canada were assisting Mississippi Power. These emergency workers were provided housing, food, tetanus shots, and whatever possible to make life more comfortable for them in six full-service tent cities erected as their temporary homes.

Our management process for disasters calls for each operating subsidiary, like Mississippi Power, to be in charge of leading its restoration effort. With Katrina, functional business units such as transmission, generation and information technology responded seamlessly to the needs and overall priorities established not only by Mississippi Power but also by Alabama Power, which was impacted as well. Response and decision making are better when made as close as possible to the disaster and our management approach is designed to accomplish this.

That's why we were able to get 140,000 gallons of fuel to 5,000 trucks every night without fail, and provide 30,000 meals per day with few disruptions, and never have a line crew without the materials needed to complete its work. Our culture, defined by our corporate values of unquestionable trust, superior performance and total commitment, enables us to act decisively.

Our approach is strongly slanted toward self sufficiency. We do as much ourselves as we can and where we rely on outside suppliers for critical items such as cots and tents and food, we have back-up plans in the event those suppliers can't perform. As an example, we brought in our own 250-person armed security force for the protection of our people and equipment and for traffic control.

Our confidence in our ability to execute all aspects of our disaster plan, especially disaster assessment, allows us to establish meaningful goals that serve to challenge our employees to greater performance and establish expectations with our customers. Within 24 hours after the storm, we had inspected -- on the ground or from the air -- more than 75% of our electric system. Pre-positioning the 2,400 workers and advanced contracting with several aircraft made that possible. By the end of day 5, we were able to communicate to the public our commitment to have service restored to every customer who could take it by September 11. This goal created inspiration for all involved, and they found a way to exceed this goal and have service restored by September 10 -- again, just 12 days after Katrina hit.

We maintained daily communications with the public, demonstrating specific progress toward this goal. Customers are very understanding when they know what you're doing and what they can expect.

Our restoration plan also defines the priority for repairing electric facilities based on the need to establish stability to the electric system and to restore service to critical customers like hospitals, emergency responders, and water systems. Life threatening situations take priority over all others. During Katrina, we worked on generation, transmission and distribution at the same time with all of our priority customers in mind. In so doing, when we energized the transmission line into the Hattiesburg area, for example, we were able to restore power to both the Forest General Hospital and Plantation Pipeline pumping station. We stayed in close contact with all hospitals and other critical customers and refueled hospital generators until service could be restored.

One point that can't be overlooked is the value of Southern Company being a vertically integrated utility to its ability to respond. As stated previously, Mississippi Power was in charge of our response. The president of Mississippi Power made the ultimate decisions of how this effort would proceed. This company had catastrophic damage to its distribution, transmission, and generation facilities. The establishment and operation of staging areas, the procurement of food, shelter, fuel and security, among other things were singly handled for all three functions. This allowed for optimum utilization of these scarce services and the seamless and efficient sharing of resources among these three functions.

Decisions were made throughout the restoration to coordinate and direct the response of distribution, transmission, and generation so as to bring back all three functions in a way that resulted in faster response to critical customers and ultimately all customers. Coordination at this level would be much more difficult if these functions were in different companies. We had the ability to have one company set priorities and make decisions on behalf of our customers and not a particular business function.

Communication is crucial in responding to disasters -- especially the ability to communicate with thousands of additional workers. For most of the 12 days it took to restore service, the only viable communication we, or the coast of Mississippi, had was our

own internal system -- Southern Linc Wireless. This system has been built to the standards required for our electric business with considerable redundancy. While it also suffered catastrophic damage, within three days, it was functioning at near pre-Katrina levels and with added capacity to accommodate the dramatic spike in demand. Mississippi Power also installed its own microwave capability to 12 remote staging areas in order to transmit material inventory data into our automated procurement process. When communication circuits of another company were down, our information technology group would find a way to bypass those circuits and restore critical communications.

We received exceptional assistance from Mississippi Gov. Haley Barbour who had the foresight to call a joint meeting the day after the storm with the Federal Emergency Management Association, Mississippi Emergency Management Association, county EMA's and Mississippi Power to share plans and communicate actions. This meeting was instrumental in the excellent coordination and cooperation between Mississippi Power and all agencies involved. We embedded one of our employees within the FEMA and MEMA operations center, to deal continuously with issues as they arose. We had no instances in Mississippi of FEMA confiscating staging areas, fuel, or food. We requested and were given a certificate by FEMA to place in our trucks prohibiting interference by anyone.

Fuel was a critical issue for everyone in the Southeast. Important pipeline pumping stations are in Mississippi, which pump gasoline and diesel fuel to the eastern U.S. We were able to restore service to the six pumping stations we serve in Mississippi within 48 hours. While that allowed fuel to flow again through terminals in Mississippi, it was not adequate for us to fuel 5,000 trucks nightly. We worked with the Chevron Pascagoula Refinery to restore service to its pumps so that fuel from its tanks could be released. Chevron recognized the importance of our work and provided us with the fuel we needed for our 30 tanker trucks. Chevron should be recognized for their efforts.

There were, of course, many things that had to be done behind the scenes while line crews worked all day restoring power. From a human resources standpoint, through our family services plan, other Southern Company employees provided emergency services for those employees whose homes were lost or damaged. They removed trees from houses, put tarps

on roofs, salvaged personal belongings, stripped out carpet and did whatever else to enable local employees to focus on their disaster assignments.

In summary, our successful restoration following Katrina can be attributed to a few fundamentals:

- First, a strong culture of teamwork, trust, superior performance and commitment to our customers.
- Second, pre-planning and practice based on the application of lessons learned. Continuous learning is a disciplined process after every major storm. In fact, we are in the process of critiquing our Katrina response so we will be better next time.
- And last, but not least, the cooperation and hard work of our suppliers, customers and fellow utility workers throughout the nation and Canada.

The rebuilding of the Mississippi coast is ongoing, and it will be a long time before things return to some sense of normalcy. Our employees are still working in makeshift offices, living with relatives and friends, and overcoming incredible obstacles every day as they continue to live out our Southern Style credo of unquestionable trust, superior performance and total commitment.

Thank you.

U.S. Senate Government Affairs & Homeland Security Committee Hearing
Testimony
November 16, 2005

I am Stanley S. Litow, Vice President for Corporate Community Relations and President of the IBM International Foundation. I oversee IBM's corporate citizenship and philanthropic activities worldwide. Over the last ten years, IBM has been one of the leading corporate contributors of cash, technology and talent to non-profit organizations and educational institutions across the U.S. and around the world. We are committed to applying our skill and ability as an innovator against the challenges that exist in communities across the globe, addressing both education and societal concerns and doing so in a fundamental and systemic way.

As a global company with employees and customers in more than 165 countries, IBM has a unique understanding of how a single devastating event in one city in America or in one corner of the world can be destabilizing for us all. Natural and manmade disasters remind us just how interconnected we are and how fragile our networks can be.

But they also remind us how generous, resourceful and focused we, as a global community, can be when we put political, economic and other self interests aside and pull together to respond in times of crises, whether they are next door or halfway around the world.

IBM has a long-term and deep-seeded commitment to exemplary corporate citizenship. Our work includes launching the world's first humanitarian public grid project to help find cures for diseases like Alzheimer's and AIDS, raising literacy by finding new ways to teach children and non-literate adults to read and making the Internet more accessible for seniors and people with disabilities.

But through our experience, we've learned that corporate citizenship is exemplified most clearly in times of crises. In the face of earthquakes, hurricanes and acts of terrorism, IBM has responded immediately, bringing our expertise and technology to affected areas to make real and measurable differences for governments and their people.

IBM has a Crisis Response Team that has responded to more than 70 critical incidents in 49 countries during the last decade. The team provides immediate, 24/7 assistance, including international humanitarian relief, emergency management and on-site services, as well as business services to government and business entities in the U.S. and around the world.

After the Tsunami in Southern Asia, IBM deployed over a 10-week period our Crisis Response Team and more than 700 employees, business partners and

customer volunteers across the four countries of India, Sri Lanka, Indonesia and Thailand. It was clear within the first week that the tremendous challenges faced by these governments, as well as relief agencies, businesses and community organizations could be aided significantly through technology.

Among the solutions we provided were Open Source applications to address a complex set of needs, including tracking and identifying the missing, dead and injured, as well as displaced individuals and orphans. We also consolidated UN, NGO, private sector and government information and provided on-the-spot analysis and reporting.

