

Testimony of George Swift, President/CEO
Southwest Louisiana Economic Development Alliance
U S Senate Small Business Committee Field Hearing
Lake Charles, LA
February 20, 2008

Southwest Louisiana's Small Business Community
Two years After Hurricane Rita



Rita made landfall at 2:30 a.m. on Saturday, September 24, 2005



INTRODUCTION

Members of the Committee: Thank you for holding this hearing and giving me the opportunity to testify before you today. I would like to take this opportunity to thank The United States Congress and especially our entire Louisiana Congressional delegation for your dedicated efforts to lead our state back from the treacherous circumstances of 2005 to a positive future for Louisiana. We are honored that you selected Southwest Louisiana as the site for your field hearing as we strongly believe the nation thinks Louisiana is only New Orleans and rarely acknowledges Rita, the forgotten storm of 2005. Louisiana is a state with vast resources and a diverse economy.

My name is George Swift. I am President/ CEO of the Chamber SWLA, the regional chamber of commerce for the southwestern five parish (county) region of our state, and the Southwest Louisiana Economic Development Alliance which serves as a public/private regional organization. On behalf of our region, it is an honor for me to testify before you today to share both the urgent challenges we face and the plans we have underway to create a sustainable Louisiana.

Let me begin by providing you with background information about our region and state. Southwest Louisiana is a vital part of Louisiana's coast, and extremely important to the United States. Refining and petrochemicals are the largest employers within the region with approximately 6,500 workers directly employed in the industry and another 40,000 jobs attributable to supporting the oil and gas industries including roughly 8,000 construction workers. A third of all the oil and gas consumed by our country is produced in or transported through Louisiana which makes up nearly half of America's crude oil refining capacity. South Louisiana's port system is first in the world in terms of tonnage. Southwest Louisiana is home to a diverse economy driven by oil and gas, agriculture, gaming and hospitality (contributing to over 8,000 direct and indirect jobs), and aerospace technology. It is home to McNeese State University, SOWELA Technical Community College, several hospitals (one of which was lost in Cameron Parish during the storm), shopping and recreational facilities. Approximately half of the population in and about the region resides in Lake Charles where there is a major industrial complex consisting of two large oil refineries and twenty-two petrochemical plants plus a deep-water port – the Port of Lake Charles – which is the 12th largest port in terms of tonnage and can accommodate ocean going vessels. Within the next year, we will house three liquefied natural gas facilities making it the largest LNG (liquefied natural gas) hub in the nation. Louisiana is second only to Alaska in annual volume of domestic seafood landings, serving as the nursery ground for marine life in the Gulf of Mexico and as a habitat for the second largest migratory bird flyway in North America.

This incredible organic coastal landscape protects these national assets, as well as the two million people who live off the coast of Louisiana. Many of whom serve as the support for national energy production, fisheries and maritime resources. We are steadily losing our regional wetlands which are a vital part of America's coast and serve to protect our families and businesses from incoming hurricanes in the seasons to come. Prior to the hurricanes of 2005, we were losing more than 24 square miles of our coast every year. In the two days of Rita and Katrina, we lost 217 square miles. Unless we harness the significant resources of the Mississippi River more wisely in the future, the economy and ecology of coastal Louisiana will collapse.

Southwest Louisiana is an economically diverse and wonderful place to live and work. Credited by many for having the best fishing and hunting conditions in the South, Southwest Louisiana is a major player in our nation's economy as far as energy production, the petrochemical industry and our emerging aerospace industry. We are quickly becoming a player in the global economy. The Parishes of Southwest Louisiana – Allen, Beauregard, Cameron, Calcasieu and Jefferson Davis –

bring their own mix of industry and frivolity to the region and these elements working together makes for a perfect combination!

ABOUT THE 5 PARISH REGION

Allen Parish is where Cajun food and culture meet the timber rich-piney woods of central Louisiana. A veritable gateway from South to Central Louisiana with its two federal highway systems and extensive rail facilities, Allen Parish benefits from the diverse yet rich culture and natural resources of both regions. Intersected by four rivers, Allen Parish is a haven for nature lovers and canoe enthusiasts. It is also home of the Coshatta Indian Tribe of Louisiana who based their Coshatta Casino & Resort in Kinder, LA creating a rapidly growing gaming and hospitality industry. Historically based on substantial timber and outlying oil and gas facilities, Allen Parish currently has a diverse economic base with hospitality, plywood manufacturing, and a natural gas relay facility are its main employers.

