

Senate Democratic Policy Committee Hearing

“An Oversight Hearing on Gulf Coast Reconstruction Contracting”

Monday, October 17, 2005

10:00 a.m. - 12:00 p.m.

138 Dirksen Senate Office Building

Transcript

SEN. DORGAN: The hearing will come to order. I'm going to begin because we are past the hour of 10:00. I'm going to be joined by my colleague Senator Reid. Senator Landrieu, Senator Levin are also scheduled to be here, and their offices have indicated they are on their way. But I think in the interest of time, we will begin.

First of all, this hearing is another of an oversight hearing -- type of oversight hearing -- that we have done in the policy committee. We've done a good many dealing with the country of Iraq and spending in Iraq. We are attempting to do some oversight on the issue of the response to Hurricane Katrina and the government spending with respect to that.

We understand -- all of us understand -- whether it be contracting in Iraq or contracting to deal with the response to a devastating hurricane that these -- our decisions -- these contracting decisions -- and the expenditures of monies are done under less than ideal circumstances -- sometimes very difficult circumstances.

We also understand, however, that it can give rise to a substantial amount of waste and fraud and abuse. And it's very important that there be oversight and that people understand that the federal government cares about how these funds are spent and cares that they are spent in a manner that is designed to help, to reach out and to save the people who are victimized by a natural disaster such as Hurricane Katrina and Rita that they are not alone.

If I might put up a poster that gives rise to some of the concerns I have. Time magazine did a story just following Hurricane Katrina talking about what might be done. This is by late last week. Administration aids were describing a three-part comeback plan. The first, spend freely and worry about the tab and consequences later. Quote, "Nothing can salve the wounds like money," unquote, said an official who helped develop the strategy.

Well, I have great concern about something like that. I don't think that spending money freely necessarily means you're helping anybody. And in some cases can mean that you are severely injuring the taxpayers from whom that money came and doing nothing at all to help those who need help.

Very soon after the Congress passed legislation providing emergency funding, now over \$60 billion of emergency funding, we discovered, for example, that there was an increase

in the charge that is available to government credit cards deep in that emergency funding provision that would increase the maximum that could be charged to a government credit card from \$2,500 to \$250,000. You might think that I've made a mistake here, but I've not.

The law increased the maximum limit on a government credit card. And incidentally, there are about 390,000 government credit cards out there with government workers of one kind or another. It increased the amount that federal employees could charge to a government credit card from \$2,500 to \$250,000. That is unbelievable. And we are, at the present time, trying to get that changed. And the administration has also now indicated that it was a mistake, and they support its change back to the \$2,500, which also includes a \$16,000 emergency tier that was put in after 9/11/2001.

I mention this only to say that there are times and emergencies when things are done that can promote a substantial amount of waste and fraud and abuse. We know that, for example, the GAO and the inspectors general have looked at waste, fraud and abuse with government credit cards. And we know that the abuse with respect to government credit cards has been dramatic. Increasing the limit from \$2,500 to \$250,000 is an unbelievable mistake.

But it is not just that. It is the question of how a substantial amount of money is spent through particularly FEMA, also the Corps of Engineers and through other devices. How is the money spent and is that money -- the taxpayers money -- being invested in a way that really does, in fact, address the injury that has been done to so many Americans on the Gulf Coast as a result of the natural disaster?

My experience from having chaired hearings dealing with the emergency supplemental spending in Iraq is that when you have no-bid contracts and you have very large companies getting very large contracts without any competition, without any bidding, there is the groundwork for a substantial amount of waste.

I won't chronicle all of the waste that we've discovered with respect to what's happened to the no-bid contracts in Iraq, particularly the Halliburton Company and some others, but it is almost unbelievable when you take a look at it.

The role of the Congress has always been to provide oversight -- oversight hearings. This Congress has decided really not to do much of that. Going back to 1941 when Harry Truman decided that he was going to provide oversight and they set up a Truman Committee to take a hard look at what was going on because he felt there was substantial waste, fraud and abuse with respect to the Pentagon. And with a member of his own party in the White House, Harry Truman took it on, and they created the Truman Committee. And they -- through the work of that investigative capability, that committee discovered massive amounts of waste, fraud and abuse.

Regrettably, that is not the case these days. But if ever there was the need to do that kind of oversight, it is when you are spending tens and tens and tens and tens of billions in

Iraq with no-bid contracts, in many cases, and especially when you have circumstances where you're spending a substantial amount of money now with respect to hurricane relief and some with no-bid contracts.

We'll hear from some witnesses today that will describe some of their examples of what is happening on the Gulf and with respect to that contracting. And I very much appreciate the difficulty many of them have to come here. In fact, I talked to Mr. Mullinax by phone this weekend.

Mr. Mullinax, a special thanks to you. You -- I won't have you tell your whole story about your truck and all the other problems you have, but you're here at some considerable inconvenience to you. And thank you very much for doing that.

I'm joined by two of my colleagues -- Senator Reid from Nevada, the Democratic leader of the Senate, and Senator Landrieu from Louisiana. And we very much appreciate them being here. I'd be happy to call on them for a statement, after which we'll begin hearing from the witnesses.

SEN. HARRY REID (D-NV): Senator Dorgan, thank you very much for holding this hearing. I've had the opportunity to read some of the testimony that's going to be given here today. I only wish that every American could hear what these five witnesses have to say. I wish every American could hear what they have to say. This is going to be a tremendous help, and I appreciate very much you, Senator Dorgan, arranging this.

The previous set of hearings on Iraq that you led, Senator Dorgan, provided the American people with disturbing insight into the billions of dollars -- billions of dollars. For example, one of these hearings playing football -- using as a football big wads of hundred-dollar bills in Iraq that we had sent there. These monies have been plundered by the administration and its cronies.

Now only weeks after Hurricane Katrina struck the Gulf Coast, we learned that similar -- there's a similar culture of corruption, mismanagement and incompetence that's plaguing the reconstruction effort there. As it turns out, Brownie was not doing a heck of a job. The federal government's response to Hurricane Katrina has been marred by critical delays, ineffective coordination, poor decision-making and significant contracting irregularities. But when the president was asked recently about the relief efforts and whether families are getting what they need, he said things are going pretty good. That clearly is not the case.

Tens of thousands of evacuees are still living in hotel rooms if they're lucky. FEMA has bungled its cash-assistance program. Trucks of ice and other supplies meant for the victims were redirected to other parts of the country and local contractors and workers desperately need the work have been passed over in awarding large, no-bid reconstruction contracts to out of state companies at far below standard wages.

The American people, and especially the victims of this devastating natural disaster,

deserve better. America can and must do better. That's why we will continue to call the president to support an independent commission to find out what went wrong and to ensure that we're fully prepared to respond to future disasters that hit our shores.

We'll call upon the president to support the creation of an ethics watch dog and chief financial officer to oversee the massive expenditures of taxpayer resources and the rebuilding of the Gulf Coast.

So again, Senator Dorgan, thank you very much and your staff for holding this important hearing because it's critical that the victims get what they need, that the reconstruction of the region is carried out ethically and professionally and that everyone involved plays by the rules.

SEN. DORGAN: Senator Reid, thank you very much. I'm going to call on Senator Landrieu in just a moment, but let me -- I did not describe the witnesses. Let me do that just so that people understand who our witnesses will be.

Paul Mullinax is a truck driver. He and a number of his colleagues were directed by FEMA to deliver truckloads of ice to the Gulf Coast. What happened next to them is almost an unbelievable story and incompetence, lack of planning -- it's a chilling waste of the taxpayers' money.

Next two witnesses, Al Knight and Mike Moran, run a small business in Louisiana. In the aftermath of the hurricane, their company was hired by a subcontractor of Halliburton to provide electrical repair services. Many had lost their own homes, desperately needed the work. They needed the work, but when the administration issued a waiver to the contracting rules, the subcontractor, Halliburton, fired the New Orleans workers and replaced them with out-of-state workers, many of them immigrants, who were paid far below the prevailing wage with no benefits.

Our next witness is James Hale, a vice president of Laborers' International Union, whose investigators have been documenting abuses of workers engaged in the Gulf Coast recovery and reconstruction. And he'll talk about the reliance on workers who are not paid the prevailing wages to work in hazardous conditions and so on.

And our last witness is Sheila Crowley, who is president of the National Low Income Housing Coalition. She'll describe current HUD and FEMA efforts to house evacuees and how those efforts have left many housed in hotels at a cost of \$11 million a night to the American taxpayers.

Senator Landrieu?

SEN. MARY LANDRIEU (D-LA): Thank you, Senator Dorgan. I want to join our leader, Harry Reid, in thanking you for hosting and holding this important hearing this morning and again, to thank all the panelists for your testimony in this very important effort that we are undertaking in Congress to make sure that the federal government stops

wasting taxpayer money and blaming others for their own fault.

Every dollar that is wasted -- and hundreds of millions of dollars have been wasted to date -- for every dollar that is wasted in the manner that you all will testify to this morning is one less dollar that can go to the people along the Gulf Coast -- the poor, the middle income and the wealthy that have alike been hit hard by the worst natural disaster in the history of this nation.

So it is particularly important for me to be here this morning to join my colleagues to urge this record to be developed so that we can put the truth before the Congress, and Congress can make the decisions to turn from the ways of waste, corruption and cronyism and turn towards the help that the people of the Gulf Coast need.