We developed an organization registry, camp management systems, relief and assistance databases, logistics management, financial restitution tracking systems, event management and damage assessment applications. We deployed high-speed wireless data and voice transmission systems and a range of equipment from mobile computers, servers, hubs, and routers to specialized education solutions, including computer learning centers and software for young children in the affected areas. Finally, to help the countries become self-sufficient in managing the ongoing crisis, we trained thousands of volunteers and government officials on customized software applications and on trauma and emergency response.

After our work concluded in Southern Asia, we left with a set of customized Open Source solutions that could be easily modified and deployed in other disasters. They included:

1. A Relief Materials Management System
2. A National Relief Fund Management System
3. A Victim Tracking System
4. A Relief Camp Management and ID card system (biometric, fingerprint and photo)
5. Report Generation and Statistical Analysis capability
6. Helpline Services Tracking (captures services requests and monitor status)
7. Tracking systems for signs of disease outbreaks

Because of our intensive experiences across multiple disasters in the U.S. and globally, after Hurricane Katrina hit and subsequently after Hurricane Rita and the earthquake in Pakistan as well, IBM was able to deploy assistance more efficiently and effectively. IBM talent, technology and systems have made a critical difference on the ground virtually from the moment disasters hit.

Specifically, after Hurricane Katrina, our goal after we deployed the Crisis Response team to Baton Rouge was to address critical health and safety needs. Among the efforts were:

1. Missing Person Reunification Project: A number of Web sites and local registries, including two that IBM hosted – the CNN Safe List and the Safe List for Urban Broadcast – were helping evacuees and the public locate missing family members, friends and colleagues. IBM worked with the State of Louisiana to implement the Entity Analytics Solution, a new IBM solution, to integrate these different databases and make it possible to search a single, unduplicated, up-to-date list of people and support reunification.

2. Jobs4Recovery: In a partnership with the US Chamber of Commerce, local Chambers in the Gulf, and nonprofit partners, IBM launched www.Jobs4Recovery.com, a new job post/job search web site for the large numbers of individuals who have an immediate need for employment in an easy to access format that brings together the largest number of opportunities from the Web and also presents targeted new jobs developed by local chambers.

3. American Red Cross Disaster Relief Self-Registration Internet Site: IBM designed and developed the American Red Cross Disaster Relief Self-Registration Internet Site, which captures and stores demographic and family data in a secure data base through a user-friendly web page. This will be particularly helpful moving forward when those who are affected by a disaster can apply for benefits online and the Red Cross has the ability to validate information, check for duplications and efficiently manage the application process.

4. Centers for Disease Control Support: IBM provided support to the Centers for Disease Control of the U.S. Department of Health and Human Services to respond to emergency health needs and assure that evacuees had access to prescriptions and care for both chronic illnesses and trauma resulting from the disaster.

5. Online Curriculum Management Application: IBM implemented an online curriculum management application to post the Louisiana state curriculum in an easy to search and access web site for teachers in Baton Rouge and other parishes who accepted thousands of new students, and to provide background information on new students to teachers in Texas, Kentucky, Tennessee and Georgia.

6. Trauma Specialists: We worked with trauma specialists to train teachers to welcome evacuees into their classrooms, including how to recognize and respond to signs of serious trauma.

7. Temporary Housing: With the City of Houston, we developed an application to track and manage temporary housing and efficiently match and assign individuals to appropriate facilities.

8. Volunteer.org Web Site: We worked with the Points of Light Foundation to enhance its 1-800-volunteer.org site to streamline volunteer recruitment prior to and during emergency situations. Previously, the site connected volunteers to opportunities in their communities, helped them track their service, and sent them automatic e-mail notifications, enabling them to respond when they were needed most. IBM's enhancements improved the ability of Volunteer Centers to recruit for specific needs through the addition of volunteer skills taxonomy and specialized matching for disaster preparedness and response.

Obviously things are far from completed and the IBM team and resources are still at work in the affected region. As one example, we are meeting with Louisiana State education officials now to help determine a long-term course to restore school-based instructional services.

While we were still heavily engaged in the US Gulf Coast, the earthquake in Pakistan hit. We immediately deployed our Crisis Response Team to Islamabad. After the initial assessment, it was clear that the Open Source software IBM created after the Tsunami to track refugees and their needs, as well as to monitor goods and material, would aid significantly in the Pakistani crisis. It thus became our first priority for implementation. The applications originally developed in Sri Lanka were easily customized, and the government agency responsible for relief and recovery adopted the software as the standard. IBM is providing servers, hosting, project management and six months of support for the applications.

In recent years, IBM has learned a great deal about disaster relief and believes that we have much of value to share. As we regroup and consider lessons learned, we would like to stress the following:

1. We can't predict disasters, but we can prepare for them. The degree to which we are able to do so can make a tremendous difference for the people and governments that must move forward in times of extreme crisis. As a nation, we must ensure that we have the plans, the resources, the people, and the technologies at the ready – doing so can help save untold numbers of lives.

2. Advance planning of people, tools and technology, as well as formal agreements among public agencies on sharing information and decision making are vital to the success of any disaster relief and recovery plan.

3. In cases such as Hurricane Katrina, 9/11 or the Tsunami, rapid response is critical to the assurance of the safety of the situation. Basic communications systems must be either established or restored immediately and local and regional officials need help in determining where and how to invest resources, and deploy the assistance that is offered. The existence of a formal disaster plan and advance planning and training of key staff is critically important here.

4. Local, regional and national governments along with the private and voluntary sector must work collaboratively and establish the systems to be able to do so. Models and best practices from other geographies are critically important to learn what to do and what not to do.

5. Technology tools are critically important. They allow people to communicate with one another when communication systems are wiped out or when disaster hits remote areas of the world. They also permit information – including education and health records and missing person information – from disparate organizations to be shared and organized so that resources can be deployed and used effectively.

6. Technology also can only be effective if it is integrated into a set of services, operational plans and strategies. Open Source tools are the most effective since they can be customized and deployed rapidly and are readily available to both public and not-for-profit agencies. This allows all systems to communicate with each other.

It is a most sobering thought to know that disaster will strike again, often without warning and always without regard for the people and places it leaves in its wake. If any good can come from disaster, then it must be our ability to take the best, most effective practices from one situation and bring them to the next. While we must be sure to customize resources to local situations and cultures, doing so can save money and lives, alleviate human suffering and bring order out of chaos – to the greatest and most immediate degree possible.

Thank you.

Statement of
Kevin T. Regan, Regional Vice President of Operations,
Southeastern United States and Caribbean,
Starwood Hotels & Resorts Worldwide, Inc.,
before the
Committee on Homeland Security and Governmental Affairs
United States Senate
Hearing November 16, 2005
"Hurricane Katrina: What Can Government Learn from the Private Sector's Response?"

Madame Chairman Collins and distinguished Members of the committee. I am Kevin T. Regan, Regional Vice President of Operations, Southeastern United States and Caribbean for Starwood Hotels & Resorts Worldwide, Inc., operators of more than 750 luxury hotels around the world. In New Orleans, Starwood operates three major hotels, the 1,110-room Sheraton Hotel New Orleans, the 423-room W New Orleans Hotel and the 98-room W French Quarter Hotel.

Thank you for allowing me the opportunity to participate in this hearing on behalf of Starwood Hotels and Resorts and discuss how our company successfully met the challenges faced from Hurricane Katrina. It is with great pride that we offer this information so that it may provide some insights that may be helpful to our government in managing future crises. Let me assure you that while we are proud of our accomplishments, we are also cognizant that the difficulties Starwood faced in New Orleans were of a much smaller scale than what the entire region faced in this horrific disaster. In our frame of reference, however, the challenges were incredibly huge.

The lessons we learned from Katrina are, quite frankly, not unlike those learned from past disasters. In our view, the keys to successfully managing a crisis are ***planning, leadership, teamwork*** and ***communication***. Simple words, but not so simply accomplished.

After Katrina left the city devastated, we were the first hotels downtown with power. We were the first hotels downtown with trucked-in water. We were the first hotels with air conditioning. We were the first hotels with a restaurant back open. And, we were the first to reopen its bars.

While some of the other hotels may have closed and evacuated their employees for weeks, we were able to accomplish those things because we had a plan, because we had leadership, because we had coordinated teamwork and because we communicated.

