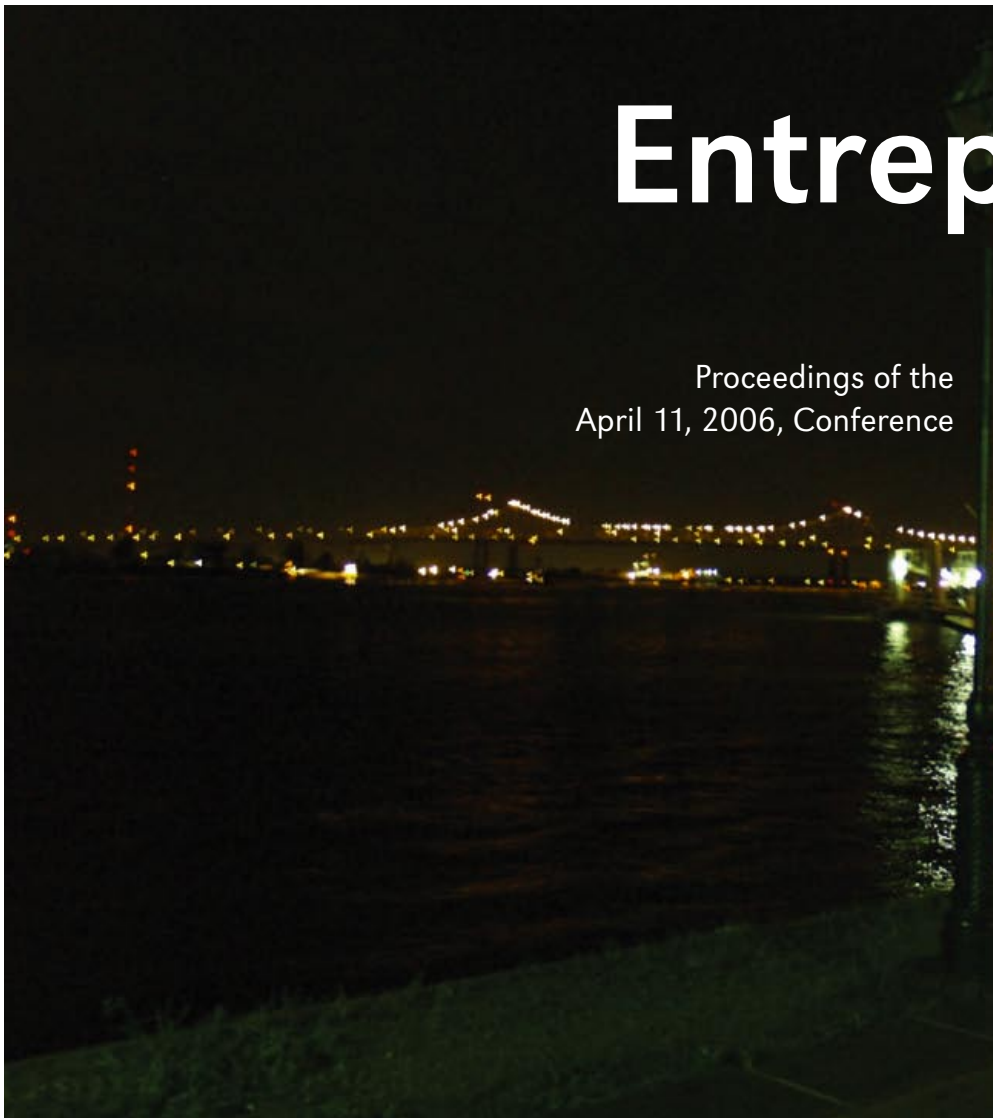


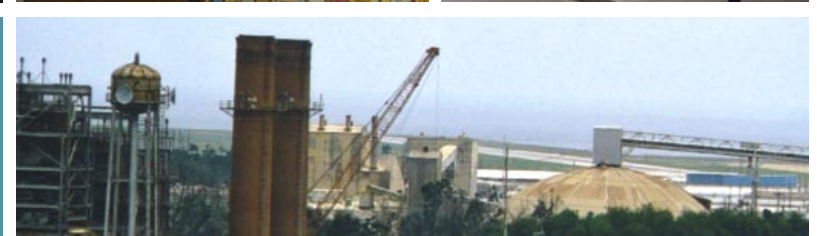
# Entrepreneurship

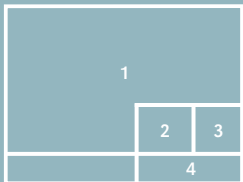
THE FOUNDATION FOR ECONOMIC RENEWAL  
IN THE GULF COAST REGION

Proceedings of the  
April 11, 2006, Conference



U.S. Small Business Administration Office of Advocacy  
The Ewing Marion Kauffman Foundation  
The Public Forum Institute  
The Urban Entrepreneur Partnership





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# Entrepreneurship

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## **Acknowledgments**

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Thanks to Office of Advocacy staff overall, and especially Chief Economist Chad Moutray for conceiving the idea and carrying it through, and to all those who assisted and participated in so many ways, including Jody Wharton, Viktoria Ziebarth, John McDowell, Luckie Wren, Natalyn Tart-Jones, Steve Adams, Pat Gartland, and Eric Munson. Special thanks to the regional and New Orleans staff of the U.S. Small Business Administration for all their support in making the conference possible.

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For electronic copies of the report, visit <http://www.sba.gov/advo/research>.

Hard copies are available from the Office of Advocacy at (202) 205-6533.

# Foreword

We are pleased to present these proceedings of the April 11 conference held in New Orleans, Louisiana, on Entrepreneurship: The Foundation for Economic Renewal in the Gulf Coast Region. The conference was an effort to discern the most effective ways to engage entrepreneurs in rebuilding the region devastated by the hurricanes of August-September 2005—Katrina and Rita. The conference engaged people from many disciplines—universities, government at all levels, nonprofits, business organizations, and owners of small and large businesses.

The devastation conference participants witnessed was daunting—not only the physical devastation, but the many uncertainties that followed for businesses—uncertainties related first to the rescue and safe evacuation of owners and their employees, then to levees, housing, insurance, financing, suppliers, customers—nearly every aspect of business ownership. Despite all that, the strong theme that emerged throughout the conference was hope for the future—and especially “opportunity.”

As many conference speakers observed, the final chapter of this story will be told by the entrepreneurs—those who think creatively and outside of the box. The innovative spirit of the people of Louisiana, Mississippi, and Alabama will determine the region’s future.

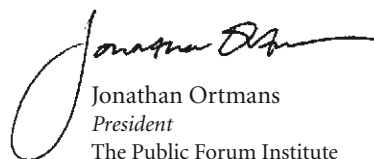
It was a great spirit that we saw in the Gulf Coast region, judging by the impressive group of people who assembled. There are many capable partners for its rebuilding. We hope these proceedings can contribute further to renewing the entrepreneurial spirit that will create, out of the devastation of the Gulf Coast, an even greater place to live and work.



Thomas M. Sullivan  
*Chief Counsel for Advocacy*  
U.S. Small Business Administration



Robert Litan  
*Vice President for Research and Public Policy*  
The Ewing Marion Kauffman Foundation



Jonathan Ortman  
*President*  
The Public Forum Institute



Daryl Williams  
*National Director*  
The Urban Entrepreneur Partnership

# Presentation Summaries

## Introduction

The pre-conference orientation began on Monday afternoon, April 10 with a bus tour—a sobering view of the devastated areas of New Orleans in Lakeview, the lower Ninth Ward, and points east. Those who had never seen the mile upon mile of water-ruined houses and the shocking remains of devastated commercial districts found words inadequate to describe the scene, seven months after the hurricanes hit. “Overwhelming,” some said. “Unbelievable.”

The conference would fill in further detail about the unusually difficult nature of this disaster for the area’s residents, including the business community. A significant element of complexity is that so many workers and customers have yet to return, and the rebuilding challenges are daunting.

Businesses are opening: participants met and reflected on what they had seen at the Court of Two Sisters, a small business in New Orleans whose owners, Joseph Fein III, and Jerome Fein, are members of the Louisiana Restaurant Association.

On Tuesday morning as the conference began, there was also a strong sense of optimism. There are signs that economic activity is picking up. The opportunities are there, especially in housing and other kinds of construction. And there is certainly no lack of entrepreneurial spirit in this culture built on small business—and on hope and even celebration in the face of difficult times.

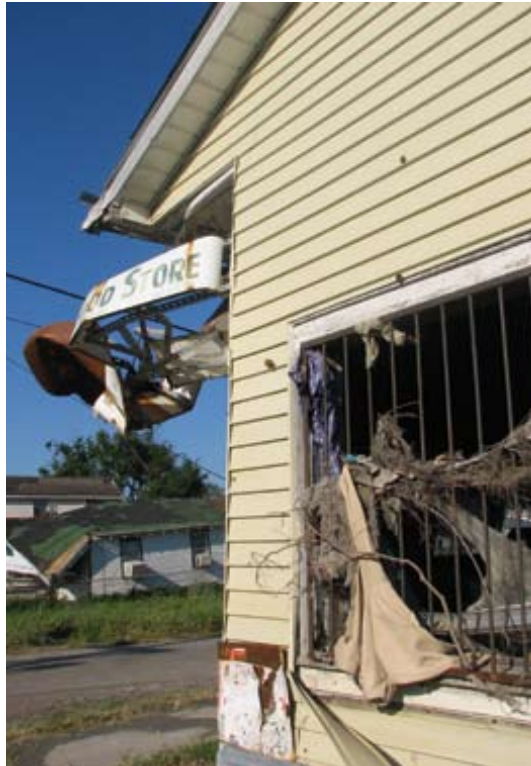


Photo Credits: (above) Kathryn Tobias, (top and bottom right) Jessica Snyder





**Thomas Sullivan** is chief counsel for advocacy with the U.S. Small Business Administration. He independently advances the views, concerns, and interests of small businesses before Congress, the White House, federal regulatory agencies, and state policymakers. From 2001 to 2005, the Office of Advocacy has helped save America's small businesses over \$40 billion in first-year compliance costs they would have incurred to comply with federal regulations.



**Donald Powell** was named the federal coordinator of Gulf Coast Rebuilding by President Bush on November 1, 2005. He has been tasked with developing a long-term rebuilding plan for the region in the aftermath of Hurricanes Katrina, Rita, and Wilma; coordinating federal efforts; and helping state and local officials reach consensus on a vision for the region. Previously he served as chairman of the Federal Deposit Insurance Corporation (FDIC) from August 2001 to November 2005.

## Opening Remarks

Chief Counsel for Advocacy **Thomas M. Sullivan** opened the conference by thanking the cosponsors, the Ewing Marion Kauffman Foundation, the Public Forum Institute, and the Gulf Coast Urban Entrepreneur Partnership. In organizing the conference, Sullivan said, "Our intent is to examine the importance of a vibrant small business sector to the long-term economic recovery of the Gulf Coast region—and the challenges facing entrepreneurs here." He emphasized that it will be up to the people of the Gulf Coast region to define their economic future, noting, "Studies from the Office of Advocacy have shown how important entrepreneurs are to sparking innovation, driving community development in distressed areas, building wealth, and creating jobs."

Sullivan introduced the Honorable **Donald Powell**, who was named by President Bush as federal coordinator of Gulf Coast Rebuilding. "I remember the first day we went into our new quarters and how excited we were to be participating in a cause that may be the most important thing that I have ever done in my life," Powell said. Hands shot up when he asked how many people in the room meet a payroll. "I share and understand some of the issues, some of the problems that you are faced with, especially in an area that has been devastated such as New Orleans."

The president's directives to Powell were twofold: to remember his stewardship role with respect to the American taxpayer and to remember that long-term planning for rebuilding the Gulf Coast

"This is going to be a unique opportunity that only comes along not in a lifetime, not in a generation, but maybe once every hundred years."

DONALD POWELL

must be done by local people, not the federal government. The first issue was safety: "levees, levees, levees," followed by housing, education, health care, and police protection.

Then he said, "if all we do in the federal government is just rebuild, reconstruct the fixed environment, it won't work...The economic engine is the people in this room. That's what drives America." He noted that there are "unbelievable opportunities for entrepreneurs in the Gulf Coast," with \$87 billion committed so far, bank deposits up 20–25 percent, and spending expected to go up for goods and services.

"This is going to be a unique opportunity that only comes along not in a lifetime, not in a generation, but maybe once every hundred years."

Specifics came in response to questions. What goods and services will be needed? Things like furniture, automobiles, building materials, construction, repair, service for all those things. How will money flow to the region? Beyond disaster funding, there will be money from banks, and having

been in the business himself, Powell said, he talks to a lot of bankers. “I encouraged them to take risks... And they are willing to do that because a bank is the reflection of the local economy.” What kind of innovative capital products can help unique, but struggling businesses? One idea is pooling venture capital money—and then picking and choosing where to invest. Those who need capital need to think outside of the box.

What should be the public/private sector response to the questions about insurance? “Good question,” he said, noting that Katrina claims are very high compared with insurance profits—and that being able to obtain insurance is crucial.

An entrepreneur facing dwindling sales because of a lack of customers asked for his thoughts. “Don’t give up,” he said. “...at the same time, you have got to make tough decisions. It may be...that you need to move to a smaller place or you need to look at your inventory.” And when you’ve done those things? “At some point in time, it turns. ...There’s going to be business in Louisiana,” he said.

The message came through: the Gulf Coast will face great opportunities as well as very difficult challenges. An entrepreneurial spirit will make all the difference in transforming the issues that have given cause for concern in the past. “The world is watching. We are all watching. And, ... when you talk to your grandchildren you can say, ‘You know, I was a part of that rebuilding of the Gulf Coast and it is a better life along the Gulf Coast because of my efforts.’”



Photo Credit: Mark Quinn



**Chad Moutray** is chief economist and director of economic research at the SBA's Office of Advocacy. He oversees research conducted both internally and externally and manages Advocacy's role in making available a number of databases on small firms. He organized a series of regional focus groups on small business research; began a new annual Advocacy-produced publication, *The Small Business Economy*; and has organized three previous cosponsored conferences since 2004. Prior to joining Advocacy, Chad served as dean of the School of Business Administration at Robert Morris College in Chicago.



**Loren Scott**, professor emeritus of Louisiana State University, is president of Loren C. Scott & Associates, a 23-year old economic consulting firm. He is an energy specialist on the National Business Economic Issues Council, which meets quarterly to discuss issues of state, national, and international interest. He gives dozens of speeches a year on the state of the economy, and he has also compiled a CD collection of humorous stories titled *Laughter: The "Economic" Way to Feel Great*.

## Setting the Stage: The Economic Context for Rebuilding the Small Business Economy

### MODERATOR

Chad Moutray, *Chief Economist, Office of Advocacy, U.S. Small Business Administration*

### PANELISTS

Loren Scott, *Professor Emeritus, Louisiana State University*

Doug Gurley, *State Director, Mississippi Small Business Development Center, University of Mississippi*

Deborah Tootle, *Associate Professor, Community and Economic Development, Louisiana State University*

Tim Williamson, *President, The Idea Village*

The first panel set the framework for the rest of the discussion. **Chad Moutray** listed four points for panelists to consider during the day's discussion: the role entrepreneurship can play in moving individuals and communities to economic health; how small businesses and local entrepreneurs can connect with institutional customers like larger businesses and government; the business case for larger firms to make a deliberate effort to reach out to local entrepreneurs and small businesses; and the elements of a policy environment that enable entrepreneurship and innovation.

**Loren Scott** used a PowerPoint presentation to highlight estimates of damage and forecasts of industry effects as a result of the hurricanes in the

"We lost over 60 percent of our small businesses... We have an opportunity to attract businesses that are high tech, to bring them in, to bring higher paying jobs ...We have this opportunity. We can be proactive. We can do this."

DOUG GURLEY

Gulf Coast region (*see Appendix C, PowerPoints*). He described the forecasts as fluid, with frequent updates in data.

A significant effect of this disaster is the number of displaced people. The four parishes behind the levees in New Orleans, along with St. Tammany to the east and St. Charles and St. John the Baptist to the west, evacuated 1.3 million people. Some 473,000 Louisiana homes were affected and of more than 200,000 that were destroyed or made uninhabitable, 92 percent were in the New Orleans metropolitan statistical area (MSA).

He described a number of economic obstacles related to the destruction left behind by the hurricanes and the subsequent scattering of the area's inhabitants. For example, once water is in a home, it is covered by flood, not homeowners' insurance—and that pays 80 percent of the depreciated value, which means that homeowners get less to rebuild. Moreover, there is no business interruption insurance coverage once water is in a building.

What all these problems mean is that the recovery effort is moving very slowly. In 2006 the New Orleans MSA is down more than 190,000 jobs—back to the 1975 level; that is, three decades worth of employment growth has dropped off. Overall, the job level has dropped 32.5 percent.

