



WRITTEN TESTIMONY

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DIRECTOR OF BUSINESS CONTINUITY
GLOBAL SECURITY
WAL-MART STORES, INC.
BENTONVILLE, ARKANSAS

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

BEFORE THE UNITED STATES SENATE
COMMITTEE ON HOMELAND SECURITY & GOVERNMENTAL AFFAIRS

WEDNESDAY, NOVEMBER 16, 2005

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“Hurricane Katrina: What Can Government Learn from the Private Sector’s Response?”

November 16, 2005

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

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

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

BACKGROUND

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

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

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

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

PURPOSE OF HEARING AND WAL-MART'S ROLE

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

WHAT WAL-MART HAS DONE AND CONTINUES TO DO

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

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

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

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

- **Emergency Structure** - As previously stated, Wal-Mart understands that because of our size, we will be required to address crises, on a regular basis, that are consistent with what the country faces by geographic location - earthquakes in the west, snow storms in the northeast, and hurricanes in the southeast. To manage these crises the company utilizes a series of pre-determined emergency procedures relative to the various levels and divisions within the corporation. While individual stores or business units do not deal with crises at a local level on a regular basis, the company established the Emergency Operations Center to serve as the centralized platform for crisis coordination. The Emergency Operations Center functions 24 hours a day, every day of the year. The center works both proactively in monitoring the globe for potential business disruptions and initiating mitigating actions to minimize or negate impact, and works reactively in enacting corporate response and recovery plans and coordinating actions. The Emergency Operations Center focuses on developing the "big picture" of the event through centralized communications, processes, and software applications and then providing this picture back to the decision-makers to ensure that they have the best data set possible from which to make the best decisions. Equally important is driving efficiency through face-to-face communication, which not only keeps players on the "same page", but also provides a platform for quick, decisive decisions to be made.
- **Scalable Operations** - The ability to expand and contract operations appropriately as the event unfolds is also essential to success. Often, time variables emerge suddenly that require immediate attention, expansion of operations, and/or immediate change of direction. The crisis management structure must be void of rigidity and allow for maximum flexibility to properly address any emerging variables. Hurricane Katrina, for Wal-Mart, tested this concept to the maximum as the Emergency Operations Center expanded to include five operational annexes and unprecedented field support operations. Key, however, is not the fact that the expansions occurred to meet the needs, but rather the speed at which the expansions occurred.
- **Total Company Support** - Having a structure in place is simply never enough. It is necessary for all of our Associates to effectively utilize the structure to maximize efficiency and success. During Hurricane Katrina, Wal-Mart's Chief Executive Office, H. Lee Scott, Jr. made it very clear from the beginning of the event that all operations relative to the preparation, response and recovery of the hurricane were to flow through the Emergency Operations Center. This is also evident in the number of departments and divisions that have business unit representatives in the Emergency Operations Center that serve as decision-makers and liaisons for their respective business units.
- **Efficient Communications** - It is often repeated that communication is critical to success, but I will tell you that efficient communication is absolutely the key to success at a higher level. Flowing timely, accurate data is another essential for success. At the local level, situational awareness is developed and passed quickly to the Emergency Operations Center, which develops the big picture for the business unit representatives who have gathered in the Emergency Operations

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

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

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

- Leveraging Strengths - Capitalizing on those things that we each do best is an efficient use of available resources. At Wal-Mart, we move merchandise from point A to point B very efficiently and effectively every day - this is a strength. For our company, additional strengths lie in human talent, merchandise volume, and information systems. Wal-Mart leverages these strengths to accomplish our crisis management goals and to serve the greater good during a crisis.
- Information Systems - as previously indicated, Wal-Mart’s Information Systems are considered a major corporate asset. For all hurricanes and disasters, we utilize our information systems to tell us what it is that consumers need both pre and post hurricane. This allows us to get the right merchandise to the right stores at the right time. From a population safety standpoint, it helps the population properly prepare for an impending situation by having flashlights, batteries, food, and water in the right quantities and also aids in a speedy recovery when the right items like plastic tarps, generators, and fuel cans are available. Additionally, our Information Systems Division has created a centralized Incident Management application that is used to coordinate information relative to the event, network teams who quickly reconstitute network and voice communications at the store level, and support critical applications and operations. Modeling and mapping applications are used as regular tools for the Emergency Operations Center to track and convey information.

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

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

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

- Understanding the Big Picture - When major crises strike, we find ourselves in a unique position to see the big picture. At the same time that we may be assessing a multi-state disaster, we find ourselves balancing the needs of our Associates, our facilities, governmental requests at all levels, community needs, and other private sector entity requests. Additionally, we must ensure that our customers across the nation are still being provided the goods and services that they need.
- Flexibility - Adapt and overcome is a common mantra in the Emergency Operations Center. Changing direction "on the fly" is what allows us to modify our response to the situation at hand. Flexibility in our plans, flexibility in our structure, and flexibility of our Associates is paramount to success. When we identify the need for change, the change is completed as soon as possible and we do not wait for the structured corrective action process after the storm to complete this change. An example of this would be the immediate changes in our response protocols between Hurricanes Katrina and Rita. Between the two storms we identified the need to streamline communication and information flow between the company and government and also in enhancing communication with our Associates. This change of process manifested itself in the placement of two of our managers in the Texas State Emergency Operations Center during Hurricane Rita to enhance State level communications. We also enhanced the information provided to Associates prior to Hurricane Rita's landfall by anticipating and providing the answers to disaster-related questions before those questions were asked.
- Corporate Culture - Our greatest asset is our people. Culture is a difficult aspect to replicate, but it is absolutely one of the greatest strengths of our company. Our managers are encouraged to be an active participant in the events impacting their