Again, every dollar wasted is one less dollar that can go to rebuild our schools, to give people relief for housing, to rebuild our hospitals and our infrastructure for the nation's only energy coast -- a region that is rich with culture and resources and is vital to the economic stability and growth of this nation.

So Senator Dorgan, I want to thank you. I will say that just holding this hearing has helped because on October 3rd, when we looked at the record, which was only about two weeks ago, do you know, Senator, that only two out of the 140 contracts issued by FEMA had gone to any people from Louisiana?

And the first of those contracts for \$14,000 was to a firm to talk about the good work that FEMA was doing. The first contract was a public-relations contract called, the face of FEMA. That was the first contract that was issued.

The priorities of this FEMA and this administration are so backward, so mixed up and so misguided, I'm not sure that if we had 10 hearings that we could fix it. But because the people of my state are suffering so much because of it and the people of the Gulf Coast, we will have as many hearings as it takes.

Because Senator Dorgan has put forward this hearing, in two weeks' time we have jumped from two contracts to 187 out of 624 awarded by FEMA to Louisianians. But I would say that basically the original FEMA contracts have been wasteful, have been done in an inefficient manner and instead of assuming responsibility for them, they're now blaming the people of Louisiana, Mississippi and Alabama for their own mishandling.

So we will hear from this panel 81,000 firms, Senator Dorgan, 41 percent of Louisiana businesses have been impacted; 230,000 individuals have lost their jobs. Clearly there's room for improvement for using the federal money more wisely to engage the good, hard-working people of the Gulf Coast to rebuild their own areas.

So thank you so much.

SEN. DORGAN: Senator Landrieu, thank you very much.

And let me make the point this is not about gotcha -- find out who did something wrong and then say gotcha. It's about trying to figure out what's happening, what's wrong and how to correct it because if we don't correct it, it'll just keep happening.

Now, Mr. Mullinax, I mentioned that you and I talked this weekend, and you've got all kinds of issues you're trying to deal with in your life. You're a former United States Marine, a combat veteran, a Florida-based independent owner/operator of a tractor trailer refrigerated truck. As I understand it, in early September, you were contracted by a FEMA contractor to transport ice to areas afflicted by Hurricane Katrina. You picked up ice in New York and eventually delivered it to Massachusetts. And a substantial amount of money was paid by the federal government for that.

That is an unbelievable story. Would you please tell us that story and what you think contributes to that? And if you pull the microphone close, Mr. Mullinax, we'd appreciate it. Just pull it very close to you.

It will have to be a bit closer I'm afraid -- just very close. Thank you.

MR. MULLINAX: Mr. Chairman and members of the committee, my name is Paul Mullinax and I'm an independent owner/operator -- (inaudible) -- refrigerated (freight ?). My involvement with FEMA hurricane relief efforts began on September the 2nd. We got a phone call from (my broker?) who instructed me to go to Binghamton, New York, where I could (empty out?) my trailer to Newburgh, New York, to pick up a load of ice to be delivered as soon as possible to Carthage, Missouri.

SEN. DORGAN: How much does your truck hold?

MR. MULLINAX: Forty-two thousand pounds, Senator.

When arriving in Newburgh, New York, I picked up a full load of ice with instructions to deliver it as soon as possible to a storage facility in Carthage. I arrived in Carthage, Missouri, approximately 10:30 a.m. on September the 4th. I checked in with security at the facility and was informed that it was closed, that no one was there to receive the load of ice.

I asked the security guard what time they opened on Monday and I would call my broker to let him know that we would be delayed. The security guard told me not to worry, to check in with the Army Corps of Engineers, and they would instruct me in what to do with this ice.

When I checked in with the Army Corps of Engineers, they instructed me that I would need to take the load to Maxwell Air Force Base in Montgomery, Alabama. I called my broker to inform him that I needed to move the load to Alabama and asked him whether the client paying for the load would approve the extra expense. Thirty minutes later, my broker called me and told me they had approved, and I returned to the Army Corps office,

and he signed me out and gave me instructions on how to Maxwell Air Force Base.

I saw on the papers in front of him that I was the 60th truck on his list to go to Maxwell. I heard him tell the guy that was sending the trucks to the different places that the next 100 trucks would be sent to Jackson, Mississippi, meaning that at least 160 trucks had been unnecessarily routed through Carthage, Missouri.

I would -- estimated that stopping time in Carthage added an extra 740 miles to my trip, which -- I was paid \$1,500 to cover that distance. So 60 trucks going 1,500 miles on that one day was \$90,000 of wasted money.

Once I got on the road to Maxwell, I discovered that the MapQuest directions that the Army Corps gave me included roads that I could not travel with a truck of my size.

Nonetheless, after some rerouting, the morning of September the 5th I arrived at Maxwell Air Force Base, Montgomery, Alabama. When I arrived, the security guards waved me onto the base and instructed me to follow the arrows to go to a check-in point with the Army Corps of Engineers. To my surprise, they did not ask for an ID, nor did they check to see what was in the back of my trailer. I told my wife, who was traveling with me, that I expected we would do so at the check-in point. As a former United States Marine, I've made many deliveries to military bases over the years, and I knew that going onto the base required some form of ID.

At the check-in point, a civilian with the Army Corps of Engineers signed me in and then gave me a sign that read "Ice" and told me to place it in the right-hand side of my windshield of my truck and instructed me to follow a golf cart, and he would show me where to park.

I had no idea that when I parked the truck and trailer that I would be there for the next 12 days with my refrigerator running the entire time.

When I arrived at Maxwell Air Force Base, there was roughly a hundred other trucks already staged. Those trucks were carrying ice, water, MREs, cots, blankets and other materials that were needed for the relief of victims. There was approximately 15 to 30 large generators sitting on the base. Each night, approximately 15 trucks would leave the base and the next morning 30 to 35 would return. Many of the truckers at Maxwell, myself included, were watching the news reports because all the trucks -- nearly 90 percent of the trucks, we have a small TV in the bunk so we can keep up with the happenings, especially at this time.

I couldn't understand why we were sitting there when the people were crying for the material. When I asked the drivers -- when myself and the other drivers would ask FEMA and the Army Corps of Engineer officials why we couldn't deliver our supplies, we had no answer. They usually said, "I'll check on it," or "We'll get back to you." They never did. Each day we waited, the government would pay anywhere from \$600 to \$900 per truck; at one time approximately 150 trucks were sitting at Maxwell Air Force Base, 24

hours a day, running reefers. That alone is \$90,000 a day, up to \$135,000 a day.

On my 10th day at Maxwell Air Force Base, I checked with the Army Corps of Engineers. I asked them why I was sitting, waiting and when would I be leaving. At that time, they instructed me to take my load of ice to Idaho. I asked a young Army Corps Engineer worker what hurricane hit Idaho. He asked me, did I have a bad attitude. He responded by saying that he could have the National Guard escort me and my truck off that base. I told him I would not drive to Idaho. Then, I turned and walked back to my truck. The National Guard never showed up.

On the 12th day at Maxwell Air Force Base, I was told to drive my load of ice to a facility in Gloucester, Massachusetts. At that point, I called the headquarters of IAP in Irmo, South Carolina, and I told a young man named Mike who answered the phone, that I would purchase a load of ice and pay him \$1,500. He asked me what I would do with it, and I told him that I would take it to Biloxi, Mississippi and give the ice away. He asked me who would sign for it. I asked him, "Who cares? I paid you for your ice." He told me that he couldn't do that.

So rather than cut their losses and accept \$1,500, they paid me \$2,753.20 to go to Gloucester, Massachusetts.

Arriving in Gloucester, Massachusetts, on the morning of September the 18th, I discovered what I estimated to be another 120 to 130 trucks that arrived in Gloucester before I did. We filled the town of Gloucester, overwhelming the local police and exciting the local media. I waited till 8:00 p.m. the next night, on Monday, to be offloaded.

In total, I had FEMA's ice in my refrigerated trailer for 17 days with a reefer unit running 24 hours a day. Not a single cube of ice that I was hauling went to a hurricane survivor. Bottom line, from September the 2nd to September the 19th, transporting my one load of ice from New York back to Gloucester, Massachusetts, cost me and the taxpayers in excess of \$15,000.

FEMA is now paying to store the ice at a storage facility. Gloucester, Massachusetts, is a fishing town where three companies produce excess of 70 tons of ice per day. Moreover, I was -- at least 150 trucks staged in the Maxwell staging area. Maxwell was one of four staging areas which I'm aware of.

One of my colleagues that loaded ice the same time I did passed through all four of the staging areas, ending up in Emporia, Virginia, 12 days later, he delivered his ice to Idaho. And while I was being unloaded in Gloucester, to add insult to injury, where tempers were flaring, the truck beside me to my left unloaded before I did. When he pulled out, he turned too far to the right, took the whole front of my truck off.

If I had one idea to share with this committee based on my experience, it would be that FEMA should have a transportation command/control center, a (wall mount ?). Go back

to the simple things of life. Have a truck driver call a dedicated place and tell them my name is so and so, my truck is so and so, my cell phone number is. Then when someone does not want 60 trucks to Gloucester, Massachusetts, you could divert them enroute this saving the taxpayer millions of dollars. Oct 17, 2005 13:55 ET .EOF

Thank you, and I stand ready for your questions.