In contrast, in the Lake Charles MSA, which was hit by Hurricane Rita and had very strong winds but no standing floodwater, what is happening is what more normally happens in a disaster. In the year after the disaster the economy moves ahead, with insurance money coming in and the construction sector doing well. As a result, Lake Charles actually has more employment now than pre-storm

In Mississippi, just under two-thirds of the destroyed homes—just over 40,000—were in the Biloxi-Gulfport MSA, and employment there is down 20 percent. In Biloxi, however, the hospitals and schools have reopened, compared with about half of those in New Orleans. The state of Mississippi passed some legislation allowing the casinos, a major employer in the region, to reopen off riverboats and on land. With private sector money being invested, the Biloxi-Gulfport MSA region, where employment was pushed back to 1993 levels, is expected to begin coming back quickly over the next year.

In Pascagoula, where a major employer is Northrop Grumman Ingalls Shipyard, much will depend on federal contracting, but they are expected to recover rather quickly.

“I am here to speak about opportunity,” said **Doug Gurley**, noting that the Mississippi Small Business Development Center had brought in 43 out-of-state counselors to work with Mississippi

small business people after Katrina struck. In Mississippi, the disaster has left in its wake an opportunity not only to rebuild, but to transform the local economy. Manufacturing was leaving the state, but now there are many workers rebuilding homes, and Mississippi has a chance to develop new industries. “We lost over 60 percent of our small businesses,” Gurley said “We have an opportunity to attract businesses that are high tech, to bring them in, to bring higher paying jobs. This won’t happen fast. It is going to take us five to 10 years to do this....We have this opportunity. We can be proactive. We can do this.”

**Deborah Tootle** said she would talk about three things: the impact of the hurricanes on rural areas in the Gulf Coast, the nature of entrepreneurship in general in those rural areas, and the role of entrepreneurship in the long-term recovery of the area’s rural communities.

Many of the rural areas and small towns along the coast from the Florida panhandle to eastern Texas were overwhelmed by extremely high tidal surges. In Cameron Parish there were no houses—one man found his mother’s and sister’s houses several miles back in the marsh. Remediation is slow—in Mississippi and Louisiana, the Federal Emergency Management Agency (FEMA) has recently stopped paying for hotels for evacuees and some Louisiana towns have had to reopen shelters to house some of them.

The seafood industry was hard hit—its infrastructure was virtually wiped out. Timber is unharvestable. The dairy industry has been hard hit, as well as agronomic crops. The soil in St. Bernard parish was saltier than sea water, and people were finding



**Doug Gurley** is state director of the Mississippi Small Business Development Center at the University of Mississippi. He oversees a program that provides small business counseling and training and other business services statewide. He is currently serving a second term on the National Association of Small Business Development Centers Accreditation Committee and has served two terms on its bylaws committee. He has co-owned several small retail and construction businesses.



**Deborah Tootle** is director of the Louisiana Center for Rural Initiatives and an associate professor in the Department of Agricultural Economics and Agribusiness at Louisiana State University. Previously, she worked in the Rural Economy Division of the USDA Economic Research Service in Washington, D.C. She has written extensively in rural economic development and is a recent recipient of the Southern Rural Sociological Association’s Excellence in Extension and Public Service Award.



**Tim Williamson** is president and co-founder of The Idea Village, a public/private partnership focused on growing entrepreneurial firms in the New Orleans region. The Idea Village has strategic partnerships with the city of New Orleans, the state of Louisiana, Tulane University, the University of New Orleans, and GNO, Inc. In 1998, Tim was general manager of the New Orleans Internet Studio for Cox Interactive Media, where he directed the launch of *Insideneuorleans.com*.

deepsea fish in the fields. Tourism, often natural-resource-based in this area, was hurt, as were retail and service and oil and gas businesses that could not find workers. Rural communities also face other challenges.

The microenterprises that characterize the area can have an impact in rebuilding rural areas. In addition to rebuilding the built capital, it will be necessary to rebuild the human, social, and natural resource base of these communities. Additional sources of financial capital will be needed, as well as other supports. Entrepreneurship is not just an individual process—it is a community process. Beyond entrepreneurial education, it will be necessary to develop the capacity for the growth and development of small businesses. The Cooperative Extension Service, land grant universities, state community development programs that focus on business development, and the U.S. Department of Agriculture’s rural development programs should be tapped.

**Tim Williamson** is president of Idea Village, an independent nonprofit, which started six years ago with five entrepreneurs asking “how do we help each other?” (*see Appendix C for PowerPoints*). The group came up with a plan to do four things: first, consult, offering strategic advice to help entrepreneurs get through situations; second, identify resources, such as mentors and expertise; third, find capital, such as loans and venture capital; and fourth, provide therapy, helping entrepreneurs go through the ups and downs of being in business. Prior to Katrina, 1,000 entrepreneurs had come to the group, and Idea Village had assessed more than 400.

Post-Katrina, Williamson said, it has been trench warfare—there is no handbook, no guidance. If you were able to come back as an entrepreneur, it was the most incredible experience, and you did what you did because you had to. The Idea Village decided they had to do four things: search and rescue, triage funding, recovery, and rebuilding. They began by searching for a database of entrepreneurs because everyone was displaced.

The Idea Village Business Relief Fund pulled some money together for cash grants. Idea Village had more than 500 applications and has awarded 100 small grants of \$2,000 to \$5,000 to help businesses get to the next place. The need is ongoing, even in April. Then Idea Village teamed with John Elstrott’s Rebuild New Orleans class at Tulane University to engage students and MBAs in providing expertise, advice, and strategy for the recovery phase.

Williamson presented the “top ten” thoughts/ideas he has encountered in talking to more than 500 entrepreneurs.

1. Ready, fire, aim: Identify and sell what is needed.
2. Where is Tonto? Every entrepreneur is alone right now—employees, managers, networks are displaced. Any support, networking, or mentoring is valuable.
3. Peel the onion. Employees also have issues—how do you manage a team through this process?
4. The Katrina diet. It’s an opportunity (and necessary) to be more lean and focused. Rethink what you do, why, who you need to do it.

5. Five-week plan. Focus on goals to get through the next short period.
6. The new buzz word is portability. Be prepared to evacuate one or two times a year, budget for it, and let your customers outside the community know.
7. Change equals opportunity. Sell something somebody needs. Companies are starting to solve disaster management problems.
8. Ducks and sharks are coming. Focus on the locals to be positioned for growth.
9. The Anderson Cooper factor. Media exposure is here—use it.
10. Remember the October 1987 stock market crash. Disaster also means opportunity.

Williamson closed by saying that entrepreneurs need expertise and resources, especially capital, and quickly. They need facilities that help bring a community together. They need to know the rules. And they need to be allowed to do their thing. He quoted Leah Chase, who said, “I am going to stay on the battlefield until I die.”

In the question and answer period, a participant asked about the role for social entrepreneurship—something between nonprofits and for-profits. Other questions touched on topics such as strategies for businesses whose customers are no longer in New Orleans (*see Transcript, Appendix D*).



Photo Credit: Steve Clark



**Nancy Montoya** is regional community development manager for the Federal Reserve Bank of Atlanta covering the southern portion of Louisiana and Mississippi. She has been a community outreach director for Hibernia National Bank and was instrumental in launching the New Orleans Community Development Fund. Nancy was also a founding member of the Individual Development Account Collaborative of Louisiana, and has served as president of Neighborhood Housing Services of New Orleans.



**Marc Morial** is chairman of the Urban Entrepreneur Partnership and president and CEO of the National Urban League. Morial’s “Empowerment Agenda” for the League focuses on closing the equality gaps that exist for African Americans and other emerging ethnic communities in education, economic empowerment, health, quality of life, civic engagement, civil rights, and racial justice. Morial served two terms as mayor of New Orleans, from 1994 to 2002.

## Entrepreneurship as a Means of Economic Stability and Job Creation

### MODERATOR

Nancy Montoya, *Regional Community Development Manager*, Southern Louisiana and Southern Mississippi, New Orleans Branch, Federal Reserve Bank of Atlanta

### PANELISTS

Marc Morial, *Chairman*, Urban Entrepreneur Partnership, and *President and CEO*, National Urban League

Pari Sabety, *Director and Fellow*, Urban Markets Initiative, Metropolitan Policy Program, Brookings Institution

Leonard Greenhalgh, *Professor and Director of Programs for Minority & Women-Owned Business Enterprises*, Dartmouth College

**Nancy Montoya** said she had learned that some 80,000 businesses across the Gulf Coast region had been touched by Hurricane Katrina, and that 60 percent of them are not coming back.

To put a personal face on the picture, she talked about her veterinarian, who would do house calls to perform surgery on an 180-pound potbelly pig. “He said, ‘Nancy, I’ve lost everything. All that I want is to be able to get my business back up and running and serve this neighborhood.’” She talked about the businesses in her neighborhood. “One of the things when you talk about community development and rebuilding, that I have never heard in another community except for Louisiana, has to do with culture.

“The recovery can’t be purely a government solution or an aid solution or a welfare solution. It has to be an entrepreneurial solution...”

LEONARD GREENHALGH

What about all of those businesses that help people feed our culture, which help feed our tourism base, which help feed our economic development? All of those are tied into this whole issue about small business and microentrepreneurship.”

She introduced participants with whom she had worked on small business development. “Those are the folks you should be talking to.” she said.

Noting that the land area damaged by Katrina in New Orleans alone is seven times the size of Manhattan, **Marc Morial** said that the devastation is a great challenge for this generation. He said that the United States is a master rebuilders and talked about the Marshall Plan to rebuild Europe after World War II, the efforts to rebuild Japan, the way entrepreneurship has been embraced in the countries of the former Soviet bloc, and the efforts to rebuild the Balkans and Baghdad.

Rebuilding New Orleans and the Gulf Coast is a significant opportunity and challenge, he said, noting that the nation cannot take its eye off the ball. “The most powerful nation economically in humankind can orchestrate the recovery of this Gulf Coast area. Central to it, and I think that is what this conference is about, is entrepreneurship and business.”

He called for collaborative efforts by the National Urban League with the SBA, the Minority Business Development Agency, the Department of Commerce, and the National Economic Council, along with the Ewing Marion Kauffman Foundation to support the development and resuscitation of small businesses, especially businesses owned by African Americans. He said that people and business owners who love New Orleans want to come back and that what is needed is a support infrastructure that is easy to access. “We think that the Urban Entrepreneur Partnership can be just one soldier in the battle...in a battle that needs many soldiers.”

**Pari Sabety** recounted, on the bus tour of the region, rolling past a dry cleaner with the pressing machine and the ironing board right outside in the parking lot. The conference marks “a very unusual day,” she said, “because it brings together national leaders focused on issues that are down and dirty—how do I get that dry cleaner up and going?”

Sabety described the Brookings Institution’s Katrina index, which indexes what has been going on around the recovery initiatives (*see Appendix C, PowerPoint*s). Some 635,000 businesses were in the areas affected by Katrina and Rita. More than 50 percent had been in business fewer than 5 years, and 48 percent of payables outstanding were to businesses of 10 employees or less.

“So today I want to talk about capital access... what would seem to be an extremely narrow topic for a broad panel like this...but it is, in fact...the milk for that private enterprise system and for unleashing the power of all of the entrepreneurs here in Louisiana.” She noted that the first thing a bank looks at is a business’s credit score. This tool

is critical to enabling the capital flows the region needs for business restarts, rebuilding, inventory, and long-term assets.

A lesson to be drawn from this situation is that a credit score after a disaster is based on payment patterns not consistent with prior behavior. Some financial intermediaries, such as the Louisiana Economic Development Authority, are looking at pre-Katrina credit scores in order to provide capital with the understanding that something is broken in the system. If the way risk is assessed isn’t corrected, the fabric of the economy in the region will look very different because the businesses with resilient credit scores will be those with operations in other states. “We need credit models that deal more sensibly with disasters,” she said. She noted that Brookings and the Information Policy Institute are working together to begin to figure out new models to deal with disaster.

“The recovery can’t be purely a government solution or an aid solution or a welfare solution. It has to be an entrepreneurial solution,” said **Leonard Greenhalgh**. Unilateral solutions won’t work, he said. Citing 27 years of experience working with minority businesses, he pointed to eight problems or weaknesses small businesses need to face (*see Appendix C, PowerPoint*s):

1. Lack of strategic direction. If a business doesn’t make sense in a local economy, maybe the entrepreneur should be in a different business.
2. Not empowering employees effectively. Hang on to highly talented people.
3. Poor cash flow management. What do you do with capital when you get it?
4. Control systems underutilized. Check on how you are doing.



**Pari Sabety** directs the Urban Markets Initiative at the Brookings Institution’s Metropolitan Policy Program, focusing on how information drives markets in urban areas. She led Governor Richard Celeste’s strategic planning efforts for science and technology investments to boost Ohio’s manufacturing base in the late 1980s. More recently, she has focused on the impact of broadband technologies on the competitiveness of emerging and traditional businesses in cities and regions throughout the United States.



**Leonard Greenhalgh** is professor of management and director of programs for minority- and women-owned businesses at the Tuck School of Business at Dartmouth. His background includes work as a purchasing manager in a multinational corporation, founder of two small corporations, and management consultant. His expertise includes negotiation and conflict resolution, strategy implementation, effects of globalization and changing demographics on business, and the design and delivery of negotiation simulations.





5. Inefficient processes. Look at whether costs have been driven up.
6. Organizational structure an impediment. Change structures as you grow.
7. Not customer-oriented. Self-oriented businesses forget what the customer needs.
8. Narrow portfolio of products / services and customers. Don't put all your eggs in one basket.

“If we are focused on simply supplying capital or simply connecting people with opportunities that is not enough,” Greenhalgh said, listing program elements that need to be in place before capital is supplied: advocacy, certification, supplier diversity commitment, matching businesses with opportunities, targeted education, coaching, and then access to capital. After that, there is a need for followup in the forms of assessment, review, coordination, and adaptation.

Finally, he said, do we really have an integrative solution to rebuilding the Gulf Coast? Are we focusing on inputs rather than long-term impacts? If we're trying to make a sustainable difference, what do we really need to do?

In the question and answer period, participants asked very specific questions about capital access and funding streams that elicited answers from both federal SBA representatives and from participants who understand the state and local administration of the Community Development Block Grant (CDBG) program (see *Transcript, Appendix D*).

Photo Credits: (top left) Kathryn Tobias, (top right) Steve Clark, (bottom) Kathryn Tobias

SBA Chief Counsel for Advocacy Thomas M. Sullivan, National Federation of Independent Business Louisiana State Director Charles Hudson, and Factory Service Agency President Mike Mitternight survey hurricane damage.

## Exploring the Potential for New and Existing Businesses in Promoting Revitalization

### MODERATOR

Steve Adams, *Regional Advocate*, Region I, U.S. Small Business Administration, Office of Advocacy

### PANELISTS

Larry Burton, *Executive Director*, The Business Roundtable

Eric Reisner, *Vice President* for Strategic Programs, Johnson Controls, Inc.

Dorothy Terrell, *President and CEO*, Initiative for a Competitive Inner City

**Steve Adams** framed the third panel's task as looking at the symbiotic relationship between large established institutions and small businesses—a relationship at the core of the competitiveness of the U.S. economy.

**Larry Burton** talked about the Gulf Coast Workforce Development Initiative started by the Business Roundtable in December, when “the CEOs got together and thought deeply about what they could actually do to help rebuild and reconstruct the region.” The Business Roundtable is a group of 160 CEOs whose purpose is to help promote economic growth. What they realized was that the Gulf Coast region needs a workforce sufficient to rebuild. A number of organizations are important partners in this effort, and the group has worked with at least seven leading construction contractors in the area. The goal is to train 20,000 construction workers by the end of 2009, using existing training programs.

The program is conducting outreach in every direction—to people outside of the region as well as in. Candidates will go through a standard assessment to ensure that they have the skills and abilities to go through the training program and to make available remedial skills where necessary. By the end of this year, the goal is to have 2,500 workers trained. Challenges include housing, which may be one of the first projects the trainees can work on. Second is to make sure real jobs are available and to integrate the job opportunity with job training. Targeting and marketing will be critical.

Needs of the project include:

1. From the private sector, in-kind labor, ideas, cash contributions to initiate the process, and working together in collaboration.
2. From facility owners, encouraging contractors to use the program, again matching training with jobs.
3. From contractors, identification of needed skills to help make sure training is for the right jobs.
4. From the federal government, funding for the training such as through Pathways to Construction Employment at the Department of Labor, making contractor training an allowable cost, helping locate displaced people, and including training and outreach provisions in federal contracts.
5. From all, patience. Going to the people involved in the process for input, honoring state and local governments and respecting their processes.



**Steve Adams** is the SBA Office of Advocacy's Region I advocate covering the New England states. Steve is Advocacy's direct link to small business owners, state and local government agencies, state legislators, and small business associations in the New England area. He is also an expert on urban entrepreneurship. Steve came to Advocacy from the Pioneer Institute, where he served as president and CEO, as well as director of the Center for Urban Entrepreneurship, which focuses on networks for low- to moderate-income entrepreneurs.



**Larry Burton** is executive director of the Business Roundtable, which was recently cited by the *Financial Times* as “the most influential chief executive lobbying group in the U.S.” Previously, he served as vice president for external affairs and in other capacities for BP America. He has held senior positions with U.S. Representative Don Young (R-Alaska), U.S. Senator Ted Stevens (R-Alaska), and the White House Office of Management and Budget.