Prior to 9-11 and subsequent terrorist activities around the globe, Starwood had in place numerous disparate emergency response plans to address such issues

as fires, earthquakes, hurricanes and other natural and non-natural disasters. These plans were in place as a reference for our corporate and property teams to facilitate the protection of our associates, guests and assets. Obviously, post September 11th, the rules changed and we had to increase our focus on non-natural disasters and plan even more for the unexpected. Development of the new global crisis management plan involved a core group of executives at Starwood corporate and our four worldwide divisions and timeshare group along with a consulting firms which coordinated the effort, including primarily The Alliant Group/Houston. Hotel general managers and safety and security directors and specialists participated throughout the process.

Starwood today has in place a comprehensive emergency and crisis management plan that structures preparedness and response at the Corporate, Division and Hotel levels, instills responsibilities and authority at each level, and, very importantly, provides for ongoing communications throughout the organization and the team directly involved in a crisis.

At the core of all of its plans are the mandates to always (1) do the right thing, and (2) assure the safety of guests and associates above all else.

Today, I would like to focus my comments on the specific plans that we followed during the Hurricane Katrina disaster that crippled New Orleans and the entire Gulf Coast. My comments will be based on direct knowledge of our hotels' situation and the key points in our processes that led us to the successful recovery we have experienced to date. These pillars include, but are not limited to, our communication plan, evacuation plans, recovery and organizational plans.

I spoke earlier of leadership being a key to successfully managing a crisis and it certainly was with Katrina. But leadership does not mean one individual. I am personally humbled by the praise, but I share it rightfully with many others at Starwood: Geoff Ballotti, president of the North America Division; Graeme Davis, Caribbean area managing director; Tom Schmidt, Texas area managing director; Dan King, general manager of the Sheraton New Orleans; Marcus Reinders, general manager of the W New Orleans; and Leon Young, general manager of the W French Quarter.

And, within each of the teams those individuals led are many other leaders and team members whose contributions are too numerous to list, but without which we would be talking today of failure instead of success, because in any crisis, the difference between success and failure is the quality of leadership. It is a dedicated team of knowledgeable people that can take the plan devised during calm and execute the elements of that plan during crisis, always adapting and changing elements as needed for the specific challenge.

A most critical element of successful leadership is empowering those leaders with the authority to act. We have all seen the disastrous results of handcuffing

leaders by mandating responsibility for results without the accompanying authority to act to accomplish those results. At Starwood, the crisis plan provides for decision making at different levels of the organization based on need and appropriateness. And, within the chain of command, authority is provided at the level closest to the crisis as possible with the other levels in the chain providing support.

For example, our team in New Orleans had full authority to order whatever equipment and services we felt necessary to deal with each need, including generators, water trucks, construction, security, cleanup crews and more. Decisions to provide free housing and food to all evacuated associates for a month at any Starwood hotel in the country were made at the corporate level because it impacted the organization more broadly. And, because of the impact, all levels jointly reached the decision to pay all New Orleans-based associates for the month of September regardless of where they were living after the storm. Those who could return to work in New Orleans to assist in the recovery were paid double.

Experience is a significant factor when you face a crisis and it is an unfortunate reality that we in the southeast U.S. had a lot of experience prior to Hurricane Katrina. Looking back only a year before, we had faced Hurricanes Bonnie, Charlie, Frances and, of course, Ivan the Terrible. We were still recovering from that onslaught when we began the 2005 hurricane season and were hit by Dennis and Emily. Then Katrina raked across the tip of Florida, damaging several of our hotels there before it continued its march toward the Louisiana and Mississippi coast. And, the season was certainly not over as we still had to deal with two more incredibly powerful hurricanes, Rita and Wilma, the latter of which significantly damaged Mexico's Yucatan Peninsula and Southern Florida and impacted our hotels in both markets.

Each of these storms was different with unique challenges but none like Katrina had to offer. Over these past few years we have utilized key lessons from each of these storms which helped us in the planning and recovery process for Hurricane Katrina. First and foremost we learned that you can never over communicate throughout the process. The communications plan we followed was pre, during and post-Katrina and to this day we continue to refine our key lessons from Katrina.

At the beginning of the storm season, we set up communications with all of our hotels in the region with a specific agenda of reviewing in detail the procedures and responsibilities that need to be followed during the season. Each hotel general manager has a hurricane checklist which gives them a handy reference to what the key roles are of each of the key personnel. Such communications assures an overall readiness as we begin the season, but there are specific steps that must be taken when the reality of a storm increases.

Once an area is under hurricane watch, our plan helps organize each hotel with the supplies they need to have on hand and the steps necessary to secure the safety of both our guests and associates, including communication with guests. Once a hurricane warning is issued we set up an emergency command center in each hotel that will give the convenient access to communications and we begin daily communications between our regional recovery team and the corporate leadership team and property teams and secure all needed assistance prior to the storm. At that point, our plan also directs our hotels to begin updated messages to our guests via phone or other avenues available and take such steps as filling all bathtubs with water and closing drapes to prevent broken glass flying through the air. We establish an associate hotline with daily or hourly updates as needed. We establish a final list of all guests and associates remaining on the property.

In the case of Katrina, on Friday we began a series of daily conference calls with the hotel managements in New Orleans, our regional recovery teams on standby and our appropriate corporate staff in White Plains, NY.

By the Friday before the storm, our three major hotels in New Orleans began all preparations according to the plan, which, for the Sheraton for example, included ensuring there was enough food and water for 1,000 guests through the predicted storm period and several days beyond. Emergency generators were checked along with supplies of diesel, oil and batteries. Personnel considered essential were notified to be on standby in case the storm did, in fact, come to New Orleans. Those preparations were actually considered precautionary because Katrina was predicted to go to the Florida panhandle. In fact, we kept the reservation systems open because we wanted to be prepared to take evacuees from Florida and Alabama.

By Saturday, all that had changed and forecasters were predicting it was headed for the city and that it could be a category 5. Unfortunately, by the time evacuation orders came, especially the mandatory evacuation order on Sunday, there was neither ample time nor resources to evacuate many of our guests. Our local teams worked diligently to find any available flights, rental cars or even chartered buses but by Saturday evening everything was sold out. As we understood, some of the airlines stopped all flights as early as noon on Saturday.

Once it was no longer possible to evacuate, our priority shifted to ensuring the safety of our guests, associates and their families within our facilities.

On Sunday, we transferred the guests from the W French Quarter to the W New Orleans, which had greater emergency resources. At the W French Quarter, we provided facilities to assist the 8th District police command, which turned out to be fortuitous in securing the property in the days to come. Essential personnel at the W and at the Sheraton, as well as some non-essential associates who did not have the means to evacuate themselves, came to the hotels along with their

immediate families in many cases. At the Sheraton, we had approximately 1,500 guests, associates and family members. At the W New Orleans, another 600. Those numbers grew somewhat in the hours before the storm hit on Monday morning as we took in people who had checked out of their original hotel only to discover they couldn't get out of town and needed a safe haven. Fortunately, I am pleased to say, none of our guests, associates or family members in the hotels suffered any injuries. Prior to the storm, we had moved all guests from guest rooms to protected ballrooms. At the Sheraton, it became a bit of a giant slumber party, with guests instructed to bring pillows, blankets and essentials including medicines, with them. Large screens were set up for movies for the children and news monitoring for adults. As the storm raged outside early Monday morning, the Sheraton was serving a hot breakfast despite having lost main power because the cooks had begun preparations at 3:00 a.m. in anticipation of having only emergency power a few hours later. A number of sick and infirm guests, some requiring breathing machines and feeding tubes, were provided for in another interior and protected meeting room with continuous staffing by our associates and emergency power provided for their care. Fortunately, our IT team managed to keep telephone and internet service intact and after the storm passed we were able to allow guests and associates to reach loved ones elsewhere to let them know they were safe.

While our hotel teams were taking care of details far more extensive than what I outlined here, our regional and corporate team had assembled the equipment, generators, power technicians, assessors and recovery teams and positioned them in strategic locations for ease of transportation once the storm had passed. We had tried to anticipate the needs prior to storm with dehumidifiers, diesel fuel, gasoline and replacement supplies of food and water all staged again in an area that we could bring in once we assessed the damage.

Not surprisingly, however, we had not anticipated the devastation to the infrastructure that the collapsed levees created. In most hurricanes, we anticipate more short-term loss of power and water, but the massive flooding of the city created substantially greater challenges than we had ever faced before.

We alerted our ground teams in Atlanta where we had moved our sales teams and White Plains regarding the need for temporary housing for our 850 associates and their families based on what we were hearing from our property teams and media reports about the extent of loss in the city. On Monday, even before the levee problem, we started the process of securing buses to evacuate our guests and had little or no luck as companies told us they were under contract.