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

WAL-MART'S HURRICANE KATRINA PREPARATION AND RESPONSE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSONS LEARNED BY WAL-MART IN RESPONDING TO HURRICANE KATRINA

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

- Communication - While we believe that we communicated better than ever before with our Associates, our teams and external entities, we believe we can do better. We have categorized these into three areas of opportunity:
 - i. Associate Communication - As we adapted our processes between Hurricanes Katrina and Rita, we changed the messages that we provided Associates to ensure they had the information they needed to survive a major disaster. However, we feel that our platform for providing information must become more robust so that we can more efficiently and speedily account for Associates, determine their individual needs, and act on those needs. We are already working on an enhanced version of our Associate Emergency Information Line and further changing our Crisis Management Plan at the facility level to incorporate more Associate information.
 - ii. Communication Modes - We believe this is a major challenge for all organizations operating in areas where there are no telephone lines,

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

- iii. Institutionalizing the Process - Internally we have found success in our centralized communications process; however, externally this has created a challenge. We found that confusion was created by numerous governmental, non-governmental and private sector organizations either contacting our company during the crisis through their regular counterparts - for example, a state health department representative contacting one of our Pharmacy Division Managers who he knows personally. This delays communication as they may be accustomed to leaving a voice mail or an e-mail that may not be checked regularly. We want to centralize this external communication process to streamline the way in which we communicate. The Emergency Operations Center can route callers to the appropriate representative located in the Center immediately, which allows us to take immediate action and also further define our “big picture” based upon incoming information. Jason Jackson, for example, may not always manage emergency operations, but if someone calls the Emergency Operations Center they will always be routed to the person who is supporting that function. To remedy this, we are reaching out to state and federal government agencies to spread this message.
- Expectations and Understanding - Both internally and externally, we believe that understanding the capabilities and expectations of another team, department, division, or entity will aid us in better developing our own strategic plans. This bilateral communication must be open, honest, and relative. Just as it is important for government to know what Wal-Mart’s capabilities and limitations are to providing resources during a crisis, it is necessary for us - in terms of solid plan development - to know how FEMA is going to respond, what state agencies will expect of us, and whether or not the local Sheriff’s office will allow us to restore facilities if there is a county-wide curfew in effect. For Wal-Mart, this equates to the old adage of building a house on a rock rather than sand.
 - i. As an example, we did not communicate well with local law enforcement agencies that our company utilizes third-party carriers to deliver product to impacted areas. As a result, we saw our private fleet trucks (with Wal-Mart logos) sailing past check points and often with police escorts, while our unmarked third-party carriers were held up for extended periods of time until they could prove that they were transporting goods for Wal-Mart. This created inefficiencies that we now know must be mitigated through proper communication with officials prior to a storm or some other disaster.
 - ii. Other pre-disaster discussions could revolve around securing pre-approvals for disaster periods from agencies like the Bureau of Alcohol Tobacco and Firearms to transport firearms to a safer location during, or before a disaster or the Environmental Protection Agency in easing mandates for special “clean fuels” to ensure motorists can get fuel during extremely high demand periods that result from pre-disaster evacuations.

- Finance - Capitalizing on the two previous tenets, this third point may be resolved. However, we faced a major opportunity during Hurricane Katrina in determining how governmental organizations were going to pay for supplies. In the early days of the storm, we received frantic requests from government organizations for supplies and we allowed them to access our closed facilities and take what they needed - as a donation. However, later in the response process our managers were often approached by federal, state and local officials who told our managers that FEMA would pay for the goods. As we began getting our arms around the billing process, we were informed at varying levels that the person who made the purchase was not a "purchasing agent" or did not complete the proper paperwork. While this may be an over-simplification of the issue, the fact is that we found a need to work with governmental and non-governmental agencies pre-disaster to come to agreement on proper acquisition and billing processes to best suit both entities.
- Learning from Those That Know - At Wal-Mart, we realize that we do not know everything and do not pretend that we do. We realize that there are a number of best practices being enacted by others and, similar to the purpose of this hearing, we seek out those who have a better process in a particular area and we seek to learn from them. We seek these best practices from government agencies, non-government organizations, and other private sector companies at a local, state, national, and global level. There is no telling from where the best ideas will emerge - Hurricane Katrina reconfirmed to us that the key is to continue learning, benchmarking, and seeking out those great ideas.

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

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

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

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

CONCLUSION

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

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

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



Attachment 1

OVERALL RESPONSE TO HURRICANE KATRINA

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

ASSISTANCE TO ASSOCIATES (EMPLOYEES)

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