**Eric Reisner** is vice president of strategic programs for Johnson Controls, Inc. Currently he is responsible for the overall recovery of customers' facilities in the Gulf South region following damage from Hurricane Katrina. He is also in charge of strengthening the company's North American business in metro locations. Previously, Eric has held other executive management positions within the firm, including global vice president of service.



**Dorothy Terrell** is president and CEO of the Initiative for a Competitive Inner City (ICIC). Previously, she was a partner at First Light Capital, a venture capital firm committed to identifying and funding early-stage technology companies focused on enterprise software, communications, and business-to-business e-commerce. She has been a leader in three premier technology firms, most recently NMS Communications, where she was senior vice president of worldwide sales.

**Eric Reisner** of Johnson Controls, a Fortune 75 company based in Milwaukee, Wisconsin, has been tasked with the responsibility of developing the overall recovery of Johnson Controls' customer facilities in the Gulf South region. He noted that while Johnson Controls has 135,000 employees worldwide, they break everything down to teams of 10. Each branch manager makes decisions like those of a small business.

In an effort to support the arts and culture as an important part of New Orleans, the company has been supporting an artist a month, as well as architecture through Tulane University's competition at the Ogden Museum. At Tulane, they're working on the "build back," providing millions of dollars in funding so that small companies can get the work, subcontract the work, pay their bills, and make their payroll.

This year is Johnson Controls' 60<sup>th</sup> year in a row of increased sales. After Katrina, Reisner came from Houston, gathering his team, putting RVs around the state, and asking "How do we grow through this? How do we keep everybody employed? How do we pick up other people, relatives, and all of that? How do we grow and how do we drive it?"

It was knowing what the company was good at—technology, research, development, meeting customers, increasing expectations, but then outsourcing and putting people in business. Fifty percent of their cost is outsourcing to subcontractors and small businesses that can handle various aspects of the work. Some joint ventures were created to help with trailer maintenance. He encouraged small businesses to come forward with ideas, plans and objectives, and needs.

"How do we grow through this?  
How do we keep everybody  
employed? How do we pick up  
other people, relatives, and all  
of that? How do we grow and  
how do we drive it?"

ERIC REISNER

He described the Metro Markets program's three components: the community, which is education, health care, and housing; partnerships—an equity stake, a joint venture, or a strategic alliance with small and minority-owned businesses; and workforce development.

**Dorothy Terrell**, CEO of the Initiative for a Competitive Inner City, or ICIC, says that post-Katrina New Orleans offers those in the economic field a unique though not unprecedented opportunity and rebuilding challenge—how to get the inner cities involved in restructuring an entire economy. Most vibrant cities have robust networks of small and mid-sized businesses that are lean and flexible and know what they can do in the boom times and that they must be flexible when the times are not as "boom." They bake cookies, brew beer, cater meals, and also supply the full range of goods and services to other businesses. Large businesses must realize that smaller businesses are an integral part of their doing well.

ICIC, working with the Boston Consulting Group, helped the mayor of Boston create an office to

help small businesses operating “below the radar” called Back Streets. The effort traced how many companies and employees it took to take a lobster from a seabed in the Boston harbor to a bed of rice in a restaurant—nine businesses employing more than 200 people. They included:

- The boat and lobsterman
- Companies making traps
- Storage facilities
- Bait company
- Repair company
- Ice and fuel
- Fish wholesaler
- Maintenance of refrigerated trucks
- Company selling lobster to restaurant

Large New Orleans companies need to know their self-interest is tied to that of the local businesses—from which in many cases they receive superior services.

Another study was called *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*. It showed that the best interests of urban colleges and universities are served not by staying behind ivy-covered walls, but by getting involved in the economic revitalization of communities, as employers, outsourcers, workforce trainers, and business nurturers. Columbia University, for example, began to get more applications as a result of paying attention to local businesses and economic growth. ICIC developed this action agenda, which is not just for colleges, but can be applied in hospitals and major corporations.

The agenda suggests steps including:

- Create an explicit urban economic development strategy focused on the surrounding community.
- Mobilize the ways the organization can help in the community.
- Include community participation.
- Charge specific offices in the organization with explicit economic development goals.
- Designate a high-level coordinator.
- Designate persons to serve on boards of business organizations.
- Think long term.

Take a large corporation that manufactures in New Orleans with many contractors, said Terrell. If now 30 percent of its business is done in New Orleans, shift it to 50 percent—it would make a big difference to the local economy and might even make the quality better.

In the question and answer period, participants touched on a variety of topics, including barriers to establishing relationships between large and small businesses, concerns about prompt payment, and specific questions about the construction worker training program (*see Transcript, Appendix D*).



Photo Credits: Jessica Snyder



**Daryl Williams** is director of minority entrepreneurship at the Ewing Marion Kauffman Foundation and national director of the Urban Entrepreneur Partnership. Previously, he was financial director for the Graduate Student Professional Association, research assistant for the KU Affiliated Program (University of Kansas), and research assistant with the Gerontology Center. He has been an instructor at Highland Community College, and was co-owner of G.W. Media Group.

## Luncheon Remarks

### GREETINGS

Daryl Williams, *Director of Minority Entrepreneurship*, Ewing Marion Kauffman Foundation, and *National Director*, Urban Entrepreneur Partnership

### INTRODUCTION OF KEYNOTE SPEAKER

Sandra M. Gunner, *President & CEO*, New Orleans Chamber of Commerce

### KEYNOTE SPEAKER

Maura Donahue, *Chair of the Board of Directors*, U.S. Chamber of Commerce, and *President*, DonahueFavret Contractors Holding Company

**Daryl Williams**, representing both the Urban Entrepreneur Partnership (UEP) and the Ewing Marion Kauffman Foundation, talked about the goals of both organizations. In the Kauffman Foundation, there are two areas of interest: youth education and entrepreneurship. In the effort to help small businesses in terms of sustainability, growth, and raising the bar to make them competitive, Kauffman became a part of the Urban Entrepreneur Partnership, along with the National Economic Council, the National Urban League, and the Business Roundtable. The concept is to strategically find ways to improve the economic indicators for small businesses, testing the idea initially in five cities—Kansas City, Cleveland, Atlanta, Jacksonville, and Cincinnati.

As the UEP was being established, Katrina hit, so the challenge was to see if they could add value in the Gulf Coast region. “And the devastation that we

saw when we came down here was so much, we had to come back and just regroup, because it is very naïve to think that you can train entrepreneurs in isolation without thinking about the housing situation and job training and infrastructure.”

So the UEP has been doing some relationship building, to assess how to begin addressing the goal of training entrepreneurs. The UEP will open three offices, in Baton Rouge, New Orleans, and a place to be determined in Mississippi. The plan is to have a one-stop shop for training entrepreneurs, with access to service delivery organizations and financial institutions in the communities. A comprehensive coaching program will also work with Leonard Greenhalgh’s program at the Tuck School of Business Administration at Dartmouth College.

The long-term strategy is to provide fast-track training to those in the region who want to look at entrepreneurship as a career choice or an alternative to what they were doing before Katrina. While government has a key role, Williams said, “I really believe that the final version, the final chapter of this story is going to be told by the entrepreneurs.”

In New Orleans Parish in 2002–2003, according to the website of the New Orleans Chamber of Commerce, “top elected officials and business and community leaders in New Orleans collaborated on the construction of a new New Orleans Chamber, one that would be more expansive and tailored to meet the needs of the total business community and the diversity represented within that sector... Throughout these processes, there was strong agreement that the new Chamber needed to be based on traditional Chamber of Commerce principles of serving the business community, but with an

“Time is of the essence... Small businesses are the backbone of our communities and they are the future of the Gulf Coast economy.”

MAURA DONAHUE

expanded focus that would view economic development as something that needed to include and benefit the community as a whole.” At the end of that process, **Sandra Gunner** was appointed by the board to serve as the new Chamber’s CEO and president. At this conference, it was Sandra who introduced the keynote speaker, U.S. Chamber of Commerce Chair Maura Donahue, noting that Donahue’s firm, DonahueFavret Contractors, had just been featured on “Extreme Makeover: Home Edition,” an ABC-TV series, refurbishing a church in New Orleans that had been damaged in the hurricanes. She noted that small business is the cornerstone of the economy in the Gulf Coast region.

“Time is of the essence,” said **Maura Donahue**, after asking the audience for their reactions to the devastation—and getting replies like “Unbelievable” and “Overwhelming.” “Small businesses are the backbone of our communities and they are the future of the Gulf Coast economy. Small businesses provide most of the jobs in our region. We form a critical component of the tax base.... Without small businesses, the state and local governments have fewer revenues to rebuild and sustain the levees and the bridges and the schools and the hospitals and the

other critical infrastructure that needs desperate help. Without small businesses, the community has a much less viable future.”

Just as the first few hours after a person is missing are critical, so is this period critical for small businesses, she said. Without a sense of urgency it is less likely that the people, businesses, and things most cherished about New Orleans and the region will return.

There has been a strong foundation from which to move forward, including \$1.2 billion in contributions and donations from the private sector. The Chamber of Commerce has worked through AID Matrix to develop a system matching donations with needy people. The Chamber has generated support for the Louisiana Association of Business and Industry Small Business Relief Fund, helping dozens of small businesses with grants, which are really life support. Small businesses are rallying around each other and around organizations that anchor their communities.

Donahue described the church renovation project that involved 2,000 volunteers from across the region. The project “sent a message across the country that it is okay to come back home, please, we welcome you back home, don’t stay away too long.” The other message is that the area is a wonderful one for people across the country to consider investing in.

The public and private sector support are having an impact—the airport is operating at 50 percent capacity, investment is slowly returning, levees are being rebuilt, schools and hospitals are returning.

A quicker recovery depends on factors such as getting capital into the hands of small businesses more quickly, with better government coordination and the separation of FEMA and SBA functions, possibly



**Sandra Gunner** is president and CEO of the new New Orleans Chamber of Commerce. She is past president of the Committee for a Better New Orleans/Metropolitan Area, which in May 2001 published *Blueprint for a Better New Orleans*, a strategic plan developed after an 18-month planning process. She has served as director of manpower and economic development for the city. Her firm Gunner & Associates, has worked on small business capacity building in Louisiana and Mississippi.



**Maura Donahue** is chair of the board of directors of the United States Chamber of Commerce, where she advocates on behalf of small businesses. Maura is also president of DonahueFavret Contractors Holding Company and vice president of business development for DonahueFavret Contractors, Inc., a leader in the Gulf South region’s construction industry. Maura serves on the boards of Greater New Orleans, Inc., the St. Tammany Parish Economic Development Foundation, and Resource Bank.



facilitation of SBA processes by chambers and banking institutions. She also advocated:

1. The creation of greater incentives for capital investment—such as the Commerce delegation of 30 business people coming to invest in the region.
2. The expedited reconstruction of housing, infrastructure, and schools.
3. A community-based approach that focuses on building up clusters of businesses, as opposed to supporting one company here and another company there.
4. Small business access to insurance, including innovative ways to incentivize, reinsure, and otherwise reward insurance companies willing to take a chance on the redevelopment of the region.
5. Investment in preparedness and mitigation, as meteorologists forecast an intense 10-year storm cycle.
6. Working together across the affected areas to share lessons learned and explore ways to build better connections across the region.

Finally, she said, she wanted to leave the conference with two thoughts. First, emergency preparedness—everyone at the local, state and national levels needs to have an emergency preparedness plan that takes care of local communities after a disaster. Second, “this tragedy, which has been a challenge for us, needs to be an opportunity for us...We can come back better and stronger than before....Working together as private citizens, working together as the business community, we can make this happen.”

Photo Credits: (top and bottom left) Steve Clark, (bottom right) John McDowell

## Encouraging Business Ownership in the Gulf Coast Region

### MODERATOR

Daniel Heath, *Associate Director*, National Economic Council, The White House

### PANELISTS

Michael Olivier, *Secretary*, Louisiana Economic Development

Leland R. Speed, *Executive Director*, Mississippi Development Authority

**Daniel Heath**, of the White House's National Economic Council, noted that if there were any doubt that entrepreneurship in the private sector has the lead role in the Gulf Coast's economic recovery, the conference should dispel that doubt. Heath said that a primary level of rebuilding effort focuses on restoring existing businesses, restoring housing, and removing obstacles to the return of the customer base. A secondary, perhaps more visionary, level is how the future should differ from the past and what new types of industry might come in.

Heath noted that President Bush feels strongly about the role of small business in the recovery. The Congress was supportive in passing legislation on Gulf Opportunity (GO) Zones, which includes doubling business expensing and the bonus depreciation. Beyond that, President Bush has promoted the UEP, surety bonds up to \$5 million, SBA financing for disaster mitigation and preparedness, a grace period in SBA financing, and raising the maximum size of SBA loans to \$10 million. Heath said that within SBA there has been a push for great performance—SBA

was on the cusp of having lent \$8 billion in the six months since the hurricanes, more than it has lent in its 50-year history.

The panel's focus is on state and local responses and on what can be done to remove the obstacles to the proper business environment for a robust recovery. Heath said that an approach "in which people who have seemingly been left out of opportunity can move into opportunity" serves the long-term interest of the region. Such an approach goes beyond "donor fatigue" and reliance on the federal government to "a region saying we really want to be different from the time before. We want to be a model for everybody to look at about a way of doing it that emphasizes opportunity."

**Michael Olivier**, Secretary of Louisiana Economic Development, welcomed the participants to Louisiana. He noted that 37 of the 64 parishes or counties in the state are in the "GO Zone"—10 parishes in the New Orleans region were critically impacted. The parishes less impacted will need to carry the economic football, he said. Many employees came in right after the storm, and the state received significant assistance from Florida—which had weathered four storms in two years—and New York, with its experience after 9/11. "What would they have done differently is our question and we have been learning from them. We are also learning that some things that were done before this will not be repeated."

The opportunity in this devastation, he said, is both to promote existing business and to promote the state as a good place for new businesses to come. The reconstruction process may take as long as ten or more years—no one knows how long. The process of both promoting existing



**Daniel Heath** is associate director of the National Economic Council at the White House, where he is responsible for small and minority business, entrepreneurship, economic development, agriculture, and natural resources issues. Until 2001 he was senior economist for natural resources and international trade at the Office of Management and Budget. For much of his career, Daniel helped operate a small strategic planning company in Europe that advised global firms on risk management and market entry.



**Michael Olivier** has been secretary of Louisiana Economic Development since 2004. He has been an economic developer in Louisiana and Mississippi for more than 30 years. He received the American Economic Development Council's Distinguished Service Award in 1995, 1996, and 1997; and he was named an honorary life member by the Southern Economic Development Council, the council's highest honor, in 1995. He was honored by *Business Week* in 1999 and by *Southern Business and Development Magazine* in 2002.



businesses and attracting new ones will require taking advantage of the incentives available from the federal government, including CDBG funds to be spent in three areas—housing, workforce training, and economic development.

- In housing, in addition to the several hundred thousand houses destroyed, there were many renters in apartments—probably half a million residences were affected, half of them destroyed.

- In workforce training, about 20 to 25 percent of the workforce will be engaged in construction. The state needs to both recruit new people to come in and retrain people from being bread truck drivers to working in construction.
- In economic development, it has been difficult to focus because of the huge demand for housing. It is expected that \$8 billion or more will be needed, and adding infrastructure brings it to another \$11 billion or more.



Photo Credit: Michelle Cecchett

FEMA trailers in a neighborhood north of New Orleans.

He encouraged businesses to “keep doing what you have done”—in energy, durable goods, biotechnology, forestry, and certainly the services sector. The Governor’s Rapid Response Fund went into a bridge loan program “which lasted all of two weeks,” an indication of the demand—407 businesses, no loan more than \$25,000, six months without interest. Next, \$30 million in CDBG funds already in the state were put into play—and again the funds were exhausted two weeks later—loans of \$100,000, six months no interest. The next round will be rolling those loans when they mature into extended loans for up to three years at an interest rate of 6 to 8 percent. “That’s where we are and then we hope to have another round of some \$60 million that will come from Washington.”

Meanwhile, the state has set up business counseling centers—some business owners initially “needed to talk about their family, their employees, their business, their homes. And they really didn’t get around to the business until the second or third meeting.” These centers were made available to more than 81,000 businesses that were in some state of cessation, and today about 18,000 of these businesses are still closed. Those that are open are not operating at capacity, for two major reasons—the workforce and the market.

There are questions about which businesses will be able to move forward, but government’s role is to make the environment as right as possible, provide access to capital, and get out of the way—don’t hold them up with permits, Olivier said. Nine of his staff are dedicated to working with FEMA to ensure that local businesses are referred for providing whatever

“...you play a critical role in Louisiana’s economy. ...And it is all of that innovation, all of that drive and all of that assertiveness that’s essential...the passion, the will, the desire.”

MICHAEL OLIVIER

was needed that day. A recent workshop was followed by a matchmaker process in which businesses were directly connected with contracting opportunities. And the state found an innovative way to use FEMA trailers to house the workers.