After the levee collapse, on Tuesday rumors about a 15 to 20 foot wall of water coming up Canal Street where the Sheraton is situated created intense urgency to evacuate the remaining guests and associates. For any guests and associates who had cars, we arranged car pooling and caravanning with security

escorts to avoid car jacking and get them out of the city safely. At the W Hotel, our Director of Safety and Security found buses in Lafayette at 3:00 a.m. and it still took more than seven hours to get them to the hotel to get those guests out. Fortunately, he had also arranged for special security on the buses, which got them through the three security checkpoints that had been established on direct routes into New Orleans and to keep them from being commandeered. In addition to the guests and associates from the W Hotel, we ended up taking out many evacuees from the convention center and nearby areas who spotted the buses and came to us for help. At the Sheraton, we thought we had solved the bus problem by getting approval to take buses from a New Orleans tour operator and even had drivers ready, but by the time all arrangements had been made, the water was too deep to move them. That began another scramble to find buses, eventually arranging for 14 buses from two tour companies out of Baton Rouge, which could not come until Wednesday. By 6:00 p.m. Wednesday, all of our guests and most associates had been evacuated to Dallas. Neither the Sheraton nor the W Hotel at any time sent any guests to any New Orleans shelters or otherwise added to the burden of the city. In fact, we are proud of the support we provided to the city and federal agencies during that time.

As I stated earlier, the 8th District police were already housed in the W French Quarter as of Sunday. On Monday, the Sheraton provided facilities for the personnel from one of the area fire department station houses, which had been knocked out in the storm. And, on Tuesday, the 5th District police station was wiped out by flooding and that entire command moved into the Sheraton, approximately 150 officers. On Thursday, we were asked to house some 400 U.S. Immigration & Customs Enforcement agents, which we did although we were still operating only on emergency power and did not yet have elevator service. Most agents, therefore, camped in our public areas. And, I want to mention that we never sought nor received any compensation for housing all of those officers and agents, who were there for about two weeks after the storm until other quarters could be arranged.

Our corporate team arrived on Wednesday from Miami into Baton Rouge and we had two buses lined up to take us first to the Sheraton Baton Rouge where we met with the first round of guests and associates on Tuesday to explain what we were doing for them and where they were headed. In the mix, we had guests and associates alike and we transferred them to one of our hotels in Dallas. We departed the Sheraton Baton Rouge enroute to the city of New Orleans, a trip that normally would take 45 minutes that took us 4 ½ hours. We arrived in New Orleans and met immediately in the command center to get the latest update and determine priority needs and next steps. Our team arrived with satellite phones but they found limited use because the Sheraton had maintained telephone and internet service throughout. And cell service, although often spotty, was working, too. The command center at the Sheraton, which had been moved from the sixth floor during the storm to the first floor once we knew we were not going to be flooded, became the command center for all three of our hotels. Wednesday

night, news media trucks began to congregate on the median on Canal in front of the Sheraton because of the safety with the police presence housed with us and the limited lighting we offered. Otherwise, the city was pitch dark.

Our corporate team surveyed the situation and began the process of releasing the equipment we had staged, arranging for it to come to New Orleans. Fortunately, because we housed the 5th District police, our Director of Security, who is also a commissioned deputy sheriff, was able to arrange NOPD escorts to get supplies through the roadblocks for the next few days. During that time, we did have one diesel fuel truck commandeered by the military, but we feel very fortunate that that was all we lost.

Thursday, we inspected each of our properties and found that security was the biggest concern as the lawlessness was everywhere. A police official explained to us that the city was out of the control of the police and it was now unsafe anywhere night or day. We saw looters. We saw armed civilians and we heard of all the problems in the area. Out of concern for our remaining managers, I ordered the evacuation of all but five of the local management team. The W French Quarter was safe with the 8th District housed there but not the larger W New Orleans. As we pulled back from the W Hotel to the Sheraton, we saw looters break into the hotel behind us. As part of our daily conference call with corporate headquarters and regional staffs elsewhere, we determined the need for our own armed security. Blackwater security, well known for its work in Iraq, Afghanistan and such other assignments, were contracted and arrived late Friday night. Their presence allowed us to return to the W New Orleans and provided safety as we moved between our hotels.

Also, Thursday, our first big delivery arrived under escort, the dehumidification systems to start pumping cool dry air into our hotels to reduce the moisture content and stop the growth of mold and mildew. The Sheraton lobby gift shop was converted into a temporary medical infirmary for emergency service workers for the next several weeks.

Friday, we had our first deliveries of generators from California and we powered up the W French Quarter and lit up the New Orleans skyline with the first lights since the storm. Friday was also the day that we provided accommodations for the Department of Immigration and Customs Enforcement. We had heard that some military caravans were on their way into the city but we didn't see them until Saturday. We also provided space for the Salvation Army to set up in the Sheraton motor lobby drive to feed the law enforcement officers and other emergency service workers in the area and we provided rooms for the Salvation Army volunteers.

Saturday, we had our next shipment of generators arrive and by 3 a.m. Sunday morning we had power at the Sheraton on Canal Street. In the process of looking at the water system we realized that the city could be weeks away from

having it functioning again, so we contracted to have water brought in to fill our fire protection system, which was critical given the number of city and federal officers we were housing. We also had been dealing with another city problem. The sewage system had no where to go as the city had no power and no pumps. We contracted with a company to pump the sewage out to reduce the pressure and allow us to pump water in and we added a loop to pump the outgoing sewage into septic tanks. This allowed us to bring in the needed water to feed the fire protection system and allow us to circulate water through our cooling towers and condition the air to prevent mold growth, although it wasn't until the middle of the next week that we were able to restore city electrical power and run the air conditioning system throughout the hotel.

Sunday, we received the septic tanks and began the pumping process. We also received the last of our generators for the W New Orleans which we powered up by Sunday night. That night all three hotels' exterior signage was lit and it was a time of celebration for our teams as they were still the first visible on the skyline.

The following weeks were continuing challenges of beginning construction repairs, covering exposed windows, removing wet carpets and drywall and beginning the detailed recovery work that allowed us to be back and operating before virtually all other hotels in the Central Business District. We took in our first paying guests at the Sheraton on September 12th, two weeks to the day after Katrina struck.

To get the hotels operating again, a significant issue that we had to face was getting our associates back to New Orleans. As a hotel company we had a significant advantage over other businesses in that we could provide a place for our employees to live, something that wasn't available to others, which is a significant reason so many businesses are not operating in New Orleans today. As I stated earlier, our company made the decision at the outset to provide housing and food at any Starwood Hotel for our displaced associates and to pay them through September. For those who could return to New Orleans and return to work, they would be paid double during that period and continue today at a nice pay premium.

As all our efforts were underway in New Orleans to manage the physical recovery at our hotels, our company was also managing the most critical needs of our associates. As everyone is well aware, Texas, in particular, took in hundreds of thousands of evacuees. So many of our own associates ended up there, either on the buses we provided after the storm or on their own ahead of the storm. I want to call attention to the efforts in particular of our team in Dallas under the leadership of Area Managing Director Tom Schmidt from Houston and Dallas' Westin Park Central General Manager Ray Hammer. In order to accommodate nearly 1,000 associates and family members – and more than a few neighbors who simply got on the buses headed that way – Starwood reopened the Sheraton Park Central hotel, which had just closed for remodeling.

Over the many weeks to come, that team provided for all the needs of those associates and families, holding clothing donation drives to replace all that was left behind, arranging for support from the Red Cross and FEMA, assisting the children getting enrolled in local schools and helping them find longer term housing in apartments and homes as it was clear they wouldn't be returning to New Orleans any time soon. The Texas team in Dallas, Houston, Austin and San Antonio worked tirelessly to serve not only the needs of its own displaced employees, but thousands of other evacuees whose lives were turned upside down.

I am also proud of the generosity of Starwood employees worldwide and our company. As part of the recovery process, Starwood held a phone-a-thon to allow employees to donate cash and vacation time to aid the employees from New Orleans. Our employees donated nearly $750,000, which Starwood matched. That $1.5 million was boosted by a week-long online public auction supported by Starwood and our partners that raised another $550,000. One hundred percent of the money raised went directly to the fund to benefit the more than 800 affected associates at the three hotels and the franchise Four Points by Sheraton Airport.

In closing, the key lessons for our team were to have a plan and execute that plan well, which also means being flexible and creative, to expect the unexpected and rely on your people. And, most importantly communicate, communicate and communicate. Leadership is more than taking responsibility for your actions. It is making the decisions when they must be made and not waiting for someone else to act for you. It is having decision making authority at the level closest to the crisis and providing support for those decisions.