Centered on one of the largest aquifers in the country, **Beauregard Parish** is home to paper and plastics production facilities, chemical plants and abundant natural beauty with its numerous lakes and wildlife preserve. Also possessing a 4,200 acre airport with a 5,495 foot runway, Beauregard Parish is a transportation hub with air and ground access that are easily accessed by major U.S. Highways 171 and 90. The Parish is centered around its parish seat, DeRidder which is in the midst of a downtown revitalization plan and airport land use expansion.

Cameron Parish took a direct hit from Hurricane Rita. Portions of the parish are still without basic services and are in desperate need for basic community services such as hospitals, grocery and retail stores to be re-established. The area holds some of the most spectacular natural scenery found in the nation. High winds and storm surge destroyed many small coastal towns and communities in the parish causing environmental and ecological damage of which the full extent may not be known for years. Closed to the public until June of 2006, nearly a year after the storm made landfall, recovery is still a long term challenge for Cameron Parish. Overall, destruction in the Parish was greater than in any other Parish as they are still struggling to plan, program and rebuild lost homes and infrastructure that were washed way into the Gulf. With 1, 441 square miles and just under 1,000 residents, Cameron is both the largest and least populated parish in Louisiana. Pre- Rita there was just under 10,000 residents in the Parish according to the U.S. Census Bureau. Today, the Louisiana Health and Population Survey estimates the parish's population at roughly 7,043.

Cameron Parish is home of the Creole Nature Trail All-American Road and balances its responsibility to the environment with its duty to the nation as far as pipeline facilities providing much needed oil and gas for American consumers. With its proximity to the Gulf of Mexico, various industries from the aforementioned oil and gas companies to marine support vehicles and fishing boats call Cameron Parish home. With three liquefied natural gas pipelines in the works for completion over the next three years, what happens in Cameron Parish keeps the lights on in Chicago. The Port of Cameron is one of the top five ports for fisheries in the nation providing wild American shrimp and speckled trout to discerning diners across the country.

Sitting above Cameron Parish on the Texas Border, **Calcasieu Parish** boasts the largest population within the region. The southern portion of Calcasieu Parish is 30-35 miles inland from the Gulf of Mexico. During Hurricane Rita, Calcasieu Parish suffered moderate flooding and extensive wind damage destroying approximately 75% of the roofs in the parish.

Hosting a varied and robust economic base, Calcasieu serves as the home for our vigorous petrochemical industry. One of the many burgeoning industries in Calcasieu Parish is the aerospace

industry, thanks in large part to the Lake Charles Regional Airport, servicing the air travel needs of our 180,000 residents and the Chennault International Airport Authority. The Chennault International Airpark plays a major role within the economy of Southwest Louisiana with its 10,000 feet of runways, capability of handling most commercial aircraft, and 800 acres of available sites with access to rail, road and water to best reach the rest of the nation and global markets. Both our regional and international airports have foreign trade and enterprise zone designations.

The two main workforce development institutions of the region, call Calcasieu Parish home: McNeese State University and Southwest Louisiana Technical Community College. Ranked #1 in productivity measured by value of shipments per production worker by the 2002 Census, Louisiana's manufacturing workers rely on the latest training to keep them on top of their jobs in an ever changing market. Southwest Louisiana Technical Community College (called SOWELA by locals) offers customized worker training programs in our base industries as well as emerging trends. Over 6000 students have trained in aviation for Boeing, Northrop Grumman and EADS and even more prepare for their futures in the petrochemical industry through SOWELA's Process Technology Department going on to jobs at Citgo, ConocoPhillips, PPG, and Sasol to name a few.

The Louisiana Health and Population Survey estimates that there are 9,000 more people living in Calcasieu Parish now then before Hurricane Rita. The data does not reveal where these people came from, but local officials estimate that approximately 2,000 former residents of Cameron Parish are now living in Calcasieu Parish and the rest likely consist of Katrina residents as well as workers who arrived to work on repairs in the region.

Home of Southwest Louisiana's first oil well, **Jefferson Davis** is the birthplace of our region's petrochemical industry. Jefferson Davis Parish lays claim to the natural beauty of our Southern Swamplands and the rustic elegance of our forests and waterways. The richness of its Native American and Cajun cultures as evidenced in the many movies and documentaries filmed in the parish. Easily accessible via the bisecting roadways of Interstate 10 and U.S. Highways 90 and 190, Jefferson Davis is strategically located between several markets with Houston, TX, and Lake Charles, LA, to the west and Lafayette, Baton Rouge and New Orleans, LA to the east.