To promote entrepreneurship, the Urban Entrepreneur Partnership offices are being established in New Orleans, Baton Rouge, and the Mississippi coast as an assessment tool to give businesses at various stages a mechanism to go to the resource provider. A common database of resource providers will be used and a tracking process will help determine how effectively the resources are being used. There will be an initiative to ensure the continued elevation of entrepreneurial skill sets, and a linkage to capital resources for businesses at different stages. Entrepreneurship Day in the state was set for April 18<sup>th</sup>.

To the entrepreneurs in the room, he said, “you play a critical role in Louisiana’s economy. ...And it is all of that innovation, all of that drive and all of that assertiveness that’s essential...the passion, the will, the desire. It’s what makes America America.”

**Leland Speed**, executive director of the Mississippi Economic Development Authority said that 450,000 people live in the three most directly affected southern counties of Mississippi, right on the water. A little more than 100,000 of the 450,000 are living in FEMA trailers—40,000 families. In some communities, the destruction of houses was as high as 75 percent—in Pass Christian, Waveland, or Bay St. Louis. In Hancock County, 43 percent of the population lives in FEMA trailers. As an “old real estate guy,” Speed said, “I see... one great big humungous real estate opportunity.”

What is an entrepreneur? A person with:

1. A good idea.
2. An appropriate skill set.
3. A high level of energy.
4. Good self-discipline, to “take your pops,” smile, and keep coming back.

The dream of having one’s own business built this country and will rebuild Louisiana and Mississippi, Speed said. Government can help, but at the end of the day, individuals making individual business decisions will make it happen.

The big opportunity, the crying need in Mississippi is affordable housing, and it’s not happening, Speed said. Conservatively, Mississippi will need 50,000 housing units and will need to get 10,000 going in the first 12 months—even then it will take five years. “If we get 2,500 built” in the first 12 months after Katrina, he said, “I will be happy.” The market was generating 1,500 a year, and the needed skill sets are lacking—the carpenters, plumbers, bulldozer drivers, and so on. One reason the workforce isn’t there is that there is no place for them to live. “So it is sort of a chicken and egg deal.”



**Leland Speed** is executive director of the Mississippi Development Authority (MDA), as well as founder and chairman of Parkway Properties and EastGroup Properties in Jackson. The companies are ranked first and 15th, respectively, among 200 real estate companies in total returns to shareholders over 10 years. Speed’s MDA strategy is to help Mississippi’s existing businesses grow and expand while attracting new companies to the state by showcasing how Mississippi can help them improve their returns.



Photo Credit: Steve Clark

“Again, I would just like to say this is a super opportunity for folks from around the country to come down here in our neck of the woods and join us,…”

LELAND SPEED

Before Katrina, Mississippi had five different procurement centers around the state and there is a database of all the contracts the office is aware of that are coming up in the state, both public and private. So, for example, someone might come in to the center saying he wants to do roofing, and if he does not have all the qualifications, there will be courses offered so that he can be qualified and put in the data base. The challenge now is to “hold the hands” of the small and minority business owners to walk them through the process. Permitting and other regulatory questions will need to be resolved quickly so that work can progress.

“Again, I would just like to say this is a super opportunity for folks from around the country to come down here in our neck of the woods and join us,” Speed said. “I think one of the things that we will succeed in is expanding the number of folks that are in the system of business that can...actually do the rebuilding of our area.”

Questions during the question and answer session included specific questions about CDBG grants and the types of workers needed (*see Transcript, Appendix D.*)

## A Vibrant Entrepreneurial Future in the Gulf Coast Region

### MODERATOR

Jonathan Ortman, *President*, The Public Forum Institute

### PANELISTS

Mark Drennen, *President*, Greater New Orleans, Inc.

Elaine Edgcomb; *Director*, Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD); Aspen Institute

John Elstrott, *Director*, Levy-Rosenblum Institute for Entrepreneurship, Tulane University

Ronald Utt, *Herbert and Joyce Morgan Senior Research Fellow*, Thomas A. Roe Institute for Economic Policy Studies, The Heritage Foundation

**Jonathan Ortman** of the Public Forum Institute began by saying, “You know, I sat down earlier listening a little bit to what was being said and I

“You don’t have to look at best practices, you can create the best practice. You are New Orleans, you are a community known for innovation in the sense that you are creative people.”

JONATHAN ORTMAN

thought to myself, what on earth can someone from outside of this region bring to those that are going through so much suffering and pain and trouble?” One thought, he said, was that perhaps an outsider could bring a different and helpful perspective that those going through the situation might not see. “I am thinking, wow, you know, this really is an extraordinary opportunity in front of us...I grew up outside of the country and people said what do you love about America? They always say the same two things, we love New York City and we love New Orleans.” Ortman emphasized that the situation is an opportunity not only to rebuild, but also to create new types of institutions that do things differently. “You don’t have to look at best practices, you can create the best practice. You are New Orleans, you are a community known for innovation in the sense that you are creative people.”

**Mark Drennen** is president of Greater New Orleans, Inc. (GNO, Inc.), a regional economic entity that was created two years ago and represents the 10 parishes hardest hit by Katrina. The original mission was to create 30,000 new jobs in the region. Since Katrina, the goals have changed, although the mission to create the right environment for job creation still exists. One thing heard over and over is the failure of existing systems to react to a crisis of this magnitude. Without blaming any single entity, Drennen said, it is important to categorize what has been learned so that the country will be better prepared for another such event.

One example of a lost opportunity is that hundreds of thousands of meals were being provided to evacuees for a long time, in the form of MREs, meals ready to eat. What an opportunity



**Jonathan Ortman** is president of the Public Forum Institute, an independent, not-for-profit organization dedicated to creating the most effective means of fostering public debate on major issues. The forum has conducted citizen engagement initiatives on topics such as the economy, work force development, and disaster preparedness. Currently, he oversees the National Dialogue on Entrepreneurship, designed to focus the attention of policymakers on the value of entrepreneurship to the economy and society.



**Mark Drennen** is president of Greater New Orleans, Inc. As commissioner of administration under Louisiana Governor Mike Foster, Jr., from 1996 to 2004, he served as chief financial officer of the state, managing the state’s \$16 billion operating and capital outlay budgets. Working with the governor and the legislature, he pushed Louisiana into the forefront on performance-based budgeting and reordered the state’s capital outlay priorities.



**Elaine Edgcomb** is director of the Aspen Institute’s Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD), whose focus is the advancement of U.S. microenterprise. FIELD created and manages MicroTest, a performance and outcomes measure for microenterprise programs, and MicroMentor, an online mentoring service. She founded the Small Enterprise Education and Promotion Network, a North American nonprofit association that supports microenterprise in the developing world.

that was, Drennen said, for Louisiana restaurant businesses to get back to work—“Louisiana can do food!” A federal representative came offering to work through the bureaucracy to have the food provided by Louisiana restaurants. “We got the restaurant association together. Within a week we were ready to start providing on the Northshore 20,000 meals a day instead of MREs—cheaper, better food, provided by Louisiana restaurants. That gentleman came back to us and said, I am so frustrated—I cannot move the bureaucracy. That is not allowed. I, in fact, am going to quit my job today.”

Drennen gave other examples—of opportunities to build modular housing, of a plan for using CDBG money modeled on the successful use of such monies in New York after September 11, 2001, that went awry, of IT companies that have moved to other parts of the country that are needed back.

“Normally, what we talk about is government getting out of the way—let us do business. But in this case, we need government.” Drennen spelled out a number of things government needs to do before businesses can survive in this environment:

- Health care—services have been devastated.
- Sewerage, water—the lines under the street have been devastated.
- Schools.
- Insurance costs.

In closing, Drennen referenced a study on the real costs and implications of rebuilding, soon to be available from both GNO, Inc. and Michael Olivier’s office. The book includes information about the opportunities and incentives available in Louisiana (*see citation in Transcript, Appendix D.*).

**Elaine Edgcomb**, director of the Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) asked participants to “remember as we leave here today that in order to secure a vibrant entrepreneurial future for New Orleans, we cannot forget the very smallest businesses who have worked in this city and region for a long time.” It’s important to open wide the doors of opportunity for these smallest businesses, Edgcomb said. While Deborah Tootle pointed out the importance of these businesses in rural areas, they are critical in urban areas as well.

Edgcomb noted that according to Census data there were some 320,000 of these very small businesses in the affected areas of Mississippi and Louisiana, and they accounted for more than 18 percent of employment in these states. Survey data covering 520 very small businesses show that they produced more than \$45 million in sales and created more than 950 jobs. About 18 percent of those below the poverty line moved above the poverty line within just one year, and about 13 percent moved out of the “working poor” category.

Their value can also be measured in what they contribute to the local flavor of their communities. Richard Florida, who writes about the “creative class,” has said that the ethnic quality and the self-expression of a place are what makes it attractive to people who want to live there and businesses that want to relocate there. The conference has talked about recruiting and attracting talent: the smallest businesses are the seedbed of a lot of the talent.

Finally, it’s a question of economic justice—broadening economic opportunity for those who have been excluded before. Several things can be done to encourage these businesses. Build the institutional

“...the ethnic quality and the self-expression of a place are what makes it attractive to people who want to live there and businesses that want to relocate there.”

ELAINE EDGCOMB

infrastructure that can provide support: channel support through microenterprise development organizations and community development finance organizations. On average more than 50 percent of their clients are women and persons of color—groups that need to be included going forward. These institutions are developing physical business centers that can compensate for the lack of affordable rental spaces, accommodate the loss of equipment and technology, provide back office services to enable entrepreneurs to focus on what they do best, and increase access to markets through supplier diversity programs.

Before Katrina, Edgcomb said, “we documented that these institutions had almost \$28 million invested in small and micro-businesses in this region.” These programs, underfunded before, are undercapitalized now, but if given some resources can make a difference in moving these communities forward.

What is also needed is to build a map of who is doing what, Edgcomb said. Who can offer services at what level of enterprise? How can we efficiently hand off from one entity to another as businesses outgrow the services offered by one and need services from another? How can we create a real

network that functions efficiently to move the community forward, build entrepreneurship from the ground up, and create a space where people can find the opportunities they need?

**John Elstrott**, director of the Levy-Rosenblum Institute for Entrepreneurship, Tulane University, is a native of New Orleans who has been at Tulane for 22 years and is an active entrepreneur. He has been involved in the natural foods, biosciences, pharmaceutical, music, and construction industries in New Orleans. “And there is more opportunity here in New Orleans than I have ever seen in my business career as an entrepreneur here,” he said. By focusing and taking advantage of this opportunity, New Orleans can be a better place than before and can assist other cities going through such difficulty.

The universities are committed to helping rebuild. Elstrott said he would focus on what the business schools at Tulane and the other New Orleans universities can do. For 15 years, Elstrott has run a community service program offering business students, both undergraduate and MBA, to help small businesses and not-for-profits “and they have done some wonderful work.” Tulane’s dean asked him to start a new class called Rebuild New Orleans that would be required for all incoming MBA students. Twenty percent of these students come from Louisiana but the rest are from all over the country. In this course, students are educated on the issues faced, but they also put in at least 35 hours helping small businesses and not-for-profits get back on their feet. They work in two-or three-person teams with a faculty member and a mentor from the business community as well as a small business or not-for-profit.



**John Elstrott** is a clinical professor of entrepreneurship and director of the Levy-Rosenblum Institute for Entrepreneurship at Tulane University’s A.B. Freeman School of Business. He manages entrepreneurship research programs that train and inspire entrepreneurs, and he contributes to regional economic development through joint academic, government, and business initiatives that stimulate private enterprise. He is director of the Tulane Family Business Center and is a former chief financial officer of Celestial Seasonings, Inc.



**Ronald Utt** is senior research fellow for the Thomas A. Roe Institute for Economic Policy Studies at the Heritage Foundation. He also works with other scholars to evaluate the success and failure of policies for urban revitalization, land use, and growth management. In the early 1990s Utt was executive vice president of the National Chamber Foundation, where he created and edited the *Journal of Economic Growth* and the *Journal of Regulation and Social Costs*.

Many of these businesses focus on lack of capital, but that is often a symptom of underlying problems, Elstrott said. These problems are often related, as Leonard Greenhalgh noted earlier, to lack of strategic direction, poor cash flow management, inefficient processes, and self-orientation instead of customer orientation.

Student teams have helped them address those issues. Elstrott said he is working on an integrated solution, working with the other business schools and universities to put together a joint grant request to do entrepreneurship research related to the recovery process and the role entrepreneurship can play, as well as developing curriculum to infuse entrepreneurship throughout the universities.

Elstrott plans to create a “NOLA Corps” modeled after the Peace Corps that would, over the next year, take 50 three-person student teams that include MBA and undergraduate students working with 10 businesses each throughout the year on a managerial and technical assistance project. He is working with Idea Village to find the right businesses and with Desire NOLA. He also hopes to help the universities commercialize their technology. “We have tens of thousands of businesses that need help and our focus is going to be to leverage the students that we have to reach a lot of those businesses and keep those students here in New Orleans.”

**Ronald Utt** of The Heritage Foundation returned to Donald Powell’s theme of safety, about making the region a secure place not only to live, but to conduct business. Preserving safety reduces risk.

“...business exists in an environment of workers and customers, and many businesses in the region are short of both.”

RONALD UTT

Utt came to involvement in entrepreneurship in the late 1980s and early 1990s, helping Eastern European countries make the transition from socialistic to market economies. There were entrepreneurial people ready to get going, but what they did not have was the legal infrastructure in which to operate—no property rights, commercial law, enforcement of contracts, or even a law to define a level of contract. Americans take this for granted, so the risk they confront is basic business risk—“our own stupidity...or bad times in the economy,” Utt said. But in many Eastern European countries, the lack of legal infrastructure was the most serious risk. Without legal certainty, businesses never evolved beyond a relatively low-level business that might support the family but didn’t do much for the economy because it was too risky to expand.

That is changing as countries like the Czech Republic and Poland that have established a workable legal infrastructure are “going gangbusters” and attracting enormous amounts of capital from the West. And standards of living are rising. In other countries where progress has been slower, the most important export is their population.

Here the legal infrastructure is in place—the problem is the infrastructure—levees, levees, levees, as Chairman Powell said. There is still a lot of uncertainty as to how secure it will be—whether the Corps of Engineers has the capability, given the existing design standards, the time frame, and the amount of resources, to make the Gulf Coast region as safe as it needs to be to create an environment of business certainty, where the only risk is business risk, as opposed to natural disaster risk.

Some questions remain unresolved and lead to increased uncertainty and risk, Utt said:

- Are you bringing the levees up to Category 3 or Category 5? The previous “Category 3” turned out to be inadequate. If they build to the same level, many business people may say it’s too risky. And the longer the level of risk is too high to attract other businesses, the more likely the existing entrepreneurs who are hanging on by their fingernails will simply have to let go.
- What about land use? There has been an effort to decide what parts of the city are defensible and which are not, which in turn will decide where people will or won’t build. That also determines what kind of aid people can get, where eminent domain will be put in place, where they can build and move on. There is as yet no certainty about what will be on or off limits.
- What about flood insurance? There is the whole question of insurability. Until these things are determined, no one will do anything.

- How do these considerations affect whether ordinary people will even come back to live here? This is important because business exists in an environment of workers and customers, and many businesses in the region are short of both.

Utt said that many ideas may not happen until there is more of a sense of certainty as to how safe it will be for residents and businesses. Most businesses cannot diversify risks—they have 100 percent of their assets, wealth, and career in one place—and if it is not secure, individuals will go somewhere else.

These are public sector decisions, Utt added, and it seems the federal, state, and local government are still not on the same page. Until everyone gets together to determine what the resources are, what the costs are, what is the technology level to which they will build, and what the land use patterns will be, the other things will be slow to get started.

The final Q&A session touched on the risk issues, the opportunities, and the need to find ways to support local entrepreneurship in the New Orleans region.



Photo Credit: Steve Clark



## Closing Remarks

Advocacy Director of Economic Research **Chad Moutray** closed the session by thanking the conference sponsors and staff and briefly reviewing the four topics covered:

1. What role can entrepreneurship play in moving individuals and communities to economic health?
2. How can small businesses and local entrepreneurs connect with larger businesses and the government?
3. What will it take for larger firms to reach out to local entrepreneurs and small businesses?
4. What are the elements of a policy environment that enables entrepreneurship and innovation, whatever the socioeconomic conditions of the entrepreneur?



“...hopefully over the coming months and years through our research and through other efforts, we can answer each of those questions.”

CHAD MOUTRAY

“Those were the questions that we asked at the beginning and I am hoping that through the five panels today we have answered each of those,” he said. “For those that we didn’t, this is where really the dialogue will continue. And hopefully over the coming months and years through our research and through other efforts, we can answer each of those questions.”

Photo Credits: (top) John McDowell, (bottom left) Kathryn Tobias, (bottom right) John McDowell

Senator Mary Landrieu (top), Federal Gulf Coast Rebuilding Coordinator Donald Powell (bottom left), Factory Service Agency President Mike Mitternacht, and SBA Regional Advocate Eric Munson (bottom right) were among participants in the conference.

# Appendix A Conference Agenda

## ENTREPRENEURSHIP: THE FOUNDATION FOR ECONOMIC RENEWAL IN THE GULF COAST REGION

The Wyndham Hotel, New Orleans, Louisiana

### CONFERENCE AGENDA

#### MONDAY, APRIL 10, 2006

**2:30–5:30 PM     Bus Tour**

A view of the current situation in New Orleans.