New Orleans is a great city with such a rich history. It is, in fact, my birthplace and its foundation is built on its people! The heart of this city isn't the Quarter or the Garden District. It's the people who live in, work in and love the city that makes its heart beat. I appreciate the opportunity to appear before this distinguished panel and I hope it will benefit the city I love and help solve future crises we may face in this great country.

Thank you very much.

WRITTEN TESTIMONY OF JASON JACKSON

DIRECTOR OF BUSINESS CONTINUITY

GLOBAL SECURITY

WAL-MART STORES, INC.

BEFORE THE UNITED STATES SENATE

COMMITTEE ON HOMELAND SECURITY AND

GOVERNMENTAL AFFAIRS

"Hurricane Katrina: What Can Government Learn from the Private Sector's Response?"

November 16, 2005

Chairman Collins, Ranking Member Lieberman and distinguished Members of the Committee:

Wal-Mart Stores, Inc. wants to thank the Committee for its work on this very important issue and for holding this hearing today. We support actions taken to better prepare this nation and its communities to respond to and recover from all disasters, both natural and manmade. We are prepared to work with you to improve disaster readiness and response at all levels of government and within communities nationwide.

Wal-Mart is honored and pleased to be a part of this process. Wal-Mart appreciates the opportunity to provide testimony that may help the Senate Committee on Homeland Security and Governmental Affairs take action to better prepare this nation for catastrophes.

BACKGROUND

My name is Jason Jackson. I am the Director of Business Continuity for Wal-Mart Stores, Inc. My department is responsible for mitigation, preparing and planning for, and orchestration of the response and recovery efforts for all forms of business disruptions globally - including natural and manmade disasters, security related disasters, significant epidemiological issues, and other emergencies. I have held this position since June of 2004.

Previous to this position, I served as the Senior Manager over the Emergency Operations Center, reporting to the Director of Business Continuity. I have worked in the Global Security Division of Wal-Mart since February 2002. Previous to my time with Wal-Mart, I worked for several years in emergency services at the municipal, county and state levels.

I hold an undergraduate degree in Emergency Administration and Management from Arkansas Tech University in Russellville, Arkansas and graduate degrees in both Organizational and Business Security Management and Business Administration from Webster University in St. Louis, Missouri.

Wal-Mart is based in Bentonville, Arkansas. Our company employs approximately 1.3 million Associates from all 50 states and approximately 1.7 million Associates worldwide. Each week over 138 million customers choose to shop at Wal-Mart, which we feel reflects the success of our dedication to providing Everyday Low Prices to our customers. Wal-Mart does not just operate stores, clubs, and distribution centers in communities; we take a proactive stance in community involvement on a number of issues. In this regard, community sustainability is very near and dear to our hearts. Ensuring continuity of operations and serving as a community resource during times of disasters allows us the opportunity to leverage many of our strengths to serve those who have allowed us to be part of these communities. Basic needs become paramount during crises and we see it as a personal obligation to ensure that those basic items, that we often take for granted, such as food, water, diapers, baby formula, prescription drugs, and fuel are available as quickly as possible following a disaster to aid and speed the response and recovery efforts.

PURPOSE OF HEARING AND WAL-MART'S ROLE

As we understand it, the purpose of this hearing is twofold: (1) to learn about best practices utilized by the private sector to prepare for and respond to disasters; and (2) to explore and understand the role that the private sector can play in disaster response. With this understanding, Wal-Mart is eager to share its information and experiences.

WHAT WAL-MART HAS DONE AND CONTINUES TO DO

Being properly prepared to manage a crisis and mitigate impact is critical to corporate sustainability. In this, we, similar to the government, approach crisis management from an "all hazards" perspective. Because of Wal-Mart's large footprint, probability suggests that we will be required to address crises on a regular basis at a local, national and global level.

As most disasters do not provide us with forewarning, proper mitigation and preparedness planning become essential to ensure the best possible outcome when faced with a disaster. Additionally, having an emergency management structure in place to efficiently coordinate disaster response and recovery activities is essential. In the past ten days, Wal-Mart has dealt with tornadoes in Kentucky and Indiana, an airplane crash into one of our facilities in New Hampshire, and a typhoon in the Western Pacific as well as other localized crises.

Before focusing on the hurricane, it is important to note that Wal-Mart maintains three focuses when it comes to disasters. These are (1) Associate welfare, (2) reconstitution of operations, and (3) community support. As with any organization, there are certain elements required to succeed that may be specific to that organization. While Wal-Mart utilizes a number of guiding principles and standardized processes, capitalizes on corporate strengths, and benefits from a strong corporate culture, there are a number of components that we believe are essential for success during the various phases of a crisis. The leadings elements are as follows:

- Quick Situation Identification - Hurricanes are unique in that they are one of the few disaster types that normally allow for preparation prior to impact. Having an effective monitoring structure to quickly identify potential crises is necessary to ensure the maximum preparation and assessment time.

- Emergency Structure - As previously stated, Wal-Mart understands that because of our size, we will be required to address crises, on a regular basis, that are consistent with what the country faces by geographic location - earthquakes in the west, snow storms in the northeast, and hurricanes in the southeast. To manage these crises the company utilizes a series of pre-determined emergency procedures relative to the various levels and divisions within the corporation. While individual stores or business units do not deal with crises at a local level on a regular basis, the company established the Emergency Operations Center to serve as the centralized platform for crisis coordination. The Emergency Operations Center functions 24 hours a day, every day of the year. The center works both proactively in monitoring the globe for potential business disruptions and initiating mitigating actions to minimize or negate impact, and works reactively in enacting corporate response and recovery plans and coordinating actions. The Emergency Operations Center focuses on developing the "big picture" of the event through centralized communications, processes, and software applications and then providing this picture back to the decision-makers to ensure that they have the best data set possible from which to make the best decisions. Equally important is driving efficiency through face-to-face communication, which not only keeps players on the "same page", but also provides a platform for quick, decisive decisions to be made.

- Scalable Operations - The ability to expand and contract operations appropriately as the event unfolds is also essential to success. Often, time variables emerge suddenly that require immediate attention, expansion of operations, and/or immediate change of direction. The crisis management structure must be void of rigidity and allow for maximum flexibility to properly address any emerging variables. Hurricane Katrina, for Wal-Mart, tested this concept to the maximum as the Emergency Operations Center expanded to include five operational annexes and unprecedented field support operations. Key, however, is not the fact that the expansions occurred to meet the needs, but rather the speed at which the expansions occurred.

- Total Company Support - Having a structure in place is simply never enough. It is necessary for all of our Associates to effectively utilize the structure to maximize efficiency and success. During Hurricane Katrina, Wal-Mart's Chief Executive Office, H. Lee Scott, Jr. made it very clear from the beginning of the event that all operations relative to the preparation, response and recovery of the hurricane were to flow through the Emergency Operations Center. This is also evident in the number of departments and divisions that have business unit representatives in the Emergency Operations Center that serve as decision-makers and liaisons for their respective business units.

- Efficient Communications - It is often repeated that communication is critical to success, but I will tell you that efficient communication is absolutely the key to success at a higher level. Flowing timely, accurate data is another essential for success. At the local level, situational awareness is developed and passed quickly to the Emergency Operations Center, which develops the big picture for the business unit representatives who have gathered in the Emergency Operations

Center. The business unit representatives then make decisions on strategies and tactics based upon the "big picture" data provided in the Emergency Operations Center. The business unit representatives are then able to quickly disseminate tactical objectives back to the response teams and field teams for dissemination. While this is reflective of the communications structure, the mode of communication is just as important. During times of crises, the utilization of voice mail and e-mail become inefficient transmitters of information. For Wal-Mart, face-to-face communication at the Emergency Operations Center level, where the decision-makers congregate, is the most efficient method of communication. Communication from and to the field occurs through the standard modes that one would expect (cell phones, analog telephone lines, Voice over IP, etc.) based upon the variable presented, but also comes with many challenges, which I will address momentarily.

As an example of communication flow in the Emergency Operations Center, when an Operations Vice President receives a request for five trailers of water and food to support an impacted location, he or she can turn to the emergency Merchandise Support Manager and say, "I need the following merchandise." The Merchandise Support Manager can immediately say, "I have it available" and the Logistics Manager sitting in front of both of them can say, "I can get it there." This example is simplified, but realistically portrays how quickly decisions are made and actions are triggered, which is what creates efficiency for the company.