RITA and RECOVERY

As the fourth most intense Atlantic hurricane ever recorded and the most intense tropical cyclone ever observed in the Gulf of Mexico, Hurricane Rita caused \$10 billion in damage making it the 9th costliest storm in U.S. history. Sitting on the Gulf of Mexico and the Texas border, the communities of Holly Beach, Hackberry and Cameron (in Cameron Parish) were essentially destroyed after 15 foot storm surges hit the coastal area community. In Calcasieu Parish, the communities of Lake Charles, Moss Bluff, Sulphur, Westlake and Vinton which account for nearly 40% of the region's population suffered heavy damage.

“I think it's important that we consider what has occurred in the context in which it has occurred. This is not just a hurricane. This is a hurricane within 30 days of the worst disaster in the history of this nation that occurred 185 miles down the interstate in the city of New Orleans. At the time it happened our resources — locally and statewide — were already stretched to the limit...in terms of emergency personnel, relief support, and military support. This has been not only a devastating event for Southwest Louisiana, but it is a double whammy for the State of Louisiana” – Mayor Randy Roach of Lake Charles, LA in a December 18, 2005 interview with the American Press newspaper.

Calcasieu Parish was officially reopened on October 7th, 2005. A week later the recovery effort in Southwest Louisiana gained steam with residents and business owners returning to assess damage and begin the long process of recuperation. Within 10 working days following the onslaught of Hurricane Rita, the Chamber SWLA working in cooperation with the Southwest Louisiana Partnership for Economic Development as well as local, state and federal departments, opened the Business Recovery Assistance Center in Lake Charles to serve all of Southwest Louisiana. Working with the Louisiana Economic Development Department, the Louisiana Small Business Development Center of McNeese State University, the U.S. Small Business Administration, and the Service Corp of Retired Executives to provide assistance to our region’s business owners. They received 8,827 telephone calls, coordinated nearly 500 grant applications, assisted over 700 claimants through the Louisiana Department of Labor, and welcomed 643 walk-ins to see the SBA representatives in-house. During those first few critical weeks, we called on every member of our regional chamber to gather information and offer support...

- 63% had damage
- 21% had severe damage
- 74% were open, awaiting repairs
- 12% were closed until further notice
- 14% were inaccessible via telephone

After the storms, the Small Business Administration made loans available to qualified homeowners, businesses, renters, non-profits and small businesses that were either uninsured or under-insured. (Table 1 below, provides a summary of this assistance) While this aid was needed and much appreciated, obtaining it was sometimes a frustrating experience and many were denied. There were many forms to fill out and while some insurance companies were prompt and fair in paying claims, others are still dragging their feet and fighting over nuances in the language of their policies.

Insurance companies have either denied claims based on “wind vs. flood” model they use to deny paying citizen claims or individuals that did not have insurance on their properties because they couldn’t afford it or had been told they didn’t need it as so many elderly were told once their homes were paid for in full. After the devastating effects of Hurricane Andrew in 1992, many major insurance companies decided not to write new policies below I-10 for those who had never been insured and denied or paid only partial claims. Thus leaving several uninsured and raising insurance premiums for those in these areas. After the hurricanes of 2005, these same companies have threatened to not pay some policies or write new policies for any home or business that flooded in a previous storm. Some businesses, including the Chamber SWLA and City of Lake Charles, have been forced to pay more for insurance at the risk of having less coverage. Rates have tripled or quadrupled for many, but they now have less coverage than they did before the storm because it is too costly or the insurance companies are no longer willing to cover certain items.

Federal Assistance for Victims of Hurricane Rita

	Southwest Louisiana	Southeast Texas
Federal Disaster Unemployment Assistance	8.3	4.6
Other Needs Assistance	89.3	82.1
SBA Disaster Loans	49.5	73.5
SBA Loans for Renters and Homeowners	104.1	76.0
Individual Housing Programs	400.2	500.2
Public Assistance Projects	74.8	202.0
National Flood Insurance Program Claims	336.1	45.6

Source: FEMA

One of the greatest impediments to economic recovery in Southwest Louisiana has been a labor shortage, particularly among skilled craftsmen and at the low end of the wage spectrum. When FEMA arrived, they had a mandate to hire locally, but because FEMA's wages are considerably higher than local wages, they employed many highly skilled workers away from local businesses to perform relatively low-skilled jobs. The local refineries and petrochemical plants were able to compete with FEMA by raising their wages by four to six dollars an hour and offering hiring and retention bonuses. However, smaller businesses which had less capital were unable to stay in the bidding war. Many local businesses have not re-opened because their former employees are now working for FEMA or they are employed at the plants while others are operating at reduced hours with untrained and overworked staff. Extensions of unemployment benefits are also frequently cited as a reason why employees have been slow to return to their jobs. Nearly two years after the storms, this condition still persists in the local market.