*Departure Location:* Wyndham Hotel, New Orleans, Louisiana

**5:30–7:30 PM     Welcome Reception**

Networking and light refreshments.

*Location:* The Court of Two Sisters, 613 Royal Street, New Orleans

#### TUESDAY, APRIL 11, 2006

**7:30–8:30 AM     Conference Registration and Continental Breakfast**

**8:30–9:00 AM     Opening Remarks**

The Honorable Thomas M. Sullivan, Chief Counsel for Advocacy

The Honorable Donald Powell, Federal Coordinator of Gulf Coast Rebuilding

*(continued, next page)*

**9:00–10:00 AM**    **Setting the Stage: The Economic Context for Rebuilding the Small Business Economy**

A discussion of the broader economic and urban development context as it applies to the revitalization of the Gulf Coast region.

*Moderator*

Chad Moutray, Chief Economist, Office of Advocacy, U.S. Small Business Administration

*Panelists*

Doug Gurley, State Director, Mississippi Small Business Development Center, University of Mississippi

Loren Scott, Professor Emeritus, Louisiana State University

Deborah Tootle, Associate Professor, Community and Economic Development, Louisiana State University

Tim Williamson, President, The Idea Village

**10:00–10:15 AM**    **Break**

**10:15–11:15 AM**    **Entrepreneurship as a Means of Economic Stability and Job Creation**

This panel discussion will focus on the important role local entrepreneurs from across the socioeconomic spectrum play in urban and regional renewal.

*Moderator*

Nancy Montoya, Regional Community Development Manager, Southern Louisiana and Southern Mississippi, New Orleans Branch, Federal Reserve Bank of Atlanta

*Panelists*

Leonard Greenhalgh, Professor and Director of Programs for Minority- and Women-Owned Business Enterprises, Dartmouth College

The Honorable Marc Morial, Chairman, Urban Entrepreneur Partnership, and President and CEO, National Urban League

Pari Sabety, Director and Fellow, Urban Markets Initiative, Metropolitan Policy Program, Brookings Institution

**11:15–12:15 PM Exploring the Potential for New and Existing Businesses in Promoting Revitalization**

Panelists will look at how established businesses can contribute to the revival of the region by bolstering the health of new and smaller businesses and discuss the prerequisites for greater business investment.

*Moderator*

Steve Adams, Regional Advocate, Region I, U.S. Small Business Administration

*Panelists*

Larry Burton, Executive Director, The Business Roundtable

Eric Reisner, Vice President for Strategic Programs, Johnson Controls, Inc.

Dorothy Terrell, President and CEO, Initiative for a Competitive Inner City

**12:15–1:45 PM Luncheon**

**Luncheon Remarks**

Daryl Williams, Director of Minority Entrepreneurship, Ewing Marion Kauffman Foundation, and National Director, Urban Entrepreneur Partnership

**Keynote Address**

Maura Donahue, Chair of the Board of Directors, U.S. Chamber of Commerce, and President, DonahueFavret Contractors Holding Company

Introduced by Sandra M. Gunner, President and CEO, New Orleans Chamber of Commerce

**1:45–2:45 PM Encouraging Business Ownership in the Gulf Coast Region**

This session will focus on public policy initiatives that can reduce obstacles and encourage entrepreneurial growth.

*(continued, next page)*

*Moderator*

The Honorable Daniel Heath, Associate Director, National Economic Council,  
The White House

*Panelists*

The Honorable Michael Olivier, Secretary, Louisiana Economic Development

The Honorable Leland R. Speed, Executive Director, Mississippi Development Authority

**2:45–3:00 PM**

**Break**

**3:00–4:00 PM**

**A Vibrant Entrepreneurial Future in the Gulf Coast Region**

Panelists will reflect on previous discussions and current policy proposals in support of increasing business ownership and entrepreneurship and discuss key elements of a long-term strategy to rebuild the small business economy of the Gulf Coast region.

*Moderator*

Jonathan Ortman, President, The Public Forum Institute

*Panelists*

Mark Drennen, President, Greater New Orleans, Inc.

Elaine Edgcomb, Director, Fund for Innovation, Effectiveness, Learning,  
and Dissemination (FIELD); Aspen Institute

John Elstrott, Director, Levy-Rosenblum Institute for Entrepreneurship,  
Tulane University

Ronald Utt, Herbert and Joyce Morgan Senior Research Fellow, Thomas A. Roe  
Institute for Economic Policy Studies, Heritage Foundation

**4:00–4:15 PM**

**Closing Remarks**

Chad Moutray, Chief Economist, Office of Advocacy, U.S. Small Business Administration

# Appendix B Conference Participants

**Zoltan Acs**

George Mason University

**Steve Adams**

SBA Office of Advocacy

**Daniel P. Aldrich**

Tulane University

**Robin Barnes**

Seedco

**Allen Bell**

The Idea Village, Inc.

**Jeremiah Boyle**

Federal Reserve Bank of Chicago

**Darren G. Brown**

Direct Blinds and Shutters

**Hal Brown**

Paladin Capital Group

**Virginia Brumfield**

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**Larry Burton**

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**Warren Byabashaija**

Louisiana State University

**Phyllis Cassidy**

Good Work Network

**Dewayne Cates**

Jackson State University

**Vance Ceaser**

BinarySupport, Inc.

**Anne Chaffe**

First Bank & Trust

**John D. Chamberlain**

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**Marc Friedlander**  
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**Dana Hansel**  
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Finishing Touches

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PamLab, LLC

**Lynn Lee**  
Entergy

**Jerry W. Lenaz**  
Petrocom

**Marianne Lewis**  
Second Wind Nola

**Derek Lintern**  
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**Kevin Lockett**  
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**Phil Paradise**  
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**Andre Parker**  
Q's Perfection

**Johnnita Parker**  
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**Gesele D. Sabathia**  
Entergy New Orleans, Inc.

**Pari Sabety**  
Brookings Institution

**Peggy Savant**  
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**Joan Savoy**  
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**Loren Scott**  
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**Charles F. Seemann, III**  
Proskauer Rose, LLP

**Charles Sheffield**  
Carthage Capital Group

**Lenard Spears**  
Mars Environmental Service Systems

**Leland R. Speed**  
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Mississippi Center for Public Policy

**Kermit Thomas**  
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**Patricia Williams**  
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**Viktoria Ziebarth**  
SBA Office of Advocacy

# Appendix C PowerPoint Presentations

## Setting the Stage: The Economic Context for Rebuilding the Small Business Economy

- 1 SBA Entrepreneurship Conference. *Loren C. Scott*, Professor Emeritus, Louisiana State University
- 2 New Orleans Entrepreneurs Post-K. *Tim Williamson*, President, The Idea Village

## Entrepreneurship as a Means of Economic Stability and Job Creation

- 3 Building Capacity among Entrepreneurs: Opportunities in Rebuilding the Gulf Coast. *Leonard Greenhalgh*, Professor and Director of Programs for Minority and Women-Owned Business Enterprises
- 4 Barriers to Capital Access in Rebuilding the Gulf Coast: The Role of Credit Scores in Access to Capital in Post-Disaster Situations. *Pari Sabety*, Director and Fellow, Urban Markets Initiative, Metropolitan Policy Program, Brookings Institution

# 1

## Setting the Stage

Loren Scott

### SBA Entrepreneurship Conference

Wyndham Hotel, New Orleans  
April 11, 2006

Dr. Loren C. Scott  
Loren C. Scott & Associates, Inc.  
www.lorencottassociates.com

### Katrina/Rita Effects

#### New Orleans MSA

### Displaced Persons: Louisiana

- Population of the "bowl": 2004
  - Orleans: 462.3
  - Jefferson: 453.6
  - St. Bernard: 65.6
  - Plaquemines: 29.0
  - Total in Bowl: 1,010.5
  - + St. Tammany: 213.6
  - + St. Charles: 50.1
  - St. John the Bap.: 45.6
  - Total big hit: 1,319.8

### Impacts of Katrina and Rita on Housing in Louisiana

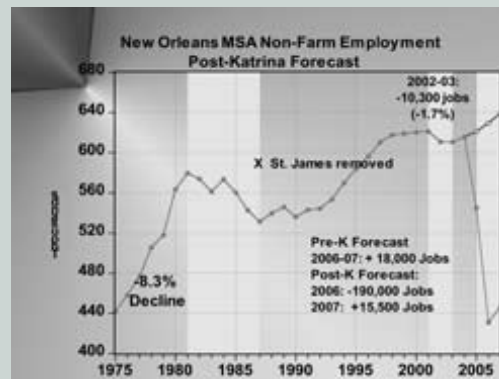
Impact	Statewide	New Orleans MSA
Destroyed	137,502	135,869
Major Damage	73,846	71,707
Minor Damage	70,689	65,934
Affected	188,656	155,679
Inaccessible	2,489	2,027
Total	473,182	434,216

### Insurance Implications

- Once water in a home: Flood, not homeowners, insurance
  - Lesser of 80% of depreciated value of home or \$250,000
  - \$500k home; \$50k Equity: Come up with \$200k to rebuild
  - Many homeowners had @ flood insurance
- No business interruption coverage once water in building

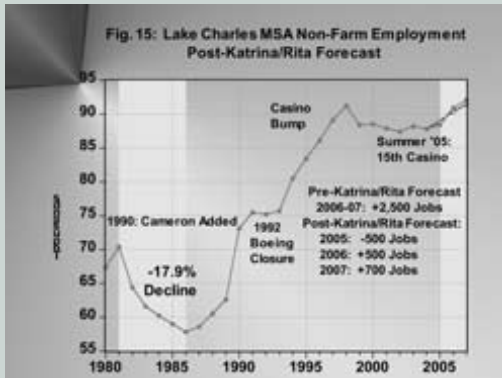
### Other Obstacles to Rebuild?

- Debris removal: higher probability of contaminants
- Stricter building codes Stronger design for home
  - Loss exceeds 50% of pre-flood price, must elevate to new base flood elevation
- Getting mortgage when levee system still questionable?
- Result? Much repair work at a standstill



### Change in Non-Farm Employment in New Orleans MSA January 2005 - January 2006

Sector	Change in Employment	Percent Change
Total	-197,800	-32.5%
Nat. Res. & Mining	900	10.8%
Construction	-10,800	-37.8%
Manufacturing	-10,300	-27.4%
Trade, Trans., Utilities	-35,600	-29.3%
Information	-2,800	-25.9%
Financial Activities	-8,200	-24.7%
Professional & Bus. Services	-33,100	-45.2%
Education	-12,700	-60.8%
Healthcare	-27,000	-44.3%
Leisure & Hospitality	-32,100	-38.4%
Other Services	-43,100	-59.5%
Government	-7,700	-12.1%



**Change in Non-Farm Employment in Lake Charles MSA January 2006 – January 2006**

Sector	Change in Employment	Percent Change
Total	1,300	1.5%
Nat. Res. & Mining & Construction	3,200	33.0%
Manufacturing	-200	-2.2%
Trade, Trans., Utilities	-300	-1.7%
Professional & Bus. Services	-500	-3.6%
Leisure & Hospitality	-200	-1.8%
Government	100	0.7%

## Katrina Effects Biloxi-Gulfport MSA

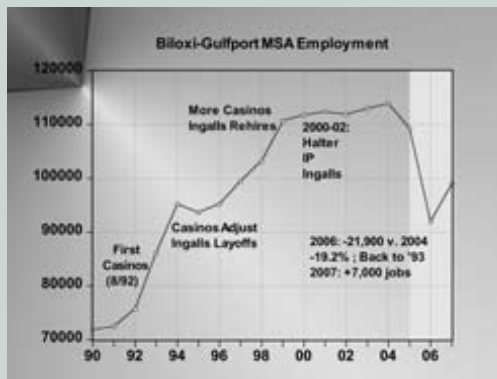
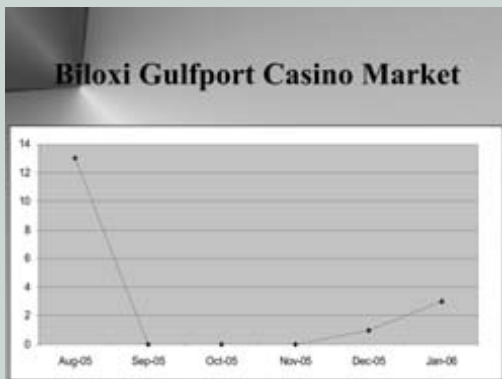
**Impacts of Katrina on Housing in Mississippi And the Biloxi-Gulfport MSA**

Impact	Statewide	Biloxi-Gulfport MSA
Destroyed	68,729	41,090
Major Damage	65,237	19,510
Minor Damage	100,318	36,305
Affected	7,430	1,355
Inaccessible	0	0
Total	241,714	98,260

**Change in Non-Farm Employment in Biloxi-Gulfport MSA January 2005 – January 2006**

Sector	Change in Employment	Percent Change
Total	-22,900	-20.3%
Nat. Res. & Mining & Construction	600	11.3%
Manufacturing	-700	-11.9%
Trade, Trans., Utilities	-4,300	-21.1%
Leisure & Hospitality	-14,400	-51.2%
Government	-1,300	-5.3%

- ## Biloxi-Gulfport Post-Katrina
- All hospitals open
  - All public schools open
  - Harrison & Stone sales taxes up markedly, Hancock -32%
  - Port Traffic about 45% of pre-K.
  - Airport traffic near full recovery



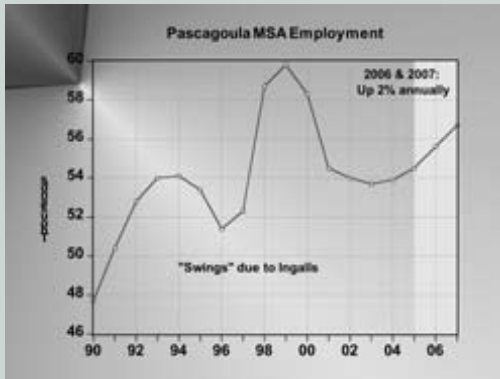
## Katrina Effects Pascagoula MSA

Impact	Statewide	Biloxi-Gulfport MSA	Pascagoula MSA
Destroyed	68,729	41,090	23,390
Major Damage	65,237	19,510	16,950
Minor Damage	100,318	36,305	9,300
Affected	7,430	1,355	0
Inaccessible	0	0	0
Total	241,714	98,260	49,640

### Change in Non-Farm Employment in Pascagoula MSA January 2005 – January 2006

Sector	Change in Employment	Percent Change
Total	0	0.0%
Nat. Res. & Mining & Construction	600	27.3%
Manufacturing	-1,100	-6.7%
Trade, Trans., Utilities	0	0.0%
Government	-200	-1.8%

- ### Pascagoula MSA Post-Katrina
- Both hospitals open
  - All 21 public schools open
  - Sales tax collections up 62%! (Jackson County up 68%)



# 2

## New Orleans Entrepreneurs Post-K

*Tim Williamson*

### New Orleans Entrepreneurs Post-K

The Idea Village  
April 11, 2006

Our viewpoint...

### The Trenches



[www.ideavillage.org](http://www.ideavillage.org)

Thoughts from The Idea Village  
Local Entrepreneur-Pre-K

"I feel like I am a salmon,  
swimming upstream,  
about to spawn eggs  
and then die..."

[www.ideavillage.org](http://www.ideavillage.org)

Thoughts from The Idea Village  
Local Entrepreneur-Post-K

"It boils down to...insanity"

[www.ideavillage.org](http://www.ideavillage.org)

### The Idea Village Post Katrina Strategy

**SEARCH & RESCUE** [ September-October ]  
**RELIEF** [ November 2005-March 2006 ]  
**RECOVERY** [ March 2006 ]  
**REBUILD** [ March 2006-March 2010 ]

[www.ideavillage.org](http://www.ideavillage.org)

### Top 10 thoughts after Katrina...

**1** Ready,  
Fire,  
Aim...



[www.ideavillage.org](http://www.ideavillage.org)

### Top 10 thoughts after Katrina...

**2** Where  
Tonto??



[www.ideavillage.org](http://www.ideavillage.org)

### Top 10 thoughts after Katrina...

**3** Peel the  
onion



[www.ideavillage.org](http://www.ideavillage.org)

Top 10 thoughts after Katrina...

4 The Katrina Diet



www.ideavillage.org

Top 10 thoughts after Katrina...

5 5 week plan



www.ideavillage.org

Top 10 thoughts after Katrina...

6 New buzz word... "Portability"



www.ideavillage.org

Top 10 thoughts after Katrina...

7 Change = Opportunity



www.ideavillage.org

Top 10 thoughts after Katrina...

8 Ducks and Sharks are coming



www.ideavillage.org

Top 10 thoughts after Katrina...

9 Anderson Cooper factor



www.ideavillage.org

Top 10 thoughts after Katrina...

10 Remember October 1987???



www.ideavillage.org

What we need...