Following last year's hurricane season, Wal-Mart realized the need for expanding this efficient communication process beyond the corporate level. As a pilot program this year, we invited members of the American Red Cross (representing the national office) to function in the Emergency Operations Center as partners, which was tremendously successful.

- Leveraging Strengths - Capitalizing on those things that we each do best is an efficient use of available resources. At Wal-Mart, we move merchandise from point A to point B very efficiently and effectively every day - this is a strength. For our company, additional strengths lie in human talent, merchandise volume, and information systems. Wal-Mart leverages these strengths to accomplish our crisis management goals and to serve the greater good during a crisis.

- Information Systems - as previously indicated, Wal-Mart's Information Systems are considered a major corporate asset. For all hurricanes and disasters, we utilize our information systems to tell us what it is that consumers need both pre and post hurricane. This allows us to get the right merchandise to the right stores at the right time. From a population safety standpoint, it helps the population properly prepare for an impending situation by having flashlights, batteries, food, and water in the right quantities and also aids in a speedy recovery when the right items like plastic tarps, generators, and fuel cans are available. Additionally, our Information Systems Division has created a centralized Incident Management application that is used to coordinate information relative to the event, network teams who quickly reconstitute network and voice communications at the store level, and support critical applications and operations. Modeling and mapping applications are used as regular tools for the Emergency Operations Center to track and convey information.

- Logistics Systems - As a key player in the retail commerce industry, Wal-Mart has many of the resources needed to provide emergency services. Wal-Mart operates over 100 distribution centers spread throughout the United States. Of these, we operate eight distribution centers with reserved "disaster merchandise" square footage. In these reserved areas, approximately $4.7 million dollars in "disaster merchandise" is stockpiled, which includes over 250,000 gallons of drinking water. Further, we maintain strategic relationships with key vendors that aid in handling surge requests during times of crisis.

  As part of our processes, merchandise support vendors, government agencies, non-governmental organizations, and other private sector entities are only dispatched when requested. We believe that it is important to ensure that resources are being targeted where they are needed, rather than complicating response operations by sending merchandise to places where they are not needed or that do not have the capabilities to handle freight.

  In our experience, stored merchandise makes a difference. In 2003, we shipped over 550 trailers of merchandise to assist with disaster incidents and shipped over 1 million gallons of water for Hurricane Isabel relief. In 2004, we shipped over 1,300 trailers of merchandise to assist with disaster incidents and shipped over 3 million gallons of water for disaster relief. This year, we have shipped over 3,000 trailers of merchandise for emergency support.

- Understanding the Big Picture - When major crises strike, we find ourselves in a unique position to see the big picture. At the same time that we may be assessing a multi-state disaster, we find ourselves balancing the needs of our Associates, our facilities, governmental requests at all levels, community needs, and other private sector entity requests. Additionally, we must ensure that our customers across the nation are still being provided the goods and services that they need.

- Flexibility - Adapt and overcome is a common mantra in the Emergency Operations Center. Changing direction "on the fly" is what allows us to modify our response to the situation at hand. Flexibility in our plans, flexibility in our structure, and flexibility of our Associates is paramount to success. When we identify the need for change, the change is completed as soon as possible and we do not wait for the structured corrective action process after the storm to complete this change. An example of this would be the immediate changes in our response protocols between Hurricanes Katrina and Rita. Between the two storms we identified the need to streamline communication and information flow between the company and government and also in enhancing communication with our Associates. This change of process manifested itself in the placement of two of our managers in the Texas State Emergency Operations Center during Hurricane Rita to enhance State level communications. We also enhanced the information provided to Associates prior to Hurricane Rita's landfall by anticipating and providing the answers to disaster-related questions before those questions were asked.

- Corporate Culture - Our greatest asset is our people. Culture is a difficult aspect to replicate, but it is absolutely one of the greatest strengths of our company. Our managers are encouraged to be an active participant in the events impacting their

communities, and not just sit on the sidelines. There are countless stories of our Associates acting on their own in positive ways to care for their co-workers, customers, friends and communities, which manifested itself repeatedly in acts of courage, kindness, and compassion during Hurricane Katrina.

WAL-MART'S HURRICANE KATRINA PREPARATION AND RESPONSE

Wal-Mart's response to Hurricane Katrina was a culmination of all the aforementioned components and thousands of actions taken at a variety of levels within the company. [1]

Wal-Mart's preparation for and response to Hurricane Katrina began with the early identification of the storm system that became Katrina on August 23rd off the eastern coast of Florida. Once it was determined that Katrina was going to impact Florida as a potential hurricane, we enacted our hurricane plan. Facilities in the potential impact area were identified, communicated with, and emergency merchandise began flowing into stores and clubs to support the anticipated community needs. At the Emergency Operations Center, teams were recalled to support a Florida impact with a likely secondary landfall. Response teams, including generator support, were staged. Price increase blocks were set, dry ice deliveries were completed to mitigate product loss, facilities stayed open as long as possible (taking into account Associate safety), and Associates finalized preparations at their facilities.

Hurricane Katrina made landfall in Florida on August 25th as a weak Category 1 hurricane and took a southwestern path, which was a best case scenario for our operations. Of the 15 facilities that closed temporarily due to the storm, all facilities except one reopened within one day to serve their communities. Post-landfall merchandise was dispatched to the impacted areas to ensure that the stores were capable of meeting our customers' needs.

As the hurricane passed into the Gulf, monitoring and assessment operations continued for the new potential threat. Similar to the first landfall, we began staging response teams and resources to support the second landfall. We received a call from a private meteorologist who informed us of the hurricane track shifting to the west prior to the National Hurricane Center public release. With this information, we began warning facility management as far west as Louisiana of the shift in track and began shifting our response resources accordingly.

As the hurricane grew in size and intensity, we began expanding our operations and calling in additional resources. With the warnings issued and preparation efforts underway, a process very similar to what occurred days earlier in Florida now unfolded in Alabama, Louisiana, and Mississippi. Pre-landfall merchandise was dispatched, response teams were deployed, generators were staged, and Associates were evacuated. Recognizing the increased scope, we modified our Associate Emergency Information Line (which is a 1-800 line for Associates to call for information during crises) to handle a call center platform. This 24-hour Associate Call Center would be expanded several times over the next few days to accommodate four, then ten, then 25, then 50, and finally 80 operators, including support staff, to serve our Associates during their time of need. It is important to note that these operators were Associates representing departments from all over the Home Office (Wal-Mart's corporate office in Bentonville, Arkansas), who left their regular duties to assist victims of the storm.

[1] See summary of Wal-Mart's overall response to Hurricane Katrina at Attachment 1.

As the hurricane slammed ashore on August 29th, we watched from the Emergency Operations Center as we lost connectivity with facility after facility. In total, 171 facilities were impacted by Hurricane Katrina, but the peak of closures at any given moment was 126 facilities. To put this into perspective, this represents our entire operations in southern Louisiana, southern Mississippi, southern Alabama and the western portion of the Panhandle of Florida - affecting approximately 34,000 Associates and their families, as well as their communities.

For Wal-Mart, the time in which the storm is rolling ashore is actually the "calm before the storm." As the storm weakened and moved north across land, the flurry of activity quickly escalated. Our teams responded quickly and facilities began reopening as they were able. Immediately after the hurricane passed, Wal-Mart teams sprung into action - searching for lost Associates, assessing facilities, reconstituting and restoring operations, coordinating with government officials, and shipping relief supplies across the region. As with our priorities, we viewed our operations in three categories; (1) aiding our Associates, (2) reconstituting operations, and (3) supporting communities and non-Wal-Mart response operations.

As displaced Associates and their families temporarily relocated to other communities, we provided them with an initial $250 in cash to help with immediate needs, but also allowed them to apply for up to $1,000 in relief funds, based upon their need, through our internal Associate Disaster Relief Fund. This fund provided approximately $13.5 million in cash assistance to more than 19,000 Associates impacted by Hurricane Katrina. While store management and our Associate Emergency Information Line operators talked with most of our Associates, the Emergency Operations Center kept a close tally on how many were still missing and we searched shelters for our Associates to ensure their safety. Most importantly, we offered employment to any Associate displaced by the storm at a store, club or distribution center of their choice. In fact, approximately 2,400 Associates worked temporarily at other sites during this ordeal, and some transferred permanently. Today, through all of our efforts we are still looking for 243 Associates of the 34,000 who were impacted. Sadly, we know that five of these perished in the storm.