In 2005, Governor Blanco established the Louisiana Recovery Authority (LRA) to serve as the planning and coordinating body for the recovery effort. The 33-member body organization is charged with securing funding for community recovery, ensuring accountability and effectiveness, coordinating across jurisdictions and planning one of the most extensive rebuilding efforts in the world.

As one of its first acts, the LRA crafted a list of priorities to establish "one voice for Louisiana" which focused on helping the Louisiana Congressional delegation in securing a \$29 billion Gulf Coast Aid Package. This package included \$11.5 billion in Community Development Block Grant funds (CDBG funds) for the five Gulf Coast states impacted by the 2005 hurricanes. Included in the package was the \$8.7 billion Gulf Opportunity Zone Act of 2005 ("Go Zone") which aims to boost private investments and development along the gulf coast. While the "Go Zone" incentives may be beneficial to some, others are struggling to balance the incentives with the high cost of insurance.

While the passage of this bill represented a significant milestone in the recovery, the Gulf Coast Aid Package only included a fraction of the funding necessary to rebuild Louisiana. In 2005, Louisiana only received 54 percent, or \$6.2 billion of the CDBG funds available, despite having suffered more than 75% of the Gulf coast's housing damages.

The LRA used this funding in part to create incentives and funding opportunities for businesses that suffered from the storms.

Recognizing the significant impact of Hurricane Rita on Louisiana's agriculture, the Louisiana Congressional delegation worked to secure recovery funds for agricultural producers. More than \$500 million has been allocated to the USDA for agriculture recovery in the Gulf States, including \$40 million for Louisiana's sugar cane producers.

A number of programs have been initiated to assist businesses. The Louisiana Bridge Loan Program provides short term loans to small businesses to give them access to capital in the period immediately following disasters. Working with local bankers, the state has already loaned nearly \$40 million in gap funding to more than 700 businesses affected by Hurricane's Rita and Katrina. Southwest Louisiana received 138 bridge loans totaling more than \$4 million.

**Louisiana Bridge Loans
Distributed in Southwest Louisiana**

Parish	Number of Loans	Total
Calcasieu	127	\$3,988,955
Cameron	7	\$275,000
Jefferson Davis	1	\$25,000
Vermilion	3	\$160,000
TOTAL	138	\$4,448,955

Source: LRA

In 2006, a pilot program titled The Road Home Program was launched across the state and estimated that more than 123,000 homeowners are eligible for assistance throughout the state. In Washington, D.C., The Road Home Program is being called the “Road to Nowhere” due to delays and financial shortfalls choking the system. The program was designed to build a “safer, stronger, smarter Louisiana” by helping our neighbors get their lives back to normal under a roof of their own. The need for this program was great in the months after Hurricanes Rita and Katrina. The storms of 2005 left 780,000 Louisiana residents temporarily displaced, destroyed 123,000 homes and 82,000 rental units.

The Road Home is the largest single housing program in the history of the United States. In the months after its inception it seemed logical that there would be glitches in the system, delays in paperwork, and other administrative errors. But, now, almost two years later tens of thousands of homeowners have still not received their checks.

Affordable housing is currently not available in Calcasieu Parish; however there are plans to use Fannie Mae low interest loans and the HERO (Homeowners Equity Recovery Incentives) initiative for this phase of recovery. The planning has been identified by the Shaw Group, The Louisiana Recovery Authority and other affiliated agencies as a model program for coastal recovery.

Now is not the time to throw the baby out with the bathwater. There are problems within The Road Home program, but the reasons for its inception remain. We need an efficient and reliable rebuilding program for any natural disaster occurring in the United States. It is a crucial part of continuing recovery efforts and we need to get it working.

Currently, there are many words being thrown back and forth about wind damage / water damage, but the facts are Hurricanes are winds and waters thrown at Coastal communities with devastating effects. Any program which does not take into account all damages caused by a hurricane or floods will leave many in need out of hope and out of luck. This has been proven recently by the flood tragedies throughout our nation.

Whether hurricanes or natural disasters such as floods or wildfires, citizens should not be challenged or forced to make decisions on rebuilding their homes and businesses as a result of circumstances beyond their control.

SMALL BUSINESSES IN SOUTHWEST LOUISIANA

In the wake of hurricanes Rita and Katrina, Louisiana has been faced with a unique crisis but we have taken aggressive action to sustain our state and businesses. No one will disagree that Small Businesses are the Backbone of our Economy. But the lack of resources, clearly defined sources of

aid, and the SBA's slow response in the weeks and months after Hurricane Rita nearly broke that backbone.