SEN. DORGAN: Mr. Mullinax, I understand you brought a couple of photographs that you want to show us on the monitor.

MR. MULLINAX: Yes. This is -- I don't know the date, but this is what we called "Hell's Kitchen." This is where we -- and that's the first dollar we made. We took a donation up to give -- go to the Dollar Store or Dollar Tree and buy little stuffed animals to give to relief victims, to the kids, and even to the elderly because they had nothing. And we provided coffee for the truck drivers.

This is one of the staging areas. This is going straight from the front of my truck down, and you can see just in front of me there this line -- there's no trucks there. Those trucks moved out in the middle of the night.

MR. DORGAN: Mr. Mullinax, let me say that you've gone to considerable bother in your own life to be here today, and we appreciate that.

I have a number of questions I'd like to ask you, but I do want to hear from the other witnesses as well first, and then we'll ask a good number of questions. But the summary of your testimony is that you picked up ice in New York in order to provide relief to the hurricane victims, contracted through FEMA, and you delivered it to Massachusetts --

MR. MULLINAX: Yes, sir.

SEN. DORGAN: -- via Missouri and Alabama, at a cost of some \$15,000, and not one ice cube went to anyone who needed it --

MR. MULLINAX: Yes.

SEN. DORGAN: -- and we're now paying for it in storage. Is that --

MR. MULLINAX: Yes, senator. I might add that one other colleague of mine picked up a load of ice in Canada. He came to Maxwell Air Force Base, sat there two days with me, had coffee with myself and my wife. He left two days later, went to Emporia, Virginia. And I'll bet this committee cannot tell me where he delivered his ice. Back to the same dock in Canada he picked it up at.

SEN. DORGAN: And he got paid for it both ways?

MR. MULLINAX: Yes, sir.

SEN. DORGAN: And it is not the case -- I mean, what if someone says -- and incidentally, we invited FEMA to be present. But what if someone says: Well, Mr. Mullinax, that was just you. You were -- this just happened with you. It didn't happen to anybody else.

MR. MULLINAX: The pictures that were shown just a few moments ago, most every one of those trucks went to Gloucester, Massachusetts.

SEN. DORGAN: Unbelievable story.

Well, I do want to get to the other witnesses. We've been joined by Senator Levin from Michigan.

Senator Levin, would you like to make an opening comment?

SEN. CARL LEVIN (D-MI): Thank you. I really, first of all, thank you very much, Senator Dorgan, for your initiative and commitment to get these stories out. This should be really done by the oversight committees of the U.S. Senate and the U.S. House. They are not doing it and they're falling short in terms of their responsibility. And, Senator Dorgan, you have picked up where they have not left off, but clearly should have taken the initiative on. And I just want to tell you how much I also am looking forward -- I know some of these stories in the press, but there's nothing -- there's nothing that can possibly duplicate people coming in person telling their stories and allowing us to ask questions, and we're very grateful to that effort on their part.

This is a saga of FEMA incompetence adding insult to Katrina's injuries. That's the bottom line. And that -- Katrina was bad enough. For this administration's incompetence to be adding insult to those terrible blows of Katrina is so incredibly unacceptable, this story must be told. And we thank you for coming to tell it.

SEN. DORGAN: Senator Levin, thank you very much.

Next we have Al Knight and Mike Moran with us from Knight Enterprises. Al Knight is the general manager of Knight Enterprises, which is a Louisiana-based small business that he and his wife, Georgia Knight, established in 1998. An electrical engineer by training, he's worked on some significant projects -- hospitals and stadiums, and so on. He's joined by Mike Moran; is a certified electrician. A 35-year member of IBEW Local 130, based in Louisiana. He's worked on major contracts as well.

And we very much appreciate your taking the time to be with us. I don't know how you wish to proceed, but why don't you proceed? And if you'll pull the microphone close, Mr. Knight, I would appreciate it very much.

AL KNIGHT (general manager, Knight Enterprises): Thank you, Senator.

Mr. Chairman, members of the committee. My name is Al Knight. I'm the general manager of Knight Enterprises, where I oversee all of the company's contractual obligations.

To my left is Mike Moran, my general foreman.

My wife, Georgia W. Knight, is the principal owner of Knight Enterprises and is responsible for accounting and financial aspects of the business.

Knight Enterprises is a certified women-business enterprise with the city of New Orleans. The company was established in 1998 and is currently headquartered in Lacombe, Louisiana.

When government officials say they intend to assist local small businesses, they're talking about companies like ours.

I personally have been in the electrical construction industry for 30 years, completing such large-scale projects as Federal Express world headquarters -- sorry -- in Memphis, the Miami Dolphins stadium, St. Jude's Children's Hospital, Harrah's Casino in New Orleans, and the Hyatt Regency Grand Cypress in Orlando.

On September the 9th, Knight Enterprises was contacted by BE&K Construction Company of Birmingham, Alabama, a subcontractor of Halliburton subsidiary KBR. BE&K requested Knight Enterprises to provide 75 qualified electricians to work on a project they had begun at the naval air station in Belle Chasse. You may see live footage from Belle Chasse when the president visited last -- Louisiana last week.

BE&K explained that the project had a total duration of 20 months and that the first phase involved constructing a 7,500-person tent city for the military.

The project required providing labor force and supervision to distribute power wiring and distribution to approximately 900 tents and temporary structures. These are metal-framed tents covered in canvas in a moist environment. Improper wiring could be highly dangerous to the troops living in those tents.

Our initial understanding of the agreement with BE&K was based on the following.

First, beginning on September 13th, Knight Enterprises would provide a workforce of 75 local qualified electricians from the local IBEW. The schedule required each electrician to work 12 hours per day and seven days per week. They would return, receive -- in return, they -- Knight Enterprises would receive the prevailing hourly wage.

Second, Knight Enterprises would be paid on a time and material basis for work performed.

Third, BE&K would provide temporary living quarters on site and three meals a day for

Knight's workers.

Fourth, and finally, Knight Enterprises would provide project supervision, consisting of a superintendent, a general foreman, and several working foremen.

Based on our understanding and acceptance of these terms, Knight Enterprises agreed to staff up the project beginning on September the 13th, and to have the total workforce in place within three days thereafter.

With an oral agreement in place, Monday, September the 12th, I contacted Mr. Robert Tiger Hammond, business agent for the IBEW Local 130 in Metairie, Louisiana, and requested a workforce of 75 electricians. Tiger and I agreed that all workers would be local residents of Louisiana, giving preference to those who were directly impacted by Katrina. Our mutual desire was to, first, provide local people with a job, and to thereby keep the funds within the local economy. We achieved our goal. Almost 90 percent of our workers on the project had been directly impacted by Katrina, Rita or both.

Work began on Tuesday, September 13th, and by week's end, Knight Enterprises had a full staff working in Belle Chasse. Nine days later, on September the 22nd, after beginning the work on the basis of a good faith oral agreement, we received a time and material written subcontract from BE&K. That written subcontract required Knight Enterprises to comply with the Davis-Bacon Act and to submit certified weekly payrolls to BE&K's office.

Mr. Mike Moran was hired as general foreman for Knight Enterprises, and Mr. Todd Galley (sp) was hired as project superintendent. Both gentlemen are present here today.

Allow me to turn the microphone over to Mike.

MIKE MORAN (general foreman, Knight Enterprises): Senators, when we arrived at Belle Chasse, BE&K had a staff of approximately 30 to 40 of their own workers designated to perform electrical work. Almost all of their workers were from out of state, and most did not speak English. Few seemed to me to be qualified electricians. According to the BE&K workers, they were being paid two-thirds of our prevailing hourly wage with no benefits. SDPC-KATRINA-CONTRACTS PAGE 21 10/17/2002 .STX

At that time, they were living in small tents on the base. Once we began the work on the job, BE&K stated that -- their intent to form work crews consisting of one Knight electrician and several BE&K electrical workers. Effectively, we were asked to supervise and train the BE&K workers who eventually replace us.

Despite our original oral agreement, BE&K never provided temporary living quarters for 74 of Knight's 75 workers. The first few nights on the job, we slept in a newly erected government tents at the work site, but then we were directed by BE&K not to use the tents. We were thrown out. In contrast, BE&K provided its own out-of-state workers with

recreational vehicles and tents, which we were asked to wire for power. Most of our workers, some of whom have -- excuse me -- some of whom have lost their homes to the two hurricanes were sleeping in their personal vehicles and showering in a car wash located on base.

On September 18th, we were directed to supply temporary living quarters for our own people. We purchased 10-man tents, sleeping bags, cots, generators, fans and small window air conditioning units all while struggling to find suitable, temporary living quarters.

Finally, on September 26th, we located and purchased a \$6,000 tent, rented a 52,000 BTU, portable air conditioning unit, and bought \$3,500 worth of lumber for flooring. Before we could get our temporary living quarters constructed, BE&K sent a letter dated September 30th, releasing Knight Enterprises from the job.

Allow me to pass the microphone back to Al.

MR. KNIGHT (PH): BE&K's letter stated that the project was substantially complete and that they would finish the job with their own workers. They directed us to cease work by 10 a.m. the next day and to leave the base by noon. When we contacted BE&K regarding the release letter, they stated that our workers had done a good job, but that the budget wouldn't allow the continued use of local workers earning prevailing hourly wage. Our workers, who were local, qualified electricians impacted by Katrina and Rita were removed from a promised 20-month contract and what I can only believe was a direct result of the Davis-Bacon Act waiver.