As previously stated, we feel an obligation to reopen our facilities as quickly as possible to support our communities. During Hurricane Katrina, 63 percent of our 171 impacted facilities were damaged or suffered some type of loss. Our restoration, energy, systems, security, and management teams worked around the clock to recover operations and mitigate further loss. Our pre-staged generators provided power to facilities in areas that did not have power for days, our security teams worked with law enforcement and the National Guard to ensure safety, and our management teams reopened facilities (often metering operating hours or the customer traffic due to limited Associate staffing). Our information systems teams established network and voice connectivity by setting up temporary satellite systems. We utilized mobile and regional command posts to guide local operations and ensure Associate and response team accountability. We talked with the Center for Disease Control and state health agencies to develop strategies to best prepare our Associates for the potential of a health threat.

Through hard work, good pre-planning, a coordinated response and Associates who are dedicated to serve their communities, we were able to recover and reopen 83 percent of our facilities in the Gulf area within six days before we moved into a status quo that required time to repair facilities. Sixty-six percent of our recovery occurred within 48 hours of the

storm making landfall. While we are steadily returning to "operations as normal," we still have eight facilities that are closed due to damages caused by the storm - two in western Mississippi and six in the New Orleans metro market.

We worked hand in hand with communities, non-governmental organizations, other private sector companies, and governmental officials at all levels on a variety of topics, ranging from provision of supplies, to information, communications, energy support, fuel, and sheltering. We sheltered police officers and emergency services workers in our stores, supported hospitals and communities, fed people, provided pharmaceuticals, changed tires on emergency response vehicles, and provided vaccinations to both our responders and emergency workers. Further, we provided generator support to power non-Wal-Mart facilities (e.g., the Trans Montain Fuel Depot in Mississippi), hotels, water treatment plants, and hospitals. Wal-Mart brought basic needs to communities that had nothing and often we allowed customers a moment of "normalcy" as they pushed a shopping cart through an air conditioned store, even though the landscape around the store had been devastated. In the first three weeks after Hurricane Katrina struck, Wal-Mart delivered approximately 2,500 trailers of emergency supplies (for donation and sale) - including trucks of water and supplies that flowed into the New Orleans metro area beginning on Saturday, September 3rd for emergency service workers, shelters, and hospitals. A total of three temporary mobile pharmacies were provided to support communities, and a 16,000-square foot "tent store" was erected to serve a community where the store had been all but demolished. The list of actions continues and is lengthy.

While I could expand on local efforts there would not be time to do justice to all of the relevant stories, but the stories of two Associates stand out and speak to what makes Wal-Mart what it is - its people.

Co-Manager Jessica Lewis from Waveland, Mississippi stayed in the region with her family as the hurricane passed over. When it was safe, she ventured out and found that her store had been heavily damaged. She chose to act and she was Wal-Mart to that community. Jessica and her family gathered non-perishable items and placed them in the parking lot for the people of the community to come and get as they needed - at no charge, and she provided bottled water to the local emergency services and hospital. Jessica was the lifeline for this community until other help arrived.

Trent Ward, a Loss Prevention Associate from Kenner, Louisiana stayed in a local hotel as the hurricane passed. He met a member of the Mayor's office who asked for his help. Like Jessica, he was Wal-Mart to that community. Trent made the decision to open the store to the Mayor's staff so they could get needed supplies for the shelters that had no food and water. While en route to the store, Trent came across a retirement center that was not evacuated and had flood waters surrounding it. Upon hearing the cries for help, he dove into the flood waters and swam to the retirement center where he found approximately 100 people who were in need of help. Trent notified the police, who coordinated aid and evacuation for the trapped inhabitants, and he then spent the next few days being the Wal-Mart representative to the Mayor and being the lifeline for his community.

These local stories speak to the aspect of our corporate culture and human talent to which I referred earlier. It is people like this that make us a great company and a truly great nation.

While local efforts of responding to directly impacted communities were one front that we faced, there was another. It became quickly apparent that the mass evacuation of hundreds of thousands of people was creating a major population shift that would seriously impact other communities. We found ourselves establishing donation stations at major shelter operations, like the Astrodome in Houston and Fort Chaffee in Arkansas. We prepared our facilities and Associates in the areas surrounding the immediate impact area for the influx of people who had needs that were outside of the norm. We supported sheltering operations in most states that took in evacuees. In total, Wal-Mart donated over $17 million in cash to relief organizations and donated more than $3.5 million in donated merchandise. We were the early leader in donations and set the bar high for the rest of the private sector.

Additionally, Wal-Mart created an online "locator board" website where people could post pictures and messages. This website, that was accessible from walmart.com, samsclub.com, and our gift registry kiosks in all of our stores around the nation, received over 53,000 posts and over 5 million website "hits." Our Information Systems Division set up computers that were capable of communicating to the Internet at 150 shelters. Wal-Mart worked with the Federal Emergency Management Agency (FEMA) on the evacuee debit card program to ensure that firearms, alcohol, and tobacco products could not be purchased with the cards. We have been working with major cities to provide apartment furnishings for the evacuees who, in many cases, had nothing as they moved out of the shelters. Again, the list of these actions is lengthy, and we may never know of every store or Associate who somehow helped their local community in supporting evacuees.

LESSONS LEARNED BY WAL-MART IN RESPONDING TO HURRICANE KATRINA

At Wal-Mart, we do not use the word "problem," we prefer to say "opportunity." While this may be a play on words, it symbolizes the fact that we must learn from the opportunities that are placed in front of us and always strive to do better. Hurricane Katrina was an immense learning experience for all of us. While it highlighted the tremendous heart of this Nation, it also highlighted areas of opportunity. Now is the time that we must capitalize on these opportunities and turn them into successes. Our lessons learned are not solely applicable to Wal-Mart or the private sector, but all sectors.

- Communication - While we believe that we communicated better than ever before with our Associates, our teams and external entities, we believe we can do better. We have categorized these into three areas of opportunity:

    i. Associate Communication - As we adapted our processes between Hurricanes Katrina and Rita, we changed the messages that we provided Associates to ensure they had the information they needed to survive a major disaster. However, we feel that our platform for providing information must become more robust so that we can more efficiently and speedily account for Associates, determine their individual needs, and act on those needs. We are already working on an enhanced version of our Associate Emergency Information Line and further changing our Crisis Management Plan at the facility level to incorporate more Associate information.

    ii. Communication Modes - We believe this is a major challenge for all organizations operating in areas where there are no telephone lines,

cellular towers, or other regular communication processes. We are working with our private sector partners to find an "all the time" solution but, meanwhile, we continue to apply lessons learned to enhance our tactical plans at recovering communication capabilities as quickly as possible.

iii. Institutionalizing the Process - Internally we have found success in our centralized communications process; however, externally this has created a challenge. We found that confusion was created by numerous governmental, non-governmental and private sector organizations either contacting our company during the crisis through their regular counterparts - for example, a state health department representative contacting one of our Pharmacy Division Managers who he knows personally. This delays communication as they may be accustomed to leaving a voice mail or an e-mail that may not be checked regularly. We want to centralize this external communication process to streamline the way in which we communicate. The Emergency Operations Center can route callers to the appropriate representative located in the Center immediately, which allows us to take immediate action and also further define our "big picture" based upon incoming information. Jason Jackson, for example, may not always manage emergency operations, but if someone calls the Emergency Operations Center they will always be routed to the person who is supporting that function. To remedy this, we are reaching out to state and federal government agencies to spread this message.

- Expectations and Understanding - Both internally and externally, we believe that understanding the capabilities and expectations of another team, department, division, or entity will aid us in better developing our own strategic plans. This bi-lateral communication must be open, honest, and relative. Just as it is important for government to know what Wal-Mart's capabilities and limitations are to providing resources during a crisis, it is necessary for us - in terms of solid plan development - to know how FEMA is going to respond, what state agencies will expect of us, and whether or not the local Sheriff's office will allow us to restore facilities if there is a county-wide curfew in effect. For Wal-Mart, this equates to the old adage of building a house on a rock rather than sand.

  i. As an example, we did not communicate well with local law enforcement agencies that our company utilizes third-party carriers to deliver product to impacted areas. As a result, we saw our private fleet trucks (with Wal-Mart logos) sailing past check points and often with police escorts, while our unmarked third-party carriers were held up for extended periods of time until they could prove that they were transporting goods for Wal-Mart. This created inefficiencies that we now know must be mitigated through proper communication with officials prior to a storm or some other disaster.

  ii. Other pre-disaster discussions could revolve around securing pre-approvals for disaster periods from agencies like the Bureau of Alcohol Tobacco and Firearms to transport firearms to a safer location during, or before a disaster or the Environmental Protection Agency in easing mandates for special "clean fuels" to ensure motorists can get fuel during extremely high demand periods that result from pre-disaster evacuations.