- Access to expertise and resources
- Access to capital
- Access to facilities that build a community
- Clarify rules of the game
- Get out of the way

www.ideavillage.org

"I am going to stay on the battlefield until I die"

Leah Chase-Owner of Dooky Chase Restaurant  
March 4, 2006



www.ideavillage.org

# 3

## Building Capacity Among Entrepreneurs: Opportunities in Rebuilding the Gulf Coast

*Leonard Greenhalgh*



**The Tuck School has been fostering the growth and development of minority business enterprises for 27 years**

- We have graduated more than 3,500 alumni
- We collect research data on their difficulties
- Access to capital and contracts are issues, but these aren't the biggest impediments, and may, indeed, be symptoms rather than causes
- Simple, unilateral interventions are almost destined to fail, to waste money, and to waste opportunities.

**Patterns in the data reveal the weaknesses of minority entrepreneurship**

The top eight weaknesses...

**Weaknesses of Minority Businesses**

1. Lack of strategic direction

**Weaknesses of Minority Businesses**

1. Lack of strategic direction
2. Not empowering employees effectively

**Weaknesses of Minority Businesses**

1. Lack of strategic direction
2. Not empowering employees effectively
3. Poor cash-flow management

**Weaknesses of Minority Businesses**

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4. Control systems underutilized

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3. Poor cash flow management
4. Control systems underutilized
5. Inefficient processes



### Weaknesses of Minority Businesses

1. Lack of strategic direction
2. Not empowering employees effectively
3. Poor cash flow management
4. Control systems underutilized
5. Inefficient processes
6. **Organizational structure creates bottlenecks**

### Weaknesses of Minority Businesses

1. Lack of strategic direction
2. Not empowering employees effectively
3. Poor cash flow management
4. Control systems underutilized
5. Inefficient processes
6. Organizational structure an impediment
7. **Self-oriented, not customer-oriented**

### Weaknesses of Minority Businesses

1. Lack of strategic direction
2. Not empowering employees effectively
3. Poor cash flow management
4. Control systems underutilized
5. Inefficient processes
6. Organizational structure an impediment
7. Not customer-oriented
8. **Narrow portfolio of products / services and customers**

### Economic rebuilding of the Gulf region requires an integrated solution

- Impact of our interventions must be sustainable
- This involves:
  - building capacity for the long term
  - creating a network of collaborating businesses
  - fostering local and regional self-sufficiency

### Infrastructure is important... but it's not enough

- Advocacy
- Certification
- Supplier diversity commitment

### Matchmaking is an important addition, but it's not enough

- Advocacy
- Certification
- Supplier diversity commitment
- Matching businesses with opportunities
  - key issue is capacity to serve customers
  - find capacity, or build capacity?

### Targeted learning experiences are necessary, but it's still not enough

- Advocacy
- Certification
- Supplier diversity commitment
- Matching businesses with opportunities
- Targeted education (with follow-up)

### High-potential entrepreneurs need selective consulting help (but it's still not enough)

- Advocacy
- Certification
- Supplier diversity commitment
- Matching businesses with opportunities
- Targeted education
- Coaching (mentoring, management and technical assistance)

### When all of these program elements are in place, then entrepreneurs are ready for capital

- Advocacy
- Certification
- Supplier diversity commitment
- Matching businesses with opportunities
- Targeted education
- Coaching (management & technical assistance)
- Access to capital (cash-flow, bonding)

Some body needs to oversee progress, coordinate joint efforts, and ensure continuous improvements

- Advocacy
- Certification
- Supplier diversity commitment
- Matching businesses with opportunities
- Targeted education
- Coaching (management & technical assistance)
- Access to capital (cash-flow, bonding)
- Assessment, review, coordination, and adaptation (the alternative is “hoping for the best”)

Questions to ponder, given that *systemic problems require systemic solutions*

- Do we really have an integrative solution to fostering rebuilding the entrepreneurial economy in the Gulf region?
- Are we focusing on inputs rather than long-term impacts?
- If we're trying to make a sustainable difference, what do we *really* need to do?

# 4


## Barriers to Capital Access in Rebuilding the Gulf Coast: The Role of Credit Scores in Access to Capital in Post-Disaster Situations

*Pari Sabety*

The Brookings Institution  
Metropolitan Policy Program

**Barriers to Capital Access in Rebuilding the Gulf Coast**

The Role of Credit Scores on Access to Capital in Post-Disaster Situations  
April 11, 2006




### Entrepreneurship

- An Idea
- The Market
- The People
- The Capital

**RISK**

*The level of perceived risk sets the price and availability of capital*



### Credit Quality Scores

- Credit scores measure perceived risk
- Critical to enabling capital flows to:
  - Business restarts and recapitalization
  - Rebuilding facilities, homes
  - Acquiring inventory, supporting restart costs
  - Financing long-term assets and infrastructure
- Credit scores reflect a community's financial well-being, the economic performance of its households and the health of its businesses



### The Credit Consequences of Disaster

- Left unadjusted, using credit scores to measure risk after disasters moves every participant in the credit market into a parasitic spiral, stifling access to capital when the "restart" most needs it
  - Outstanding payables have an impact on each and every individual and business credit score, and access to capital
  - For most small businesses, the personal credit score has a dual impact—for both personal and business rebuilding



### Impact of Katrina and Rita on Payments and Credits to Suppliers

- 635,000 businesses were in areas affected by Katrina and Rita
- \$40 billion in payables were outstanding when Katrina hit
- More than 50% of businesses were in business for less than 5 years
- 48% of payables were outstanding to businesses of 10 employees or less


Source: Experian, 2006



### Outstanding Payables by Sector

Sector	Percentage
Professional and Business Services	31%
Wholesale Trade	21%
Retail Trade	28%
Construction	20%

Source: Experian, March 2006



### Small Businesses Hurt Most

Employee Size	Share of O/S Balance	Cumulative
1-5	31%	31%
6-10	17%	48%
11-25	11%	59%
26-50	14%	72%
51-100	8%	80%
101-250	8%	88%
251-500	4%	92%
501-1000	3%	95%
1001-10000	5%	100%

Source: Experian 2006



## Geographic Dispersion

Parish/County	Percentage
Baton Rouge LA	13.5%
Mobile AL	12.8%
Orleans LA	9.8%
Hinds MS	6.9%
St. Tammany LA	4.9%
Baldwin AL	3.9%
Iberia LA	3.6%
Ascension LA	3.2%
Harrison MS	3.1%
Terrebonne	3.0%



## The Credit Consequences of Disaster

- False positives—based upon payment patterns, not consistent with prior behavior
- Credit squeeze will have an impact on
  - Size, structure and ownership of businesses remaining after the disaster
  - Ability of individuals to secure capital
- **Key Concept:** Resiliency—the ability of economies to react to change and start the cycle of creation and construction anew



## The Challenge Before Us

- If credit system is the way we measure risk...
  - Then the credit score is the currency that spurs entrepreneurship and new business starts
- Impact of Katrina and Rita demonstrated that we need credit models that deal more sensibly with disasters:
  - Assure that they are not generating "false positives"
  - Adjust models to come up with a score based upon the impact of disaster
  - Help measure resiliency: severity/scope/impact of disaster on economy



## The Credit Consequences of Disaster

- Proposed Brookings-Information Policy Institute Study will examine the impact of disasters on credit and the financial well-being of businesses and individuals
  - Identify and prioritize financial concerns for relief agencies
  - Provide benchmarks to financial institutions for payment and deferral policies in case of disaster

### More information:

- [Pari Sabety, psabety@brookings.edu](mailto:psabety@brookings.edu)
- [Michael Turner, mturner@infopolicy.com](mailto:mturner@infopolicy.com)





# Appendix D Edited Conference Transcript

## ENTREPRENEURSHIP: THE FOUNDATION FOR ECONOMIC RENEWAL IN THE GULF COAST REGION

TUESDAY, APRIL 11, 2006

### Opening Remarks

**MR. SULLIVAN:** Good morning. Thank you for being here today at our conference, Entrepreneurship: The Foundation for Economic Renewal in the Gulf Coast Region. I am Tom Sullivan. I am the chief counsel for advocacy at the Small Business Administration and I would like to welcome each one of you.

Today promises to be an exciting day. Please open your packets and look at your agenda throughout the morning. And also, if you get through the agenda and all of the packet material, we have more material for you at the back, all sorts of information, facts, figures about small business and the power of small business to the economy. Now, in today's agenda you will see that every speaker, every panel, provides experience and insight into the issues faced by entrepreneurs and small businesses post-Katrina. Their perspectives will be important as we examine the question of how small business and entrepreneurship will be the foundation for economic renewal here in New Orleans and across the Gulf Coast region.

The Office of Advocacy is proud to be a cosponsor of this event along with the Ewing Marion Kauffman Foundation, the Public Forum Institute, and the Gulf Coast Urban Entrepreneur Partnership.<sup>1</sup> Can Daryl Williams of the Kauffman Foundation and the Gulf Coast Urban Entrepreneur Partnership and representatives from the Public Forum Institute please stand? Thank you. Without their support, this conference wouldn't be possible.

This conference serves a serious purpose. Our intent is to examine the importance of a vibrant small business sector to the long-term economic recovery of the Gulf Coast region—and the challenges facing entrepreneurs here. We hope that today will lay the groundwork for small business advocates as you promote the importance of entrepreneurship to economic revival. It will be up to the residents and entrepreneurs here and throughout the region to use the information from this conference in their rebuilding programs and plans.

**“We hope that today will lay the groundwork for small business advocates as you promote the importance of entrepreneurship to economic revival.”**

THOMAS M. SULLIVAN

My office has demonstrated how entrepreneurs and small businesses play a critical role in a region's economic health. Studies from the Office of Advocacy have shown how important entrepreneurs are to sparking innovation, driving community development in distressed areas, building wealth, and creating jobs.<sup>2</sup> Guided by that research, we hope this gathering can begin to address key questions around restoring the small business economy in the Gulf Coast region.

<sup>1</sup> U.S. Small Business Administration, Office of Advocacy, [www.sba.gov/advo](http://www.sba.gov/advo); Ewing Marion Kauffman Foundation, <http://www.kauffman.org/>; Public Forum Institute, <http://www.publicforuminstitute.org/>; Urban Entrepreneur Partnership, <http://www.nulempowermentfund.com/partnership.aspx>.

<sup>2</sup> To sign up for listservs: <http://web.sba.gov/list/>.

Now it is up to me to introduce the kickoff speaker for this conference. The Honorable Donald Powell was named by President Bush to be the federal coordinator of Gulf Coast rebuilding.<sup>3</sup> His focus is on developing a long-term rebuilding plan. His role is to help generate consensus among local, regional, state, and federal officials about how rebuilding should proceed. It is a tough job, no doubt about it. However, Don Powell has received high marks and praise from residents and officials as a true consensus builder and someone who cares about the future of this great region. Ladies and gentlemen, please give a warm welcome to the federal coordinator of Gulf Coast rebuilding, Don Powell.

**MR. POWELL:** Thank you, Tom. Good morning.

**AUDIENCE MEMBERS:** Good morning.

**MR. POWELL:** Everybody sleep well last night? I think that I tossed and turned and I can't tell you why. You have to have those nights every now and then to make sure that you can appreciate the restful nights.

But I am delighted to be here. I bring you greetings from the Office of the Gulf Coast Coordinator. I tell folks we are about 90 days old, about 100 days old, I should say now, and we started with two folks. We were somewhat entrepreneurial ourselves. I can remember we started, very frankly, in the back of my car. We were walking around looking for a space and we had some files, some books, and some issues and we had them in an automobile and we found some space. And I remember the first day we went into our new quarters and how excited we were to

be participating in a cause that may be the most important thing that I have ever done in my life.

I have been very blessed. I tell people the most important thing that has ever happened to me is meeting my wife of 45 years, but she almost takes a second seat to my grandchildren. I have four grandchildren, two of which live in the South. I am going to try to see them this week.

Let me share with you just for a couple of minutes or so about what our charge is and what our mission is, what we are attempting to do. As I mentioned, we now have a staff of about 20, 21 people. I am terribly impressed with the attitude and with the skill set and with the general ability of the people that I am privileged to work with. We have the same skill sets that you might expect in an office such as ours. We have press, we have legislative affairs, we have policy people, and we have administrators. We have people in this area. I would encourage you, those of you that live in this area, to seek out and find Donna Gambrell, who is based in Baton Rouge, but she is in New Orleans a lot. And she together with a couple of other people will be our eyes and ears in the area.

I am down in this area probably about every eight days or so. I think that I have counted I have been to New Orleans 20 some odd times. I think it is something like 22 times. I have been in Mississippi about 15 times and Alabama a couple of times. I am from Texas, so I know Texas, so I haven't been over to Texas very much.

**"...I remember the first day we went into our new quarters and how excited we were to be participating in a cause that may be the most important thing that I have ever done in my life."**

**DONALD POWELL**

Let me, before I make a couple more comments, I want to be sure I know who the audience is. How many of you make a payroll? How many of you this coming Friday, how many of you are going to have to go and make a payroll? God bless you. You are really the people that I want to talk to. You know, some of us that don't have to make a payroll—and I was in the banking business for 40 years and I can remember one day waking up and I was telling my wife—she said, what troubles you today? I said, you know, today is our payroll day. And she asked me what the payroll was and I told her, and she said, jiminy. You know, we were responsible for about right at 2,000 employees and you can calculate real quick what that payroll may be. So I share and understand some of the issues, some of the problems that you are faced with, especially in an area that has been devastated such as New Orleans.

When the president first called me and he and I sat down and talked about this particular assignment, I recall—and I share this with people like you—two things that he said to me. One, he said, you are representing the American taxpayer. You

<sup>3</sup> Gulf Coast Rebuilding, [http://www.dhs.gov/dhspublic/interapp/editorial/editorial\\_0816.xml](http://www.dhs.gov/dhspublic/interapp/editorial/editorial_0816.xml).

are in a stewardship role. It is very important that you understand that. I am a taxpayer. You are a taxpayer. All of us are part of that payroll. You are going to make two checks—you are going to make, really, three checks—you are going to make a check to the Social Security, and you are going to make a check for taxes, the federal taxes, state taxes in some cases, and then you are going to make a check to the employee. So someone writes a check—you in this room write a check to the United States Treasury and it goes to Washington and the members of the United States Congress, together with the administration, decide how we spend that money. And part of the money that the United States taxpayers have sent to Washington is coming back to this area. To date it is something like \$87 billion—\$87 billion—and there is another supplemental that will exceed \$20 billion for a total of \$107 billion. I was in New Orleans about 30 days ago and someone tapped me on the shoulder—I was surprised at this—he said, “Young man”—and I really liked that when he said young man. He said, “Did you know that the American taxpayer is spending \$325 a person on the Gulf Coast?” I said I didn’t know that. So that once again reminded me, and I went back to when I sat down with the president—he said, “You represent the American taxpayer.” It is important.

Second thing he said to me is that long-term planning for rebuilding the Gulf Coast should be made by the local people—not the federal government—the local people. He feels very strong about that. So the local people in Florida, Alabama, Mississippi, Louisiana, Texas will be in charge of rebuilding and controlling their destiny. It is very important, very important to understand that.

So with those two charges, we went back to our office and I remember sitting down and talking to our very lean staff then, maybe four, five or six people, and we drew a triangle on the blackboard. And what we did after I had been down here several visits, we came away with some thoughts and some conclusions. We attempted to identify what the issues were.

Especially since I am in New Orleans, I am going to talk specifically about Louisiana, because there are some unique challenges in Louisiana. It relates to this conference, because what we are about here today, we are trying to attract business, we are trying to expand the workforce, we are trying to expand the private sector in rebuilding New Orleans and Louisiana and the whole Gulf Coast area. So I came and I remember sitting down with our folks and I remember sitting down with the president. I said, Mr. President, there are three issues in New Orleans. One is levees, two is levees, and three is levees. Safety, safety, safety. So that became the very base of our pyramid, safety, safety, safety. So when I talk to people about coming to New Orleans and putting their business, putting their distribution center in New Orleans, put a paint manufacturing center in New Orleans, people—the first thing they ask me—they say, are you safe in New Orleans? Are you safe in New Orleans? And the president heard that and answered that call in December with asking Congress to spend \$3½ billion on repairing the levees, the breach in the levees, correcting the design flaws and doing some other things as it relates to levees. The Corps of Engineers is now working.<sup>4</sup>

And I’m a simple guy, because as I mentioned to you, I have some grandchildren and they are important in my life. They are very important in my life. And I remember talking to the Corps of Engineers finally with some sense of frustration—talking to them about technical terms. I finally said to them, look, you have children. They said yes. I said, do you have grandchildren? One of them said yes. I said if you move or if I ask my son to move his family to New Orleans with my grandchildren, would they be safe? And, to the person, the members of the Corps of Engineers said yes, yes, yes. That’s good enough for me. There is still more work to be done. You know about an announcement that was made about a couple of weeks ago and there will be more work at enhancing the levee system, that’s very important. So the base of that pyramid was safety.

On the right-hand side was one of the first things that people always ask me when I talk to them and encourage them to come back to New Orleans to rebuild—they say, well, wait a minute. Okay, we are safe. What about housing? Where are these people going to live? Where are these folks going to live? So on this side, we call it community. Identify the issues, communicate those, evaluate those issues, make recommendations.