For their part, KBR representatives stated that they had no prior knowledge of the release of Knight Enterprises, were surprised that our qualified electricians had been released, and asked if we would be willing to contract with them directly. We told them that we were ready to go to work, but as of today, we remain without a contract.

As an independent contractor who will hire only skilled, qualified workers, I can tell you that local union members formed the largest qualified construction workforce in Southeast Louisiana. Waiving the Davis-Bacon Act for federal projects in this area only opens the flood gates for out-of-state workers. Those out-of-state workers displace local residents who, more than anything, need a good paying job and a living wage.

BE&K's representative at Belle Chasse told Mike that he would hire all of our electricians if they would work for pay and benefits package that was half of what they would normally make. It is simply outrageous that the government would allow its contractors to ask people who have lost everything to work for half of what they made two months ago.

How are we expected to rebuild our lives on those terms? Hire local workers and keep the money in the local economy. That's where it's needed.

Thank you.

SEN. DORGAN: Senator Landrieu?

SEN. MARY LANDRIEU (D-LA): I appreciate the chairman giving me just a moment to speak, because I've got to leave in a moment and go to another meeting. But I'm looking forward to having Mike and Al in my office later today, and we can talk more about this matter.

But Mr. Chairman, let me just say that it will be my intention as a senator from this state to have this contract to this fine company reinstated, to have whoever was responsible for it apologize to these workers for the way they have been mistreated, discriminated against.

It is outrageous that the government of the United States would have policies that would take people who have lost their homes, lost their communities, and then as they begin to roll up their sleeves to get to work to rebuild their communities, to be basically kicked off of the job. It will not stand, Mr. Chairman. I hope the members here will join me with our colleagues who are reasonable to get this corrected.

And so I thank you for bringing it to the record. I look forward to visiting with you all later in my office, and we will get this particular contract fixed and make sure that this never happens again.

SEN. DORGAN: Senator Landrieu, I know that you have a full plate with so many aspects of this tragedy to deal with and you have to run to another meeting in that regard. But I believe Mr. Hale has two photographs that I want to have shown before his testimony because it in some ways relates to what Mr. Knight and Mr. Moran have just described, as well. Could we show the photographs on the screen, and show the second one, as well. And Mr. Hale, can you simply describe what those photographs are?

MR. MORAN: Yes. Thank you, Mr. Chairman. These are photographs that were taken Saturday morning, so it's not something that has happened, it's something that's ongoing. This is LVI Services out of New York and they have bused in people from Florida, Texas and North Carolina, largely Latino workforce. And this is how they are housing them, in this squalor. And those are accurate depictions of it, because they were less than 48 hours old.

SEN. DORGAN: I wanted to mention that in the context of Mr. Moran's description of the folks who have -- many of the electricians who have lost everything themselves needing a job to get back on their feet and being displaced by others, who are being bused in and coming in, I don't know whether documented or undocumented workers.

But it describes a consequence of this notion about deciding that with respect to the reconstruction on the Gulf Coast, that you don't have to pay prevailing wages. It is a magnet to draw in workers from all around who will work for pennies, and put them in

squalid circumstances like this. And I just -- I think it is such an awful decision to have made, and the consequences of it will be with us for a long while.

And Mr. Knight and Mr. Moran, you described the consequences in human terms for a workforce that desperately, desperately needed those jobs, Louisianans who needed the job to -- needed those jobs to help reconstruct the Gulf Coast. So I wanted -- just wanted -

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SEN. LANDRIEU: Mr. Chairman, let me just say, if this is the kind of leadership that the president is going to give us, we need new leadership. And I know that's a strong statement, but I am very serious about this, and so are the American people.

You don't see pictures like this in Third World nations. This is Louisiana. This is Mississippi. This is Alabama. We are part of the United States of America.

So, Mr. Chairman, I hope that this hearing will show that we need new direction, new leadership, or leadership that will get a new direction. And that's what we're going to be working on.

MR. MORAN: Senator Landrieu, I want to let you know that is in Saint Rose, Louisiana, where that's at.

SEN. LANDRIEU: I know where Belle Chasse is. I know where Saint Rose is -- the finest charter school at Belle Chasse for that military base there, and for the people -- and Belle Chasse is right in the middle of an area that's devastated, that workers that live within site to see Belle Chasse have had their homes destroyed, could walk across the street and help rebuild it. They have been kicked out, discriminated against and treated worse than citizens of this country deserve, to basically have to follow rules that don't work for anybody, most certainly don't work for the people -- the good people of my state.

SEN. DORGAN: Mr. -- I did want you to see those pictures. And thank you, Senator Landrieu, for your participation.

And Mr. Hale is the vice president and regional manager for the Ohio Valley and Southern States Laborers International Union of North America. He was named manager of the Southeast Region in 1996 and was elected as Laborers vice president in 1998. He has a long and distinguished record, began his career, as a teenager, as a construction laborer and member of Local 386 in Nashville.

Mr. Hale, thank you very much for being here. And you may proceed.

JAMES HALE (vice president and regional manager, Ohio Valley and Southern States Laborers International Union of North America): Thank you, Senator Dorgan. The teenager years are sometime back.

Thank you, Senator (Reed/Reid ?), thank you, Senator Levin, for allowing me to be here. As vice president and regional manager of the Laborers region that includes the Gulf Coast, I want to share with you what laborers and workers in general are encountering in Alabama, Louisiana, and Mississippi during this phase of cleanup and rebuilding in the aftermath of Hurricane Katrina and Rita.

Immediately after Hurricane Katrina and Rita ravished the Gulf Coast, my office organized and sent out field staff to the region to find our local members and provide assistance to them. The Laborers have approximately 2,500 members in this affected region of the Gulf Coast. It didn't take us long to realize that the scope and the magnitude of the problems of all the workers in the area was larger than anyone had anticipated. At the same time, we started receiving calls from contractors asking us about the availability of workers, and ourselves making hundreds of calls to contractors looking for jobs for our workers. It became clear contractors were scrambling to import workers into the area. This led us to take steps to set up an internal system to not only find and assist our members, but to locate and evaluate the construction skills of people in the area willing and able to work and connect them with those jobs.

In an attempt to help provide skilled workers, we brought down mobile training centers from other parts of the country, and fully utilized our 80-acre Livonia, Louisiana, training site. At our Livonia center, we have been able to assist hurricane victims by housing them and their families. We've provided the food, shelter, clothing, and help in applying for federal assistance from FEMA and the Red Cross. Training has been continuously ongoing in Livonia and at the various mobile training sites.

Not only do Laborers do the heavy, back-breaking work to clean up debris and dispose of waste and hazardous materials, but it's our members out there dealing with mold-covered drywall, rotten food, dead animals and even feces covered carpets. Needless to say, the days of standing floodwater made cleanup sites hazardous as they were contaminated with toxins, pollutants, sewage waste, and then, as the water left, reoccurring mold.

Our training sites have done various types of training, including hazardous waste and asbestos remediation certification training. We've trained and provided assistance to hundreds of workers in Baton Rouge, Livonia and Oakdale, as well as Mobile, Alabama, in the following areas: hazardous waste worker, asbestos abatement worker, mold remediation, OSHA 10 Training, CPR, first aid, concrete, general construction, respirator awareness, as well as temporary housing installation.

Today, October 17th, a new group of 90 local residents will begin courses at Oakdale and Livonia for that training.

It became clear rather quickly that contractors were trying to get an estimate on the costs of labor absent any wage floor. With all the residents evacuated, the cost of labor was whatever it took to get people to work. We went to great lengths to recruit and give opportunities to workers from the area. It's our job, we see it, to represent all workers, giving them a voice and protections at the job sites.

As the days passed, the disarray and problems in the Gulf Coast were compounded even more with the letting of no big contracts and waiving of the Davis-Bacon Act requirement. This effectively removed all labor standards, effective oversight, and orderly contracting procedures. We in the Laborers Union attempted to establish a livable wage of \$15 an hour plus training, health insurance and pension benefits. Some contractors -- a few contractors acting responsibly did adopt those standards. The Davis-Bacon Act establishes minimum rates to pay to reflect community wages. The removal of Davis-Bacon not only removes a wage floor, but it also removes the requirement that contractors report their payrolls to the contracting agencies.

Absent a wage floor and reporting, the door is open to fraud of all kinds. One can't determine if a contractor is utilizing ghost employees. No one will know if workers are being hired and misclassified as independent contractors. When a contractor calls his workers independent contractors, he no longer has to withhold taxes, Social Security or pay workman's compensation.

You've read the press accounts about the no-bid contracting, and I'm here to tell you the papers had it right. To my knowledge, not one member of Congress has been able to get their hands on a copy of a contract that was handed out to Halliburton or others. There is no central registry of contracts available, no data on the jobs or the scope of work. If contracts handed out to these primary contractors are opaque, then the contracts then lent to the subcontractors are just plain invisible.

No one knows what the state of subcontracting in the region is. What the vast majority of workers are being paid is below a livable wage. However, no one seems to know what contractors are being reimbursed for labor costs. On costs-plus contracts, subcontractor reimbursement rates are whatever the prime determines, and actual rates of pay are unknown.