- Finance - Capitalizing on the two previous tenets, this third point may be resolved. However, we faced a major opportunity during Hurricane Katrina in determining how governmental organizations were going to pay for supplies. In the early days of the storm, we received frantic requests from government organizations for supplies and we allowed them to access our closed facilities and take what they needed - as a donation. However, later in the response process our managers were often approached by federal, state and local officials who told our managers that FEMA would pay for the goods. As we began getting our arms around the billing process, we were informed at varying levels that the person who made the purchase was not a "purchasing agent" or did not complete the proper paperwork. While this may be an over-simplification of the issue, the fact is that we found a need to work with governmental and non-governmental agencies pre-disaster to come to agreement on proper acquisition and billing processes to best suit both entities.

- Learning from Those That Know - At Wal-Mart, we realize that we do not know everything and do not pretend that we do. We realize that there are a number of best practices being enacted by others and, similar to the purpose of this hearing, we seek out those who have a better process in a particular area and we seek to learn from them. We seek these best practices from government agencies, non-government organizations, and other private sector companies at a local, state, national, and global level. There is no telling from where the best ideas will emerge - Hurricane Katrina reconfirmed to us that the key is to continue learning, benchmarking, and seeking out those great ideas.

  At the same time that we know we can learn, we also know that we can teach. For example, when FEMA or another agency places a blanket order of 100 trailers of water, we often question if the person placing the order really knows what 100 trailers of merchandise looks like or has the resources available to off-load 100 trailers in an efficient and timely manner. Usually the answer to this is that the person making the order was given a dollar amount to spend and they do not comprehend the size of this order or what it means. In this regard, we believe that we are in a strong position to educate government purchasing and logistics managers.

- Partnering for Success - Finally, we know that we cannot do it all. Any company would be foolish to think that they were able to support themselves during a crisis without public and private sector partnerships, just the same as it would be for any government agency to think that they could succeed without partnering with the private sector. With this realization, we know that we will have to develop an understanding of each others' capabilities and limitations, expectations, and requirements and build crises plans that will lead to success together. For example, we believe that through Wal-Mart's Every Day Low Prices, we can make the government's dollar go further in purchasing supplies, which means that there will be more supplies available for more people.

  We honestly believe that we can be one of the industry leaders in refining how we, as a Nation, respond to disasters and how we leverage each other's strengths to

serve those impacted in a timely, efficient, and comprehensive manner - participating in this forum is just one of many steps.

CONCLUSION

As with all of our business processes, Wal-Mart seeks excellence and strives to constantly improve and make more efficient its disaster mitigation, preparation, response, and recovery processes. We will continue to focus on our priorities: our Associates, reconstituting operations, and our support of our communities. On a daily basis, Wal-Mart strives to improve the lives of our customers. A crisis only reinforces this commitment to our customers and communities.

In life there are certain absolutes. One of those absolutes is the fact that we will face another major crisis. Whether this is a natural disaster, a man-made disaster, a significant pandemic event, or a terrorist event we will all be required to respond again. Whether we are successful or unsuccessful in the future depends wholly upon whether we continue to learn from the opportunities that present themselves and whether we choose to proactively partner with each other. Both the public sector and the private sector are filled with talented leaders who can build these partnerships and elevate our country to an unprecedented level of disaster preparation.

Thank you for your time in allowing me to speak on behalf of Wal-Mart on this very important topic. We have a long road ahead of us, but we will be successful if we work together. We look forward to working with you.

WAL★MART®

Attachment 1

Overall Response to Hurricane Katrina

- $17 million in cash donations
  - $15 million donated to the Bush-Clinton Katrina Fund
  - $1 million donated to the Salvation Army
  - $1 million donated to the American Red Cross
- $3.5 million worth of merchandise and in-kind donations throughout Mississippi, Louisiana and Texas to shelters and command centers
- More than $8.5 million in contributions donated by customers at Wal-Mart store locations
- $20,000 in cash donations to assist animal shelters
- 2,450 Wal-Mart truck loads dispatched to communities throughout the Gulf Coast and Texas - including 100 truck loads of donated merchandise
- 150 Internet-ready computers donated to shelters to help evacuated families find one another
- Donated use of 25 vacant facilities for use by various relief agencies

Assistance to Associates (Employees)

- Provided more than $13.5 million in cash assistance to more than 19,000 impacted associates
- Offered employment to any associate displaced by the storm at a store, club or distribution center

Diageo and Humanitarian Relief

Diageo is the world's leading premium drinks business. The company's North American headquarters are located in Norwalk, Connecticut, with several hundred employees. The following describes some of the company's many emergency response and disaster relief efforts, world wide.

- Since 2001, through Diageo's Spirit of the America's fund, Diageo has been an instrumental partner in providing disaster relief across the United States and the world.
- Diageo was one of the first responders to the destruction wrought by Katrina along the Gulf Coast. Through its Spirit of the Americas Foundation, Diageo staged two industrial sized generators in Gulfport, Mississippi (located in Harrison County) just 29 hours after Katrina made landfall.
- Ahead of Hurricane Katrina, Diageo sent an advance team to Baton Rouge, LA armed with two large industrial generators and a truckload of water ready to be distributed following the hurricane's landfall.
- In the immediate aftermath of the destruction, Diageo was one of the first on the scene in Harrison County, Mississippi where the generators were used to power the area's Emergency Operations Center, which is responsible for all search and rescue missions. At the same time, our Diageo water was sent to the New Orleans area to aid in the recovery.
- Unfortunately, the hurricane season did not end with Katrina and just days later Hurricane Rita was headed straight for Texas. Once again, Diageo deployed an advance team to Houston prepared with much needed generators and two more truckloads of water. The generators powered Emergency Operations police and fire communications in Mauriceville, TX and more water was brought to shelters where evacuees from New Orleans were stationed.
- Some 70,000 bottles of water, and much needed power saved a lot of lives after these terrible tragedies.
- Diageo is an important part of the communities where it does business, and when disaster hits they are there to help. To put that in perspective, since 2001:
    - Coordinated missions to 8 countries

- Fed nearly 1 million people across the globe
- Delivered more than 400,000 lbs of aid

Other Relief Efforts

In June of 2003, Following is a list of other Spirit of the Americas relief missions:

-- Ground Zero, September 2001: Supplied water and Tough Book computers to first responders and rescue workers at Ground Zero in the hours and days after the terrorist attacks at the World Trade Towers; provided funding for the families who lost loved ones; replaced a crushed ambulance; sent children of the victims of the attack to a special camp where they were able to enjoy themselves while finding support with others who suffered the same loss.

-- Afghanistan, December 2001: First corporate humanitarian planeload of food and emergency supplies delivered to orphans in Kabul, Afghanistan. Diageo brought the first corporate humanitarian airlift to war-torn Afghanistan by delivering more than 100,000 pounds of food and emergency supplies to 800 orphans in Kabul.

-- Iraq, June 2003: The Company chartered a DC-8 cargo plane and delivered more than 150,000 pounds of food, medicine and school supplies to Baghdad, becoming the first American company to embark upon a humanitarian mission into Iraq.

-- Connecticut, November 2003: Donation of 12,000 turkeys to bring Thanksgiving to 72,000 disadvantaged Connecticut residents

-- Dominican Republic/Haiti, June 2004: Airlifted 56,000 pounds of food and emergency supplies to flood victims in the Dominican Republic and Haiti

-- Florida, August 2004: Provided electricity generators to victims of Hurricane Charley in Florida and powered Hardee County's only solid waste facility

-- Florida, September 2004: Restored water to victims of Hurricane Frances in Port St. Lucie, Florida and the surrounding area and powered Fort Pierce's police substation

-- Grenada, September 2004: Delivered 52,000 pounds of food and emergency supplies to Grenada's victims of Hurricane Ivan

-- Alabama, September 2004: Brought generators to power Mobile, Alabama's police headquarters, Bayou La Batre's water treatment facility and the town of Alabama Port's water supply system in the wake of Hurricane Ivan

-- Jamaica, September 2004: Airlifted almost 50,000 pounds of food and emergency supplies to the victims of Hurricane Ivan in Jamaica

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