So, again, we went back to the administration and said housing is a critical issue in New Orleans. Thus, the president acted again through the CDBG money, community development block grants, and there is pending in this supplemental

<sup>4</sup> Army Corps of Engineers, New Orleans, <http://www.mvn.usace.army.mil/>.



\$4.2 billion for Louisiana.<sup>5</sup> Louisiana has already received \$6.2 billion. And with housing mitigation of \$1.7 billion, that's \$12 billion that this administration has supported in community development block grants, of which \$7.5 billion is going to go for housing, including low- and moderate-income housing. Now folks, that is a lot of money. That's a lot of money, but there are a lot of needs in Louisiana. And that was arrived at not just out of the air—that was arrived at in negotiating with members of the LRA, the Louisiana Recovery Authority, with members supported by FEMA, SBA, HUD, other government agencies determining what the needs were for the good people in Louisiana.<sup>6</sup> Again, being responsible to the taxpayer, that's a lot of money. It is very important that it was based upon science and not fiction. So I could look any member of Congress, any taxpayer in the eye, any citizen in Louisiana and say, look, we met your needs, we are going to meet your needs. And I am convinced that the LRA through its planning process will develop the plans necessary to meet the needs of the good people in Louisiana. Housing is an important issue.

Other infrastructure issues. Housing, education, health care—all very important. We are addressing those specific issues. I remember sitting down and saying where do you start? I mean, if you don't have police protection, it doesn't matter how many houses that you have. And if you don't have

schools, it doesn't matter how many houses you have. And if you don't have hospitals, it doesn't matter. And if you don't feel safe, it doesn't matter. So where do you start? Where do you start? So we are addressing all of those issues on this side of that pyramid, "community."

Now, here on this side is what we are here about today. The private sector. What role will the private sector play in the recovery? Again, the president, I will assure you, understands the importance of the private sector in rebuilding the Gulf Coast. Thus, that's the reason that he supported the GO Zone and other initiatives to entice business, to encourage business to come to Louisiana.<sup>7</sup> Somebody in this room and somebody outside of this room is going to make a lot of money in Louisiana. I have told people if I were a bit younger, you know, and watch me anyway, I might do it anyway. I might move to Louisiana and get to work. There are unbelievable opportunities for entrepreneurs in the Gulf Coast.

Now, let me tell you why I say that. I just told you that there is \$87 billion that's committed here. Bank deposits are up 20 to 25 percent—that means there is a lot of money flowing in this area. There is not a liquidity issue. People have money in the bank. What do you do when you have money in the bank? Most of the time we spend it, don't we? We spend it on goods and services. Who supplies goods and services? Entrepreneurs, business

people supply goods and services. I can think of at least 10. I was on the airplane the other day talking to some folks—I wrote down 10 businesses that I would come to Louisiana and get to work on right now, right now.

What we are doing at the Office of the Gulf Coast Coordinator is making sure that the infrastructure, attempting to make sure that the role of the United States government is in place with the infrastructure and the monies necessary to talk about safety, talk about housing, talk about jobs, skilled jobs. Again, the president answered that when he assembled some folks about 60 days ago, I was there with Secretary Chao and we had the labor, we had civil rights groups, we had big business, we had small business, and there is an initiative about how to train unskilled folks to become more skilled. We have a target of 20,000 that will be trained in two years. The first graduates will be ready to go to work in 60 days. Again, the president recognized that. The skilled force is going to be there. We are worried about housing, health issues, education issues, all of this stuff.

But the core and the engine, the thing that is going to make it work—if all we do in the federal government is just rebuild, reconstruct the fixed environment, it won't work. We will have a bunch of empty homes, a bunch of empty hospitals, a bunch of empty schools. We will have a police officer walking around with no people. The economic engine is the people in this room. That's what drives America. I tell people we are the envy of the world for lots of reasons, many reasons: Our rule of law, our personal liberties, our popular sovereignty. But the thing that causes people to envy America is the free enterprise system. That's the good people that raised their hands a moment ago and said I have to make a payroll Friday.

5 Community Development Block Grant Program (HUD), [www.hud.gov/offices/cpd/communitydevelopment/programs/](http://www.hud.gov/offices/cpd/communitydevelopment/programs/).

6 Louisiana Recovery Authority, <http://www.lra.louisiana.gov/>; Federal Emergency Management Agency, <http://www.fema.gov/>; Small Business Administration, Disaster Recovery, [http://www.sba.gov/disaster\\_recov/index.html](http://www.sba.gov/disaster_recov/index.html); U.S. Department of Housing and Urban Development, Katrina response, <http://www.hud.gov/news/katrina05response.cfm>.

7 Gulf Opportunity (GO) Zone (Louisiana summary), <http://gozoneguide>.

**“I am proud to be an American for many reasons. But the direction and the spirit of America will be measured in large part by how we deal with hurting souls.”**

**DONALD POWELL**

It all starts with profit. I tell my friends in the foundations when they are looking at causes, be they environmental causes, be they other issues, they are very important, education issues, health care issues. Let me tell you, a check was written. Someone wrote a check to fund that foundation and that check was generated by what we call profits. Profits—that’s not an evil word.

And the economic engine when we look back 15, 20, 25, 30 years and we look back—and history will write the recovery of the Gulf Coast—first and foremost will be the entrepreneurial spirit and the private sector’s role in that rebuilding. The government can’t do it. The government can’t do it. What I have also discovered in the entrepreneurial spirit—these folks—you are leaders in the community. I think that there is an unbelievable opportunity along the entire Gulf Coast to transform some issues that have given us a cause for concern in the past. And the leaders in transforming those social issues, economic issues—guess what?—the people that are on school boards, the people that head up United Way drives, the people that head up every nonprofit—they come from the business sector. That’s you all. The communities will be better off not only because

of what you are and the jobs that you provide, but what you contribute to that community. It is very important. It comes from the private sector. If you will look at any community, any community, the leaders in that community for the cause of good always come from the business community—always come from the business community.

So I applaud you, Tom, for getting this group together, for sponsoring this very important thing, and I know that you have some panels this afternoon that will speak to specific issues about how you can participate in this recovery. I encourage you to take advantage of every one of those, every one of those. This is going to be a unique opportunity that only comes along not in a lifetime, not in a generation, but maybe once every hundred years.

The world is watching. We are all watching. And, incidentally, you will be participating in something also that I think when you talk to your grandchildren you can say, “You know, I was a part of that rebuilding of the Gulf Coast and it is a better life along the Gulf Coast because of my efforts.” I often say that I am proud to be an American for many reasons. But the direction and the spirit of America will be measured in large part by how we deal with hurting souls. Thank you for allowing me to be here.

**MR. SULLIVAN:** We have time for a few questions if folks would like to either speak to these mics up front or there is another mic towards the back. Why don’t we just kind of walk up. We have time for a few.

**MR. POWELL:** Just shout it from the mountaintop.

**AUDIENCE MEMBER:** I will be remiss if I didn’t ask you to name those 10 businesses that you wrote down.

**MR. POWELL:** Will you be competing with me? I don’t have that list with me but it is the obvious businesses. I mean, most of them are service-related. But, look, everybody knows what is happening. I look at sales tax information. Let me give you a little hint. Go to the sales tax people where they publish the sales tax, see what people are spending money on. Everybody has got to buy new furniture. They have got to buy new automobiles. They have got to buy the building materials. Someone has got to construct that. Someone has got to repair those. Someone has got to service those. You know where I am coming from. And it is not all going to be Home Depot, and I love Home Depot. But look at the sales tax. We monitor the sales tax information on all of the counties in Mississippi and the parishes in Louisiana. It is remarkable what is happening. I would go and I would look at the sales tax information.

**AUDIENCE MEMBER:** Can you comment on how the capital will flow to businesses through the Gulf Coast Rebuilding?

**MR. POWELL:** Yes. How will the capital flow to businesses? SBA has several programs. SBA has made in excess of \$6 billion in loans, assistance to small businesses, to individuals, to some fairly large businesses in the Gulf Coast area. In excess of \$6 billion, so that’s the source.

I also talk to a lot of bankers. I am a former banker. Bankers are ready to do it. I spoke to a banking community here in New Orleans about 30 days ago and I encouraged them to take risks. Not abnormal risks, but they are going to have to take some risks. And they are willing to do that because a bank is the reflection of the local economy. If the bank sits on that money and doesn’t do anything with it, guess

what, they are not going to make any money and the economy and the community is not going to flourish. So I think that banks, I think that banks are willing to—I don't think that—I know that—banks are willing to extend some credit to small business.

**AUDIENCE MEMBER:** Can I just ask one follow-up on that?

**MR. POWELL:** Sure.

**AUDIENCE MEMBER:** Given that this is such a unique incident in America where businesses were literally wiped out, most of these businesses will not be able to just obtain another loan. Is there any thinking outside of the box about how to create a capital product that is much different from traditional banking?

**MR. POWELL:** Yes. I think there is some thinking and I visited with some folks in New York about some venture capital money—very frankly, pooling a lot of money, and there is going to be some of that down here. And they are going to pick and choose where they want to invest. And they are going to look at a lot of small businesses. Because let's say for discussion purposes, the fund gets \$500 million and they are going to target certain businesses in this area and it is very important as it relates to—I'm not sure and I haven't looked at your agenda today—but part of that is going to be the ability for you to sell yourself.

That is something that you need to have, you need to have a solid business plan. You need to understand what these people are looking for. You need to have a track record that would be helpful and so

forth. But there is going to be some, there is going to be some fund money down here that is going to come from not traditional sources but from people who are willing to take a risk and, in return, and I am making this up, but let's say—I don't know what you may be—but let's say for discussion purposes you want to start a paint distribution center. And you don't have any capital, and you say you need \$100,000 worth of capital. Well, they are going to take a big chunk to begin with. I am talking about ownership. And I think you have to think outside of the box about how you are going to deal with those issues because I think that it is important to not just reject those that come along. There is going to be some of that. There are going to be a lot of people down here with money.

**AUDIENCE MEMBER:** Can I ask you about the banks? This huge increase in deposits is both good news and bad news; isn't it? I mean because a large increase of deposits coming in because of the insurance thing is good, but it hurts the capital ratio and they have to make loans with that in order to survive. Is anything going to be done for the community banks?

**MR. POWELL:** Yes. Let me just speak to you. Let me just take a different view. I think that it is a good thing. That's like saying, you know, people saying I may be too good looking for this deal. I mean, you have got a lot of liquidity and that is a good, good thing. The capital ratios—every banker wants that problem. I mean, that's a good kind of problem. It is an issue and it is a problem. But they really want that, want that issue. If they are going to have capital problems, they want to have it because of liquidity not because of bad loans.

**“I think that the banking community is going to answer the challenge to extend credit where it is deserving, and they are going to take some risks.”**

**DONALD POWELL**

The small banks—I was an independent banker. There is not a bank in this area—and there are something like 290 banks that were in the devastated area—to my knowledge, and I read this last week, there is not one that does not meet the definition of well capitalized. Now, there are some obviously that have some scars, have some hurts and have some bruises that they have got to deal with. But I know what the regulators are doing and they are encouraging others to assist those. Again, I was at this conference where larger banks were there and they are looking at buying, they are looking at buying some preferred stock in some of these that may have some capital issues, they are selling participations. They are doing some other things to assist them. But I think that the banking community is not going to fail from this standpoint. I think that the banking community is going to answer the challenge to extend credit where it is deserving, and they are going to take some risks. I don't think so—I know. They have got to. Because they are not going to survive if they don't do it. That's a valid point and I appreciate it.

—Yes, sir.

**AUDIENCE MEMBER:** My concern is with the private sector in terms of the private sector insurance industry. A lot of the national carriers are pulling out or basically saying they can't calculate the risk. So I am wondering what do you see in terms of the private / public sector responsibility as far as the insurance sector is concerned?

**MR. POWELL:** That's a great question. That's on our board in Washington. You can come to our board and you can see issues that we have, identifying the issues—we are talking about the private sector, private sector insurance. I have met with the five largest CEOs of the private insurance companies. I get different, different views. Let me just state, one of them told me, and I'm not going to identify him, that Katrina's claims were larger in aggregate than the profits since 1935. So from that perspective, you need to sit back and understand where they are coming from. I mean it is like, again, I am in the banking business and if I loan money to XYZ and XYZ was the largest charge-off that I ever had in the history of my bank, and then walks in the door another XYZ, I am probably going to say we are closed.

But they also understand they have got to get the business. And I've talked to some of my friends in the White House and some other areas about—you know, we had the same issue in 9/11, remember. No one would write terrorism insurance, no one would write that. Do you remember that issue? Do you remember what the Congress did? We may have to give some incentives. I am not saying we will and I am not suggesting that we will, but we are examining how we assist and help and encourage and nourish the private sector insurance companies to

come in here and do that. I have visited with a lot of people down here. I was visiting with one guy that has 50 different operations, 50 different physical operations throughout the South. He can't get flood insurance on the one in New Orleans. And he has offered the company to insure all of these 50 elsewhere. He said I still can't get it. So that sent a very strong signal to me. We are working that. We are talking to them. We are talking to trade associations about that.

Because very frankly, again, if we have all of this housing and no one is going to loan money because people can't get insurance, it is an academic exercise. That's the same issue that someone, and I am glad that no one has asked me about the flood maps, but it is the same thing. It is the same thing about, you know, if I can't get flood insurance and if the flood maps don't get out, I can't go get a building permit, I can't go get a mortgage.<sup>8</sup> And the same thing is true in the commercial deal because I have got some friends who are down here that are in the commercial side of the business—that shopping center, big boxes and all of that stuff. I know what they are paying for flood insurance. I call them and ask them. It is double. And they are going to pass that on to you. So it is a very important issue. And all that I can tell you, and I don't have the answer, but we are working it. We are working very, very hard. Thank you for asking that question.

—Yes, sir.

**AUDIENCE MEMBER:** Mr. Powell, I've heard a great reference and emphasis on community development block grants. But I am from New Orleans, I have been here 30 years plus and I know that there is a great level of political discrimination and favoritism in these block grants. Has your office specifically addressed that political discrimination and favoritism in how these funds are going to be allocated to businesses?

**MR. POWELL:** You know, when I come to the Gulf Coast, I don't [care]...about politics. ...I don't look and first say—I don't say, are you Republican or Democrat, or are you a former elected official, or where you are from? I really don't care. That's the reason that the CDBG money was scientifically, scientifically businesslike concluded. We can tell you how many homes were partially destroyed, how many were 100 percent destroyed in St. Bernard Parish. We don't guess about it, we know. And you do the math. And then the math is X and that is where we went. Now, we had to negotiate a little bit because our friends at the LRA said no, our numbers are this and they had consultants and they said this. So we came together where the differences were. I mean, we have satellite photos. I can tell you who really knows about the damages down here are the private insurance companies. They don't guess, they know. And shame on us if we can't determine that in government. So it was all driven by science.

<sup>8</sup> A layperson's Q&A about the FEMA flood elevation guidelines was published in NOLA.com: [http://www.nola.com/newslogs/tpupdates/index.ssf?/mtlogs/nola\\_tpupdates/archives/2006\\_04\\_12.html](http://www.nola.com/newslogs/tpupdates/index.ssf?/mtlogs/nola_tpupdates/archives/2006_04_12.html). Consult official FEMA sources for current authoritative information.

Now, the way that the law says, the CDBG money is then sent to the governor, not to parish presidents, not the mayor, to the governor. He or she is elected by the people. And as you know the governor has appointed the Louisiana Recovery Authority, and I have been to their meetings and I talked to them a lot about the integrity of that money. I said it should be a straight line. The taxpayer, the governor, the LRA, the administrator, the recipient. It shouldn't be a line like this. It should be straight. And the American people are watching. The American people are watching.

—Yes, ma'am.

**AUDIENCE MEMBER:** Yes. I am an actual local small business owner and I am with an organization that represents over 500 local businesses. I hear you talk about entrepreneurship and bringing in new entrepreneurs. But the business community entrepreneurs that are here now are dying. And we have taken out loans, we have used personal money. We can't do any more and we are hanging on by a thread. How are we going to address the issue of the entrepreneurs who had extremely successful businesses beforehand who are in a disaster situation—we are not in normal market conditions. How do we address that when we need capital money now? We need grant money. We need disaster recovery relief. Housing and jobs have to go hand in hand. We can't, as you said, bring people back without housing and have no jobs.

**MR. POWELL:** Yes. Let me comment on some things. I come from a business background. I was CEO of a bank that came very close to failing in Texas in 1988–89. I understand waking up every morning and wondering if you are going to be able to open

the door. Our numbers were printed on the front page of the local newspaper: "First National Bank of Amarillo today loses \$28 million last quarter." We were dependent upon liquidity. The only thing that we had, as I said, was confidence and confidentiality—confidence that people will keep their money there. So I really understand these issues.

I was talking to a small business person in New Orleans who received an SBA loan—he was thankful for that and appreciative of that. And he said, you know, I got that and now I don't know what I am going to do because I don't have any customers. He was a radiator shop guy. And he said, you know, I am open. I have hired my three people. Our customer base is gone.