In fixed-bid situations, the actual reimbursement rate is unknown. And subcontractor rates are also unknown and subject to great fluctuation.

All this said, there's simply no ability to ascertain or monitor the contractor-subcontractor relationships. This is open invitation to exploitation, fraud and abuse.

Is this happening without Davis-Bacon on the Gulf Coast? It absolutely is. Are there abuses taking place? I suspect we all know the correct answer to that question, particularly since the previous testimony alluded to it.

The process of finding local workers and getting them on to jobs is difficult for a simple reason: that we don't know what companies have contracts, and we don't know what work they are doing. Without knowing the scope of the work, this makes it difficult to match skills to tasks. Recruitment of workers then becomes solely the discretion of the contractor. Contractors are able to hire workers who are easy to exploit because these workers must depend on their employers for basic needs. Those at the highest risk are the

immigrant workers. Because of the waiving of the work authorization requirements, we can't identify the utilization of the majority of these workers or inform them of their rights, and they are severely at risk.

While basic public services are yet to resume normally, workers' housing, food, transportation, health care and pay is solely at the discretion of the contractors. I have seen jobs advertised by companies on the Internet that claimed workers can have free meals at the Red Cross.

I would like to share today with the committee photos which I have, taken by a laborer. These were taken in -- by a housing facility maintained by LVI Services, Incorporated, of New York. They were taken on Saturday morning in Saint Rose, Louisiana. And of course they give you an idea of the living conditions of these workers.

I've talked to our staff in the region. They continue to report worker intimidation and squalor in the housing facilities for workers brought in. The housing facilities are often without running water and have Port-a-Johns for bathroom facilities.

My members have talked with workers transported to a Shoney's hotel in Jefferson Parish. These workers were promised food, training, safe working conditions and certain wage rates. They were bused to a warehouse with no running water, where worker intimidation is occurring. Our people on the ground were told by these workers that beatings have occurred by the company's security guards, and the housing for the female workers was randomly searched in the middle of the night by male security guards.

Another company has brought in workers from out of state and has not paid them for three weeks now.

Other workers report that various companies are charging huge fees for transporting them to and from job sites.

The lack of government oversight and accountability is creating a domino effect of problems in the contracting world. We are faced with a nontransparent contracting process. These contractors are free to do whatever they want.

I've told you about the problems. The remedy, we believe -- we would like to offer a remedy. The remedy to this situation is adopting a responsible contracting standards and the reinstatement of the Davis-Bacon Act. The federal government is entering the construction market and spending large amounts of money, and in doing so is distorting the local market. There is an incentive for out-of- state contractors to come in and operate with no wage standards in place. This is what prompted Representatives Davis and Bacon to pass through legislation to begin with. The Davis-Bacon Act requirements, along with responsible contracting practices, provide the use of a wage floor. It's the wage floor that gives contractors equal footing when submitting their bids. This way wages aren't the first thing cut when competing for the lowest bid. The resumption of Davis-Bacon protection puts everyone on a level playing field.

The Laborers are submitting today to this committee a framework to help with the reconstruction now underway in the Gulf Coast. Steps must be taken to require performance qualifications and employment standards of contractors. While more and more stories come to light in the press of mismanagement of federal contract dollars and resources, the American people will demand this be fixed. This means protecting taxpayer dollars from waste, fraud, and abuse; requiring contracts to be let to qualified and preferably local firms, and assuring local workers obtain safe, productive employment with just compensation.

The Laborers strongly urge the Congress to consider the elements of responsible contracting principles. We are ready to work with Congress and the administration to institute a new set of mandatory contracting principles. The Laborers believe these principles should include: one, single-point accountability; two, performance qualifications and fair employment standards; and, three, effective oversight and absolutely program transparency.

I urge this committee and the Congress to begin a dialogue on a response to the contracting problems in the Gulf Coast. Our Principles of Responsible Contracting for Gulf Coast Infrastructure and Community Rebuilding is available to help guide this dialogue. The Laborers look forward to assisting Congress and the administration in an effort to meet these goals.

And I would like to thank you for your time today. Thank you very much.

SEN. DORGAN: Mr. Hale, thank you for being with us today as well. And our final witness -- and then we will have some questions -- will be Sheila Crowley. And Sheila is with the National Low Income Housing Coalition and is going to talk about some of the related housing issues.

I have misplaced my paper telling me of all of the wonderful things in your background, Sheila. Here they are:

President of National Low Income Housing Coalition since 1998; member of the Board of the National Housing Trust; the Poverty & Race Research Action Council; Technical Assistance Collaborative; former board member of the National Coalition for the Homeless and the National Alliance for the Mentally Ill.

So many more, but, Ms. Crowley, thank you very much for being with us this morning, and you may proceed to summarize your testimony.

MS. CROWLEY: Thank you, Senator Dorgan, and Senator Levin. I appreciate the invitation to come today. I am with the National Low Income Housing Coalition, and we are a national membership organization that includes a wide range of nonprofit, housing and homeless service organizations. And we've been in communication with our members across the country about their experiences with housing, attempting to house

people who have been evacuated because of Katrina.

I've been asked to testify about the federal response to the housing needs of people who are displaced by Hurricane Katrina. Unfortunately, the most charitable way I can characterize the current situation is confusion.

I'm going to attempt to provide you with some highlights about what we think the federal government is and isn't doing. I must begin with the caveat that implementation does seem to be a work in progress, and what is policy today may not be policy tomorrow. Also the true extent of the problems really are unknown. Probably, the most stunning thing to me in all of this is the utter lack of good, valid and reliable data about exactly what is going on six weeks after the hurricane.

But we can glean from various reports and testimony and press accounts and things, of statements of the administration, some data.

FEMA reports that 2.3 million registrations for assistance from the two hurricanes has come in as of last Friday, and about 1.2 million households have received hurricane disaster assistance. Receiving hurricane disaster assistance doesn't mean they've received housing; it's anything included in getting -- being in a Red Cross shelter, anything like that.

They have stated that between 400,000 and 600,000 people are living in shelters and hotels, with about 23,000 people still in shelters as the October 15th deadline for emptying the shelters passed. This number does not include the hundreds of thousands of people who are living temporarily with relatives or with strangers who have taken them in. And this number is unknown. We have no information about the extent of people who are temporarily housed in that way.

FEMA reports it has approved 416,000 applications for transitional housing assistance. Please note that approval for housing assistance does not mean that the household or family has actually received any housing assistance. And in fact, reports are widespread that the checks have not arrived.

The number of families who have moved in trailers is totally unclear, but FEMA did announce last week that 5,000 trailers were occupied in Mississippi, and a FEMA official stated in a press interview on October 5th that FEMA has contracted for the delivery of 116,000 trailers.

HUD's program, KDHAP, Katrina Disaster Housing Assistance Program, reportedly has approved 10,000 families for assistance, although a HUD official told me yesterday that that number is not accurate and promised to get me some updated information today.

The most widely cited estimate of the number of eligible households for HUD-specific assistance is 50,000, although HUD officials have not been able to confirm that number.

And then finally, the National Low Income Housing Coalition estimated the number of occupied housing units that were destroyed or damaged by Hurricane Katrina is 287,000, 71 percent of which were affordable to low-income households. We did this estimate by basing 2000 census data -- by comparing 2000 census data on housing units to maps of the affected area done by the National Geospatial-Intelligence Agency.

To my knowledge, no federal agency has yet determined the number of lost housing units because of these hurricanes. And indeed, when the CBO director testified before the House Budget Committee, he cited numbers produced by the National Low Income Housing Coalition to report on the number of lost housing units.

Displaced households, in theory, have a few housing options, but the reality is much more limited based on where the household current is, the condition, and the location of their former home, and the resources the family has at its disposal. Most of the people who are not yet rehoused were low-income before the disaster and/or have lost their source of income as a result of the disaster.

As we all know, FEMA's initial response was what its usual response is, and that was to order trailers. Multiple difficulties, including the widespread outcry about the potential of segregating large numbers of poor people in trailer camps, caused FEMA to rethink its approach.

Also, in the days initially following the disaster, HUD asked all Public Housing Agencies to make available vacant Public Housing units and unused housing vouchers to Katrina victims, and many of those housing authorities have. Unfortunately, what that has meant is that many local people in need of housing assistance, those who are on the waiting list for assistance, including people in homeless shelters, have been passed over in favor of evacuees, and that has created widespread -- (word inaudible) -- and anger amongst many low-income people in communities across the country.

HUD officials report that they are no longer encouraging PHA to do that. But as of yesterday, the guidance for PHAs to do that was still on the HUD website.

On February (sic/September) the 23rd, FEMA and HUD announced the establishment of a Joint Transitional Housing Program that would provide financial assistance for evacuees to use to rent housing in the private market. It is noteworthy that this joint program does not involve the use of the Housing Choice Voucher Program, the existing rent assistance program run by 2,600 PHAs across the country. This is despite the fact that the Senate passed legislation on September 14th to appropriate \$3.5 billion to fund 350,000 housing vouchers for Katrina victims. Some observers believe that the momentum developing for Housing Choice solution was further impetus for the administration to announce its own approach. And indeed, this is the administration that has been trying to dismantle the Housing Choice Voucher Program for many years.

Quickly, the Transitional Housing Program announced on September the 23rd has two parts. The first, operated by FEMA, will provide 2,358 -- (brief audio break) -- are those

who owned or rented a house that FEMA has verified is uninhabitable. The second part is the program operated by HUD.