The promise of a loan in the hundreds of days after filling out a sheath of paperwork does not put supplies on shelves. It does not pay for the repairs needed to get a business fully operational. It does not put money in the pockets of valued employees who are being wooed away by overnight businesses springing up to clear debris, roof buildings, and repair walls and foundations.

Small Businesses need more than a promise. They need prompt, decisive action laid out in advance. They and the entire region would benefit of the well –conceived, well-executed plan. It is of the utmost importance to a community digging out of the aftermath of a catastrophic natural disaster to regain normalcy as soon as possible – to alleviate the lag time for temporarily closed businesses before it is too late and those businesses are closed permanently.

Poor planning and insurance company interference slowed aid to our ailing businesses and continues to slow progress to this day. Poor planning hindered our entrepreneurial workforce's ability to support our large industries and provide needed basic services and products for our community. Backlogs and insurance premiums which have tripled or quadrupled are a death sentence to businesses teetering on the edge. The demand for labor continues to exceed supply, in large part because there is not enough available or affordable housing. There are still over 4,000 individuals housed in FEMA trailers awaiting Road Home assistance, insurance or funds to rebuild their homes and move on with their lives.

A month after Hurricane Rita made landfall, not a single businesses had received aid from the over 9,500 SBA applications placed in Southwest Louisiana and Texas. According to an article printed in Lake Charles' American Press on October 26, 2005, only six businesses of the thousands which had applied for loans had been cleared for approval.

On November 13, 2005, it was announced that the SBA was rolling out the "Gulf Opportunity Pilot Loan Program." While it was a great gesture, it was two months after Hurricane Rita and three months after Hurricane Katrina. Where are we today? How many businesses received loans from the SBA, how many were turned down, and how long did it take? Too long for many who have closed their businesses and those still struggling to maintain.

The need was there; businesses were floundering, and most felt powerless to help. The actions taken within the first 18 months after a natural disaster are critical to retaining a foothold in economic recovery. We need to fix the system and we need to plan for the worst case scenario to ensure a speedy recovery of communities torn apart by hurricanes, floods or wild fires.

In times of any natural disaster, businesses need to have access to grants administered by the SBA, NOT loans. Many small businesses, who were struggling to reopen, pay their vendors, and deal with exorbitant insurance premiums could not afford to be burdened with loans in the first few months after a disaster crisis. Existing banks and financial institutions may only be one answer, but it should not be the ONLY answer. Farmers, fisherman, laborers and others already on a tight budget – who may have also lost their homes, churches, schools and entire communities – should not be weighed down with additional financial burdens in their desperate hours of need.

The recovery challenges faced after any natural disaster are very similar. Basic service needs, insurance, and capital are all challenges to rebuilding which need to be addressed with the assistance of federal government services.

Time is more than money, its survival.

We have several recommendations based on our recent experience:

In technology it is common practice to have in place a Disaster Recovery Plan in the event of system failures or crashes. A similar plan must be in place for businesses in the event of a natural disaster. The plan could consist of four primary focuses;

Pre-disaster Preparation

1. Outline a recommended disaster or emergency tool kit that each small business should maintain in the event of a disaster or the necessity to evacuate quickly. Items would include vital business information, insurance, major vendors, licenses, etc.

Post Disaster

30 – 60 days

2. Nationally SBA should have a quick response system to respond to the affected area within 48 hours. This would include information dissemination which is challenging in the aftermath of major disasters.

3. Access to Capital

The most critical needs for small businesses particularly after a disaster are cash flow. Hence, SBA should have a financial Grant program of at least \$5,000 per impacted business to assist businesses in immediate recovery.

61+ days

Establish micro-loans, grant/loan combinations to small businesses at competitive terms.

4. Technical assistance

Small businesses often require special assistance even in non disaster times to properly manage and compile financial records. A voucher for assistance with creating or recreating financial records would be beneficial.

We appreciate your consideration of these suggestions. The true impact on our small businesses has not been felt. Many small business owners did what they had to do to keep their business running. Many maximized high interest credit cards, cashed in savings and retirement, and so forth. Many went out of business. We believe it will take three to five years to truly measure the impact of Hurricane Rita on our small businesses.

Again thank you for shining the light on Southwest Louisiana and affording us this opportunity. The SWLA Economic Development Alliance looks forward to working with members of Congress to secure reasonable and responsible solutions for American citizens in times of national crisis or challenge in rebuilding their communities.