Responsibility for displaced households who were previously receiving HUD assistance through public housing or the voucher program or programs for elderly or disabled people was retained by HUD, although FEMA is paying for this program.

Also eligible for assistance through HUD are people who were homeless prior to the disaster and who were participating in HUD- funded homeless service programs.

The HUD assistance is administered by PHAs and provided in the form of direct payments to landlords.

There are two -- at least two barriers to a family -- an eligible family receiving KDHAP assistance.

First of all, PHAs are not required to participate in the program. So if a family has been evacuated to a community where the housing authority refuses to participate, they either have to relocate again, or they're out of luck. And we are learning about many PHAs that are reluctant to join up for the -- to sign up for the KDHAP program because of uncertainty about its future.

The other thing is that in order to receive any assistance through the KDHAP program, one first has to register for FEMA assistance, but then the family has to, one, know to apply for KDHAP, has to decide to apply for KDHAP, and affirmatively do so. There is no automatic process by which one -- somebody will be transferred to that program.

There are also many people who do not fit into either program. And so there is no universal coverage for displaced people under the programs announced by HUD and FEMA.

The other thing is that if you actually get assistance, if you're approved and you actually get assistance, there is no guarantee that you will still be able to afford the rent. In most urban housing markets, the rent level provided through the FEMA program will be insufficient to be able to pay basic rent. And moreover, FEMA has -- inexplicably prohibits the use of housing funds for utilities. So you still won't be able to pay your utilities.

And finally, the FEMA transitional housing program and the KDHAP program will only work in markets where there are vacant units with willing landlords, and in most places closest to the affected area, there are simply no vacancies left.

So this -- unfortunately, the lack of housing stocks means that many people will not be able to stay in the Gulf area, and many will decide not to return once they have resettled.

Let me just close by saying that the Bush administration has created a bifurcated

approach to providing disaster housing assistance that will leave many people uncovered. We think that all transitional housing aid should be transferred to the existing housing shortage program immediately.

The program's design and numerous problems that are -- implementation serve to limit access to the programs. That's what it's about. The failure to do what it takes to get everybody rehoused now will show up later as increased needs for homeless services. We will regret this failure if the ranks of homeless people in America grows exponentially in the coming years with the Katrina victims who have not been able to regain housing stability.

Thank you. I'd be happy to answer any questions.

SEN. DORGAN: Ms. Crowley, thank you very much for your testimony.

Let me call on Senator Levin for questions.

SEN. LEVIN: Thank you. Thank you, Mr. Chairman. I thank all of our witnesses for the testimony.

I'd like to go into the contract that you had -- if you would, Mr. Knight -- if you could give us the details of this contract, which is a time and material subcontract that you had with BE&K?

MR. KNIGHT: Yes, sir.

SEN. LEVIN: That required you to comply with Davis-Bacon. Is that correct?

MR. KNIGHT: That's what was written.

SEN. LEVIN: So under that written contract, which was dated September 13th, you had to pay the prevailing wage in the area?

MR. KNIGHT: That's correct.

SEN. LEVIN: And -- if we don't already have a copy of that contract, Mr. Chairman -- do we have a copy of it?

SEN. DORGAN: We do not.

SEN. LEVIN: Could you provide us with a copy of that?

MR. KNIGHT: I can provide you with a copy of it, yes, sir.

SEN. LEVIN: That contract was entered into, I believe, before your people got to the site. Is that correct?

MR. KNIGHT: No. Actually, we mobilized onto the site on September the 13th. They, based on a verbal agreement that we had -- and they did not send me a subcontract agreement -- I received it on September 22nd.

SEN. LEVIN: All right. So you were there, then, nine days before you received the written contract?

MR. KNIGHT: That's correct, sir.

SEN. LEVIN: What is the provision about time and material? What do they agree to do? Is it to pay your prevailing wage plus a fixed profit, or how does that work?

MR. KNIGHT: Yes, sir. The agreement that I had with them -- with BE&K -- allowed for the direct reimbursement for all of my actual labor costs plus those associated taxes with, you know -- that you have to pay. And then Knight Enterprises received a flat 7 percent for overhead and profit markup.

SEN. LEVIN: All right. And was there any duration to the contract?

MR. KNIGHT: The subcontract agreement that they sent on the 22nd did not have a duration written in the subcontract agreement.

SEN. LEVIN: All right, but you had an oral understanding as to how long it would last?

MR. KNIGHT: For 20 months. And that's what I told the business agent for the Local 130, Tiger Hammond, that we had a contract. And the first task was the tent city and the entire base out there, or the contract at the base was for a 20-month requirement.

SEN. LEVIN: Were you informed when you entered into oral contract or the written contract that your job was to train other workers or to supervise other workers that would not be in your employ?

MR. KNIGHT: No, sir, I was not.

SEN. LEVIN: Were you told that you -- your people were there to augment the company's own staff of electricians?

MR. KNIGHT: No, sir.

SEN. LEVIN: The BE&K spokeswoman, Susan Wasley, said in The Washington Post of October 7th, that your crew was always there merely to augment the company's own staff of 45 electricians. Is that true best of your knowledge?

MR. KNIGHT: I'll let Mike answer that.

SEN. LEVIN: Mr. Moran?

MR. MORAN: No, Senator, we were never told we were to augment. We were asked to have composite crews with one electrician working with three or four electrical workers because we had no documentation to prove that there were electricians at all.

SEN. LEVIN: And when your people worked with them, did they have the feeling that these were trained electricians?

MR. MORAN: No, sir, they were not.

SEN. LEVIN: When you were let go, were you given the reason, or when your contract was terminated, were you given the reason for the termination?

MR. MORAN: The reason the letter stated was that we had reached substantial completion on a 20-month contract.

SEN. LEVIN: In how many weeks had you done that?

MR. MORAN: Three.

SEN. LEVIN: You're really miraculous, you folks. (Light laughter.)

MR. MORAN: Yes, sir.

SEN. LEVIN: Yeah. You're miracle workers.

The -- well, this is an abomination, which, as Senator Landrieu said, should not be allowed to stand, and I know that Senator Dorgan, as our chairman, is going to do everything he can and all of us will do everything we can to support Senator Landrieu's effort that this not stand.

What's going on here is obvious. The coast -- the Gulf Coast was given a severe natural whammy by mother nature and by failures of human beings as well. But then you get a double whammy. The administration then comes along and in the trying to repair what had happened, the catastrophe which had been leveled against you, now uses or misuses a waiver provision in the law to try to get around a requirement of the law that prevailing wages be paid.

And so people who have lost their homes, lost their jobs, in addition to that are now being asked to take half or whatever the percentage is of the prevailing wage in their community, which will make it impossible for them to put their lives together.

It is a disgrace that the administration will do this. Frankly, they've tried to get rid of Davis-Bacon from the beginning of this administration, but now they're using a natural disaster to accomplish their goal, and that is totally disgraceful. That they would try to

take advantage -- and this is what's going on here, let's be real clear about it. The administration's trying to take advantage of a natural disaster to accomplish the goal of getting around the legal requirements of the federal government of paying prevailing wage on federal contracts.

I think if the American people could all be sitting here in this room listening to all of your testimony, the testimony of incompetence and then the testimony of how the administration is trying to misuse a waiver provision in the law to pit Americans against Americans, basically, here -- because the purpose of Davis-Bacon was so that we would not see workers taken from one part of the country to another part to undermine the prevailing wage in the various communities of our country. If this is allowed to stand, what we will see here are people being transferred by the federal government's contract from one part of the country to another in order to undermine the prevailing wage which is paid in those -- in all of our communities.

And it's, as far as I'm concerned, a disgraceful misuse of a natural and a man-made disaster, to some extent. And I know all of us are going to do everything we possibly can to support Senator Landrieu and our chairman in reversing this decision. It's wrong. It should not be allowed to stand. We look forward to digging further into it and to -- I know under the chairman's leadership, I know Senator Dorgan is going to continue to get FEMA to be held accountable for this and to answer questions which they've so far refused to answer or even to show up here to answer.

And I'll do everything I can to support our chairman in getting those questions answered by FEMA, after they review this testimony, to try to hold them accountable, and this administration accountable for this misuse of our law.

Thank you, Mr. Chairman.

SEN. DORGAN: Senator Levin, thank you very much. And thank you for being here this morning.

Let me start with Mr. Mullinax with some brief questions.

Mr. Mullinax, again, the summary of your testimony is you picked up ice in New York --

MR. MULLINAX: Yes, sir.

SEN. DORGAN: -- and delivered it to Massachusetts.

MR. MULLINAX: Yes, sir.

SEN. DORGAN: And the federal government paid you \$15,000 to do that. And it seems to me you stopped in Missouri, then stopped in Mississippi --

MR. MULLINAX: In Alabama, sir, Montgomery.

SEN. DORGAN: -- in Alabama, and then ended up delivering the ice to Massachusetts. It's an unbelievable story.

And you indicate that this is not some isolated example, that you were with hundreds of other truckers on the road, presumably to deliver hurricane relief materials and products, and ended up not delivering them to the intended recipients because of what?

MR. MULLINAX: Mismanaging, Senator. Not one cube of ice went to the needy people.

SEN. DORGAN: But you talked -- move the microphone over there just for a moment.

You talked about both FEMA and the Corps of Engineers. Tell me your relationship with FEMA and the Corps of Engineers as you hauled this ice around the country.

MR. MULLINAX: Well, at one point you would be involved with FEMA, and at another point you would be involved with the Army Corps of Engineers. And where IAP came in, I have no idea. IAP headquarters on our bill of lading was in Irmo, South Carolina.

SEN. DORGAN: They were likely a subcontractor hired by FEMA, I'm guessing. Is that --

MR. MULLINAX: I would say the Army Corps of Engineers hired IAP. And IAP was the one that -- either FEMA or Army Corps of Engineers would tell them we need how many trucks, and then they would go out and find brokers or find trucks to haul these commodities.

SEN. DORGAN: But weren't you as a trucker sitting, what, 12 days, you said, at Maxwell Air Force Base? Weren't you able to find someone who was responsible?

MR. MULLINAX: No, sir. Every time you'd ask someone what's going on -- "I'm going to find out. I'll get back to you."

You need to check with FEMA.

SEN. DORGAN: Was there a regional FEMA person there?

MR. MULLINAX: Sir, I didn't see anyone -- any one person of probably 30 people at Maxwell Air Force Base. I never saw one person who was actually in charge. They did a lot of riding around counting trucks and golf carts, but no one was actually in charge. The left hand did not know what the right hand was doing.

SEN. DORGAN: That is almost staggering incompetence.

MR. MULLINAX: It's unbelievable. The figures for me, Senator, is from New York to Carthage, Missouri was \$1,424.90. That's a line haul. The line haul from Carthage -- I'm

sorry, was \$2,450.00 from New York to Carthage, Missouri. That's the line haul. Then from Carthage, Missouri to Montgomery, Alabama was \$1,424.90. That's the line haul there. Then you have to give back two hours. So your first 24 hours is actually 22, so they can make up their mind in two hours what to do with you.

The trucks you saw on the video, Senator, all of those trucks, 90 percent of them went to Gloucester, Massachusetts with me. Someone certainly needs to be accountable. Somebody needs to stand up and say, hey, American people, taxpayers, I dropped the ball. This is not suitable. My tax dollars shouldn't be spent this way.

SEN. DORGAN: Mr. Mullinax, your last comment in your testimony this morning is that FEMA should have a transportation command-and-control center. I don't -- we notified FEMA that we were having this hearing and invited them to be here. I don't know if they have a transportation control center or not. It suggests to me they do not. If they do, whoever ran a transportation control center should be summarily fired instantly.

But we intend to follow up to understand what happened here. What on earth happened that ice that originates in Canada ends up back in Canada, and a substantial amount of money is paid for it; ice that starts in New York to go to victims in the Gulf ends up in Massachusetts? The taxpayer takes a bath on it. I mean, there's staggering incompetence.

And when we learned of your situation, I wanted to try to get a sense from you of exactly what happened so that we can inquire to find out, who's accountable? Does the buck stop anywhere? Is there some accountability someplace?

MR. MULLINAX: Senator, the truck drivers are kind of like your grunts in the military. We're good soldiers. We do what we're told to do. We're not supposed to ask why. We're supposed to just do it. Don't create any waves. For God's sakes, don't stand up and ask somebody, why am I taking a load of ice to Idaho?

Then they feel like they're threatened. And then they come back and they make you feel like that you're stepping on someone's toes by asking a simple question. All I was merely doing was asking this young man, why do I go to Idaho with a load of ice that's supposed to go 200 miles down the road to someone who needs it? It would have been better off just to turn the refr off and let it melt or buy a snow cone machine and sell snow cones and get your money back.

SEN. DORGAN: Mr. Mullinax, there will be people who aren't going to be happy that you speak publicly about this.

MR. MULLINAX: Amen.

SEN. DORGAN: The same is true with Mr. Knight and Mr. Moran and others of you. But I do think the fact that you do speak publicly alerts all of us to some real serious problems and problems that have to be corrected and points us in some directions as well.

So, as I indicated to you, I appreciate your being here.

I'd like to ask Mr. Knight and Mr. Moran -- this issue -- my colleague, Senator Levin, talked a bit about Davis-Bacon, which is kind of a, you know, to people who don't understand this, it's kind of a foreign term. They don't know what Davis-Bacon means. Essentially, it means that the federal government will not be involved in activities -- economic activities -- in a region that is designed to undercut the prevailing wage in the region because you can imagine, with the large contracts for highways and other -- the building of an air base or whatever it might be, if the federal government comes in as a very large purchaser, it could say, well, here's the prevailing wage in this area. We're not very interested in paying that. We'd like to get some cut-rate workers in, so you undercut, and you destroy the prevailing wage.

So the Davis-Bacon Act was designed to prevent the federal government from destroying the economy of a region. And whatever the prevailing wage would be, that's what the federal government would be paying as well for its contracting.

Now, as I evaluate what's happening with your contract or the contract you had, it is that once the president said, Davis-Bacon will not apply to this reconstruction in the Gulf and that the contracts the federal government's involved in, that contractors very quickly -- some contractors very quickly decided, we can take advantage of this, and we don't have to hire firms like yours that have been able to gather up and create a work force of skilled, educated electricians -- experienced electricians. Is that how you see this?

MR. MORAN (?): Yeah, that's exactly how I always see it. Only, but really, to the degree of the feeling of being used, because the workers that they had in place that were not -- that were from out of the area -- weren't electricians and were unskilled people. And so somebody had to train them. So I guess we were called in to train them. And then when we got them -- at least if you're wiring, you can say -- if you're wiring 900 tents that are all the same, once you complete -- and I think we completed somewhere around 400 of them in those three weeks, that -- which was the first task order -- that then you can take the local workers and go back and let them look at what we have done and mirror and complete the job.

So I guess we provided a training service for the people that were out of town.

SEN. DORGAN: Mr. Moran, you were supervising that group of electricians that came in on this contract, is that right?

MR. MORAN: Yes, sir.

SEN. DORGAN: And these are people that you know, you worked with, you care about, I assume? I mean, I could understand the emotion of your testimony here. You indicated that a good many of these workers had lost their homes and were struggling to try to find their footing. Can you describe that?

MR. MORAN: Yes, sir.

Of the original 75 workers, I'd say 90 percent were directly impacted by Hurricane Katrina. We also had electricians from Shreveport and Lake Charles, who hadn't been impacted by Katrina, but were later impacted by Rita, which, I mean, it just -- it was -- it brought the number up even more. And we were asked to train people to take our place that hadn't been impacted by anything.

SEN. DORGAN: But these folks -- did you have to lay these folks off, then? I mean -

MR. MORAN: Yes, sir.

SEN. DORGAN: Are they out of work?

MR. MORAN: Yes, they are.

SEN. DORGAN: And when they -- when you gathered them to become a work force of skilled, experienced electricians with certifications and so on, you told them the job would last how long?

MR. MORAN: Well, we were originally told 90 days. Then we were told 20 months. But the first part of the contract was tent city to house 7,500 troops would take 90 days.

SEN. DORGAN: So they came to work with an expectation this would take three months initially, and then you thought it would be 20 months?

MR. MORAN: Yes, sir.

SEN. DORGAN: What -- and so then they effectively began having to train others who, Mr. Knight, you and Mr. Moran say that you don't think have the experience and have the capabilities that your work force did. Is that correct?

MR. MORAN: Yes, they do not. I have pictures -

SEN. DORGAN: Do you know that for certain?

MR. MORAN: Yes, sir.

MR. MORAN: It can be documented by pictures that I have. And anybody that can go out to the base can look at the difference between our class of work and their class of work. And it's just terrible and dangerous.

SEN. DORGAN: Were those -- the workers, I assume, were surprised to be laid off because they expected, based on what you had represented to them based on an oral contract, that they were going to have some work here for awhile. What was their reaction?

MR. MORAN: Anywhere from shock to anger.

SEN. DORGAN: Did they feel like they were used?

MR. MORAN: Oh, yes, sir.

SEN. DORGAN: And I noticed in your testimony -- I don't remember which of you told us -- but the testimony was that Halliburton -- representatives of Halliburton said that they didn't know what BE&K was doing and wanted you to stay on under different circumstances if the workers would accept less money, et cetera?

But, in fact, BE&K was representing Halliburton, right? I mean, was it not a subcontractor of Halliburton?

MR. MORAN: Yes, BE&K was a subcontractor of Halliburton.

SEN. DORGAN: So the contracting agency here, Halliburton, is saying, well, we don't know what our subcontractor is doing. Is that what they're saying?

MR. MORAN: Basically, Kellogg Brown & Root, who was the contractor who hired BE&K, were shocked when we told them that we were asked to leave the job. And actually, we tried to get them to, as a go between, to see what BE&K's motive was to claim that the job was substantially complete when we knew it wasn't.

SEN. DORGAN: But BE&K actually is a representative of KB&R or Halliburton because they're doing the work under a Halliburton contract. Is that correct?

MR. MORAN: Yes, sir.

SEN. DORGAN: So Halliburton, or KB&R, says they had no prior knowledge of the release of Knight Enterprises. Does that sound plausible to you?

MR. MORAN: The way it happened, it just seemed like when we told them that we were leaving the job they were shocked.

SEN. DORGAN: One final point, you talk about the danger here. You're wiring up 900 tents with metal frames. You wired up about 400 of them. There's 500 left to be wired. Troops are going to live in those tents. Obviously, in a wet, damp area with electricity flowing through metal apertures of a tent, there would be some concern that it be done right. Do you have confidence that this subcontractor for the other 500 tents is going to be done in a way that promotes the safety that you would expect from that electrical wiring?

MR. MORAN: No, sir, I do not.

SEN. DORGAN: And who's going to occupy those tents?

MR. MORAN: Military.

SEN. DORGAN: Soldiers?

MR. MORAN: Yes, sir.

SEN. DORGAN: And you're worried about the quality of that work, because?

MR. MORAN: Because the people who are doing it are not competent electricians.

SEN. DORGAN: And you're fairly certain of that, based on what your workers experienced working with them?

MR. MORAN: And what I personally saw and had to redirect BE&K's people to go back and change things that I knew were wrong.

SEN. DORGAN: So this isn't hearsay. This is you on the ground as a foreman looking at work?

MR. MORAN: Yes, sir.

SEN. DORGAN: Mr. Knight, do you have anything to add to that?

MR. KNIGHT: I mean, they start -- when we -- I heard other testimony to this today that in these task orders that are given out, there is no scope of work. There's no written scope of work. And I've done a lot of federal government contracts where you have some plans and a scope of work to go by.

When we got to the job, the drawings that I saw were diagrams that were written on pieces of paper or paper bags and stuff of the electrical distribution system that I believe was first laid out by an engineer from Halliburton.

SEN. DORGAN: Is that correct?

MR. MORAN: From KB&R.

MR. KNIGHT: From KB&R. And the first design layout that was laid out was totally wrong, and we had to correct that because they were trying to put too many tents on a service, thereby creating a hazard of overloading the panels and stuff.

SEN. DORGAN: Did they have a circumstance where they failed to ground the power?

MR. KNIGHT: Yes.

MR. MORAN: Incorrectly grounded it.

MR. KNIGHT: Incorrectly, yes.

SEN. DORGAN: So and the grounding is important, right? Those of us who know little about electricity understand about grounding.

MR. MORAN: Grounding is the most important part of electrical service.

MR. KNIGHT: (Chuckles.) It is. That's what keeps you safe. And as, you know, you can respect that there's codes in place. But, you know, usually you have to comply with the national electrical codes and stuff when you're doing electrical work. And I don't believe we ever seen anybody from the resident officer in charge of construction at the Naval Air Station -- no military inspections. We never -- and usually, those guys are by to inspect your work and make sure that you comply with certain specifications that are drafted by the government under a contract.

And you have a GFI protective receptacle in your kitchen, outside that you plug your vacuum cleaner into to vacuum the car or outdoors. You would expect that in a tent, outside campground -- so to speak, tent city -- that there would be some ground fault protection, which is required by codes and stuff. We found no ground fault protection on anything.

SEN. DORGAN: Well, I will certainly work with Senator Landrieu and try to work through and think through this.

But once again you bring us an example of something that is of concern, not just with respect to this contract, but it relates to something Mr. Hale described.

I expect when there is money in a pot laying around, and you've got a lot of (groveling ?) to get at that money, to the extent that companies can from anywhere in this country hire up a bunch of laborers and pay as minimum a wage as is possible and bring them down to get a part of that pot of money in the Gulf reconstruction, you're going to have a lot of wallowing sounds by firms that really don't have much principle here.

Mr. Hale, you heard me ask about the Davis-Bacon issue. I assume that is what is driving much of this -- the fact that the president has announced there is no such thing as a prevailing wage down here as far as the federal government contracting is concerned.

MR. HALE: Well, yes, Senator, it kind of opened the flood gates, is what it did, and it sent a signal to the contracting community that it is okay to pay as little as you can.

And in order to pay as little as you can, naturally you bring workers from -- who are willing to work for as little as possible. So there is no floor to be maintained.

SEN. DORGAN: What do you think -- looking ahead what is going to happen? There is

going to be a lot there. This is a massive job to reconstruct. There's going to be a lot of work, a lot of available labor will come into the region or will be hired in the region.

Do you think that the lack of the Davis-Bacon protections will be very -- I assume it will be extraordinarily detrimental to workers?

MR. HALL: I believe that what it's going to do is, it's going to freeze up the local people -- the craftsmen like the Knight Industries, who pay a livable wage and the work is going to go to individuals that what I've described earlier who are willing to pay as little as they possibly can with -- in conditions and no benefits. So health insurance is out the window. Pension is out the window. Training is out the window. And low wages are in.

SEN. DORGAN: Ms. Crowley, how many people are now in motels on FEMA or some other entity being -- you indicated that, I believe, that it was \$11 million a day we're paying for --

MS. CROWLEY: That's what the New York Times reports. That it is between 4 (hundred thousand) and 600,000 people. This is all on FEMA. The Red Cross program is being paid for by FEMA under contract at this point. The amount of money that the Red Cross has raised is considerable, but it's nowhere near what the cost of the motel program is.

SEN. DORGAN: What would have happened if right at the outset we had aggressively said, let's use housing vouchers, and let vouchers persuade people to move into whatever housing stock exists with the vouchers?

MS. CROWLEY: Well, we certainly would have had many, many, many people in more permanent housing situation than they are now. We would have been able to move people out of the emergency shelters directly into regular apartments or homes, instead of this sort of bouncing from the shelter into the motel and then waiting to see what would happen after that.

It really was a very foolish thing to delay any kind of rent- assistance program and then creating one that is really inadequate to the task.

SEN. DORGAN: And why did it happen? Why did that delay occur? And why the reticence about going to a voucher program?

MS. CROWLEY: Well, I can only speculate.

SEN. DORGAN: Just asking your --

MS. CROWLEY: My speculation is that it was a -- first of all, this is an administration that has been hostile to the housing voucher program. We've been fighting off cuts to the voucher program and weakening the voucher program for three or four years now.

And so my speculation and the general speculation is that there was a unwillingness to

say, oh, well, here's the answer. Let's put the money into a program that we've been saying is -- doesn't work.

The second thing is that there is -- that once -- that there's a desire a program that is going to, by its nature, be time limited and if you keep the program under the FEMA system, which is an emergency response, then there is less potential for there -- for aid to continue over time.

Clearly in this situation with the amount of housing stock that is lost and the degree of displacement that has occurred, that the standard normal FEMA approach to rehousing people after disasters is inadequate and that a much more robust, much more aggressive response is required.

We have good experience from the -- what happened after the Northridge earthquake, where housing vouchers were provided immediately and people were able to become rehoused almost instantly, and this languishing in shelters, which is very debilitating to families, did not occur.

SEN. : (Off mike.) Mr. Hale, can you show us the photographs of the people living in various (very rough ?) conditions.

What percent of the people the people coming in do you expect are documented versus undocumented workers? (Off mike.)

MR. HALE: Well, I don't know the correct answer to that, I suppose, but I can tell you what -- I was in the area last week, and I stopped and spoke with a group of I think it was either five or six workers, and I -- and I was talking to them about possible -- what they were making and the possibility of what them working -- how long they would continue working.

And their question was, what about papers? Can you get us papers?

I take from that that they're undocumented. I can't tell you for --without a doubt what percentage it would be.

SEN. DORGAN: (Off mike.) I want to thank you for coming today.

As I indicated, the point of this is not to try to determine a kind of a political gotcha. Mr. Mullinax and I, as I said, have talked by phone.

I know, Mr. Mullinax, you don't come here interested in Republicans or Democrats. You're interested in right or wrong. And when we suffer a disaster in this country, and someday we may, God forbid, have another terrorist attack that requires dramatic mobilization of resources and emergency responses that are unlike any that we've been confronted with before, we need to get it right. The federal government needs to get it right.

When it so profoundly gets it wrong, we have a responsibility, all of us in Congress, to do the oversight to figure out what happened and how do we fix it what happened and how do we fix it? Who's accountable?

You know, Harry Truman used to have that sign, the buck stops here. The buck has to stop someplace, and someplace on the circuitous route by which you hauled ice cubes, Mr. Mullinax, somebody was accountable for that kind of insidious waste and unbelievable abuse of taxpayer funds here.

And more than that, it withheld services to victims who desperately needed it. I assume at a time when you run Maxwell Air Force Base that you were probably watching television and seeing what I was seeing -- stories of victims on television saying, we just desperately need food, and we need clothing, and we need ice. We need all these things. And you are sitting there in a truck on Maxwell Air Force Base being paid not to go anywhere.

So I -- and the same is true with, Mr. Knight, Mr. Moran, Mr. Hale, your concern about treatment of workers and to make sure that a country that suffers this Gulf region disaster would want to hire people in the Gulf region and pay them a decent wage, a fair wage to reconstruct their region.

And Ms. Crowley, the -- you know, any disaster includes -- almost any disaster includes - - a very serious housing component. And shelter ranks way up there. I mean, if you don't have shelter and food, you don't have anything. You really don't have much.

So this issue of getting housing right, getting this right, is really very important. So I know a number of you have had some inconvenience to be with us today, but we very much appreciate your doing so.

My colleagues all have other multiple hearings going on this morning, but we will make your statements part of the record. And I also want to say that we intend to follow up on all of these issues, as we have in past hearings as well.

Thank you very much. This hearing's adjourned.