I don't have an easy answer except this: the LRA has, and the governor's leadership has approved some SBA grants—small, it is a small amount. And the other answer that I would say to you is say something to your elected official, write your elected officials, be they parish presidents, be it members of the Louisiana Legislature, be it members of the United States Congress, the governor, the lieutenant governor, become engaged in their process. There is not an easy answer *per se* because it is almost the chicken and the egg deal. Once you get the capital, if it is not a grant, you have to pay it back. And most of the people that I talked to are pretty independent folks—they don't want a handout, they want to be able to give back—just a second because I think that it is important.

The other thing that I would say to you—and I talk to small businesses all over the country and, again, I have got a small business in my family. This is just an advertisement—when you get back up—

and a lot of you will get back up on your feet—as part of your planning and part of your business plan—and you can say, well I don't have a business plan, well your business plan is here in your head, all of us have a business plan, sometimes it is not formal—anticipate, anticipate a disaster. Now that's tough to say, but it is going forward and I think that it is important. I can remember not buying insurance, et cetera, and so forth. I would just say, take advantage of every, every government plan there is, state and federal. And at the same time, reach out to someone who has an entrepreneurial spirit. There are a lot of individuals, a lot of entities that I think will be willing to participate in this recovery through the small business. I talked to a guy last night. He said, you know, I have loaned money personally to five different small businesses. He said, I just think that it is important. He said, I think that I am going to get my money back.

—Yes, ma'am, you wanted to follow up.

**AUDIENCE MEMBER:** I completely agree that none of us, at least the group that I represent, we don't want a handout. We have been here seven months. We haven't asked for a handout, but we are seven months into it and it is getting worse. Our sales are going down, not up. People don't trust the levees. They don't know what is going to happen. People aren't coming in. And, you know, for example, for me, I couldn't get the SBA low-interest loan because I didn't flood.

**MR. POWELL:** Because what?

**“There is going to be business in Louisiana. People are going to live here. People are going to spend money here. They are going to send their kids to schools. They are going to buy clothes and they are going to buy goods and services.”**

**DONALD POWELL**

**AUDIENCE MEMBER:** Because I didn't flood, I was in a lucky area. I did have money in the bank, I did prepare for a disaster. I had business loss insurance. They offered me \$1,500 for my business loss. So I did prepare for a disaster. I didn't ask for a handout. I haven't asked for a handout. I have gone seven months trying to hang on.

**MR. POWELL:** What is your business? What kind of business are you in?

**AUDIENCE MEMBER:** I have a home decor art gallery shop on Magazine Street.

**MR. POWELL:** Retail?

**AUDIENCE MEMBER:** Retail. And last week I sold \$100. So I am loaned out. I used my line of credit and I am using my personal money.

**MR. POWELL:** Have you thought about taking in a partner?

**AUDIENCE MEMBER:** If you can get a partner to come in with me with \$100 a week sales, then I will be happy to take them. Anyone want to be my partner with \$100 last week in sales? I will be happy to have you invest in my company.

**MR. POWELL:** I might do that, I might do that. I tell you—

**AUDIENCE MEMBER:** Well, I will be happy to talk to you about it.

**MR. POWELL:** I think part of this situation is the realism of stuff. I can remember when our bank was about to fail, I mean, things were crazy and all and my son just found out that he had a brain tumor and nothing would go right. Every time I thought that we were going to do okay, we were the victim of a kite or we were the victim of another deal. I will just say this to you, I mean, I want to encourage you not to give up. Don't give up and at the same time, you have got to make tough decisions. It may be things, and I am not making this up—it may be that you need to move to a smaller place or you need to look at your inventory—things that you have already done, I am sure, things that you've already done. I will just say with that spirit that you have, you know, and with the encouragement of others and maybe with some working capital coming in there. I mean, for instance, if someone said I want to be your partner, you have got to look someone in the eye and say I have a business plan and we are going to make this thing. I mean, that's part of those tough hard decisions that entrepreneurs make each and every day.

I don't have a good answer, ma'am, I don't really have a good answer other than I have been there and I will tell you at some point in time it turns, it turns. I can't tell you when. I am doing everything that I can. I am doing everything that I can as it relates to when you said the levees, people don't trust the levees. I really want people to trust the levees. I really want people to understand that CDBG money is coming. I talk to people also about their mortgages, they can't make their mortgage payments. You know, they say, well gosh, I can't even make my mortgage payments. I really understand those and I don't have good answers other than at some point in time it does turn.

And I will tell you, there is going to be some business here. There is going to be business in Louisiana. People are going to live here. People are going to spend money here. They are going to send their kids to schools. They are going to buy clothes and they are going to buy goods and services. You know, my heart breaks for you. I just don't have a better answer than that. At some point in time it does turn, but take advantage of every opportunity that you can. Look at your situation. Examine your situation. Look at the alternatives. It is the same things that I did or you did. And I'm sure that you had years in your business when it wasn't very good. Maybe not.

**AUDIENCE MEMBER:** My business was phenomenal. I have doubled the size in three years and it was debt free. I had a phenomenal business. What we need is for you to talk about helping people who need help. And the small business community needs help. We need some interim help until people are willing to come in and invest in the

community. They won't do that until we have an education system, safe levees, an interim period there, where the small business community has to have help so that people who have business plans and are great entrepreneurs can survive that time period and that is what I am looking for.

**MR. POWELL:** I appreciate your thoughts. And I will just say every waking moment that I have, I am thinking about that. I was just telling someone here earlier this morning, I am meeting with 10 business groups. I am challenging them to hire 100 people and send them down here. You know, that's people that are going to spend money. They are going to buy homes and they are going to buy goods and services. Thank you so much.

**MR. SULLIVAN:** Thank you, Don. It is obvious to me that the president is lucky to have Don where he is. You all are lucky to have Don where he is and we are lucky to have him kick off this conference.

### Setting the Stage: The Economic Context for Rebuilding the Small Business Economy

**MR. SULLIVAN:** Our first panel this morning will set the stage for how small businesses can contribute to the rebuilding effort. While I am talking, let's have the first panel come on up. The panel will be moderated by Dr. Chad Moutray, and the panel will focus on the broader economic and urban context of rebuilding. Chad is the chief economist in my office, the Office of Advocacy, and he is responsible for putting together

today's conference. He will introduce the panelists. Please welcome Chad Moutray.

**MR. MOUTRAY:** Thanks, Tom, and thanks to Chairman Powell for excellent remarks and an excellent Q&A session there. As we begin our first panel, we ask that all of you, participants and attendees, actively participate in today's discussions, and so far I don't think that is going to be an issue. But today is only a start. We hope that you will stay in contact with each other and continue discussing these important issues. One of the things that I want you to take—start talking about or thinking about—are these four items: First, the role that entrepreneurship can play in moving individuals and communities to economic health; second, how small businesses and local entrepreneurs can connect with institutional customers like larger businesses and government; third, the business case for larger firms to make a deliberate effort to reach out to local entrepreneurs and small businesses; and, fourth and finally, the elements of a policy environment that enable entrepreneurship and innovation, whatever the socioeconomic conditions of the entrepreneur.

This first panel was designed to give each of you a framework for the rest of the discussions that will take place today. Many of you took the tour of the devastated communities yesterday, and if you are like me, you were completely—it was a depressing tour—but I think that it was a sobering tour for all

of us to be able to have today's conversation. This panel will discuss those challenges that await all of us. But it will also highlight the many opportunities that await the small business community and the region.

We will lead off first with Loren Scott. Loren Scott is former chair and professor of economics at Louisiana State University where he is now an emeritus professor. He is also president of an economic consulting firm, nicely named Loren C. Scott and Associates, and he is in much demand for his analysis of the economic development of the Gulf Coast region, especially in Louisiana.<sup>9</sup> He recently wrote an article advancing in the aftermath tracking the recovery from Katrina and Rita, from which his remarks will be taken today.

Our second speaker will be Doug Gurley, state director of the Mississippi small business development centers.<sup>10</sup> His SBDC network provides small business counseling and training and other services statewide. He is currently on the Association of Small Business Development Centers, ASBDC, accreditation committee and has served two terms on the ASBDC board of directors and bylaws committee.<sup>11</sup> He is also a former small business owner, having co-owned convenience stores, a furniture store, a mobile home business, and a construction business, which I suspect would be very helpful right now.

Deborah Tootle is a rural sociologist at the Louisiana State Agricultural Center and she is the director of the Louisiana Center for Rural Initiatives and an associate professor in the Department of Agricultural Economics and Agribusiness at LSU.<sup>12</sup> She is the program leader

<sup>9</sup> Loren Scott Associates, <http://www.lorencottassociates.com>.

<sup>10</sup> Mississippi Small Business Development Centers, <http://www.trncwashdc.org/sbdc2-25.html>.

<sup>11</sup> Association of Small Business Development Centers, <http://www.asbdc-us.org/>.

“...today is only a start. We hope that you will stay in contact with each other and continue discussing these important issues.”

CHAD MOUTRAY

for community and rural development at LSU. And she began her rural development career when she became a Woodrow Wilson World Policy Fellow in 1998. She has written extensively in the area of rural economic development, focusing on rural development strategies, ethnic minorities, and economic well-being in rural areas.

And, finally, our last panelist will be Tim Williamson. He is the president and co-founder of the Idea Village.<sup>13</sup> The Idea Village is a public/private partnership focusing on accelerated growth in entrepreneurial companies in New Orleans, and he has created a number of strategic partnerships to support entrepreneurship. Tim Williamson, a New Orleans native, returned to New Orleans in 1998 after successful stints in Atlanta, Boston, and Pittsburgh. He, for instance, began his career as a vice-president and financial advisor at Bear Stearns in Boston. In New Orleans, he has worked for Cox Interactive Media, where he became regional general manager, overseeing five Internet markets. He oversaw the initial launch of inside-neworleans.com. Tim has served on the Louisiana

State Small Business Task Force and was named as part of the City Business Power Generation in 1999, the Gambit 40 Under 40 in 2004, and a Junior Achievement Rising Star Award also in 2004. Please welcome each of these participants to the stage, where they are already here. Each will speak for around 10 minutes and then we will have time for Q&A at the end. First off we'll go to Loren Scott.

**MR. SCOTT:** Good morning. ...By the way, I was introduced as professor emeritus. Emeritus, most of you know, is a Latin phrase that means small interior office. I want to share with you what my job is, as I appreciate today, to show you kind of four areas that were hit by these storms, Katrina and Rita, and show you kind of what is going on there and what our outlook is for them right now. I will tell you that our forecasts—the best way to describe them is fluid. They are changing all of the time as we get new data coming in. ...So I am going to share these with you.

Let's talk a little bit about New Orleans. You can see the population of the bowl here, let me get my pointer out. Those of you who are not familiar with this area, I know most of you are, these are the four parishes behind the levees essentially, 1 million people, and then you have St. Tammany out to the east, St. Charles, and St. John the Baptist out to the west, 1.3 million people evacuated out of this area—which if you think about it for just a moment, was an amazing feat. I know most of us

were focused on what we saw on TV happening at the Convention Center and at the Superdome but this was really an amazing economic feat to move these people out of the harm's way. ...

Of course, one of the most—as Don mentioned, levees, levees, levees, housing, housing, housing. The people that I talk to at the National Association of Home Builders tell me that there were seven times more homes destroyed by this particular hurricane than any other national disaster in our country's history. And as you can see here, these are some.<sup>14</sup> Of course, even the housing data are fluctuating and fluid as we know. These are the second round of Red Cross data out. As you can see, statewide, about 473,000 homes impacted—these in red here, the destroyed and major damage are the ones uninhabitable. And as you can see, if you kind of did your quick math here, about 92 percent of those homes were in the New Orleans metropolitan area.

These storms, if you kind of look at the recent employment data, what you are going to find is—those of you that have been around here a long time know about 1982 to '87, the worst recession that we ever had in our state's recorded history. That was scattered out over a long period of time; it hit all areas of the states the same. These storms were not like that. These storms—everything is really honed in like a rifle on one area and that's the toe of the boot, and that is New Orleans. Most of the other areas of the state are actually doing quite well right now.

12 Louisiana Center for Rural Initiatives, <http://www.lsuagcenter.com/en/communications/publications/agmag/Archive/2005/Fall/LSU+AgCenter+Launches+Center+for+Rural+Initiatives.htm>.

13 Idea Village, <http://www.ideavillage.org>.

14 National Association of Home Builders, [http://www.nahb.org/reference\\_list.aspx?sectionID=843](http://www.nahb.org/reference_list.aspx?sectionID=843).



Insurance implications: once water is in a home, of course, flood insurance—homeowner’s insurance is no longer is applicable. We had a townhouse here in New Orleans that had four and a half feet of water for about four, five weeks. We got a little bit of insurance for our roof but the rest of it, we had to rely on flood insurance. Of course, flood insurance paid the lesser of 80 percent of the depreciated value of the home or \$250,000. So if you were like most people in this room and had a \$500,000 home, and you had \$50,000 in equity in it, you got \$250 grand. Well, you have got to come up with \$200 grand to rebuild your house. And there are a lot of houses in New Orleans that are exactly like that. And then, of course, a lot or many of the homeowners had no flood insurance at all.

And, of course, there are evacuees who lived across the street from my house. One of them was a dentist who operated here in New Orleans—and he called his facility—and got flooded. And he called his insurance people up and said I need my business interruption insurance. And they said king’s X, once flooding gets into your business, business interruption insurance no longer applies, which was an interesting little experience for him to go through. And you think of all of the small businesses in the area that had to deal with that particular issue. Of course, the debris removal, stricter building codes that are under way.

Now, Mr. Powell mentioned this problem about the base flood elevation. We still do not know what the base flood elevation is supposed to be for, I guess, as I understand, Orleans, St. Bernard, and Plaquemines parishes. Now the government has said, you know, if you’ve already got a house, it doesn’t matter—you can rebuild to the present level and you will still get insurance. The problem

is, nobody believes them. And so we are still waiting for those base flood elevations. And then the problem of getting a mortgage when the levee system is still questionable.

Basically, what all of these problems mean is that the recovery effort here because of the flood waters is moving very, very slowly—way different from what you normally expect when you see a place that has had a natural disaster. And I will show you a place that had a natural disaster in just a minute. This is probably the ugliest picture that I will show you. We were doing forecasts. As a matter of fact, I had printed off a copy of the Louisiana Economic Outlook August 28. Really. I had finished this 100-page document August 28 and had printed it out when my cousin called me and said, have you looked in the Gulf lately. And I said no. And I looked in the Gulf and I said, oh shoot, or some variation of that word. And, unfortunately, I did not print off those 100 pages on a really soft graded paper. If I had, it would have had some use. ...

Anyway, the bottom line is, I mean, here is the terrible news right here. Right now, and again our forecasts are very fluid, right now we are arguing that in 2006 the MSA will be down about 190,000 jobs. As you can see here, that is about where the metropolitan area was in 1975. So about three decades worth of employment have dropped out of the picture. Now these are the data for January. Now I had to send my slides into Chad about a week ago—since then the February data have come out. But in January, you can see here, well you probably can’t see for some of you. Eyesight is the second thing to go as you age. You can see the change in employment year over year was 197,500. If you

**“...the recovery effort here because of the flood waters is moving very, very slowly—way different from what you normally expect when you see a place that has had a natural disaster.”**

**LOREN SCOTT**

kind of look down, one of the things that is kind of interesting here, this is a minus 32 percent drop. A third of the jobs went away. The only area that has a positive number here is the natural resources and mining—this is oil and gas extraction primarily. But if you look at the size of these percentage changes, with the exception of the bottom one—can you see that? Isn’t that kind of interesting? The private sector responded very quickly laying people off. The government sector only down 12 percent compared to 32 percent for the economy as a whole. By the way, again, the February numbers just came out. And the February numbers, this number is now minus 186,000.

So the economy, actually things are recovering here a bit faster than we had expected and that is really good news. It is going to be very interesting to watch what happens for the rest of the year and see how well the area comes back. ...

This is the Lake Charles metropolitan area now. What is interesting here about Lake Charles is Rita—its eye came just to the west of Lake Charles. And, of course, if you are on the east side of the eye, you are in big trouble. They had a lot of very, very bad winds but they didn't have standing floodwater in Lake Charles. And guess what is happening? As a result, what normally happens when you have a natural disaster, the next year or shortly after that, the economy rocks and rolls. And the reason for that, you have all of this insurance money coming in there and the construction sector really takes off and it causes the economy to do even better than it had before. As a matter of fact, you can see in blue what our forecast was for Lake Charles, was for Lake Charles pre-Rita, and here is what it is post-. And right now if you look at the latest January data, actually Lake Charles has more people employed today than it did pre-storm. And if you look at the reason for it—what it is—the natural resources/mining/construction is up 33 percent, exactly what you normally expect in these circumstances. As a matter of fact, the February numbers that came out, this number still remained at 1.5 percent. . . .

Now if you go over to Mississippi, you are going to notice something here about Mississippi, of course, the water surge in some cases in Mississippi—well, I was speaking to a group of bankers, one of whom owned a place over in Diamondhead who said it looked like the wave surge was measured about 28 to 32 feet where he was. So this really hammered that area badly. If you look at the second round of Red Cross data here on the statewide and look at the numbers for Mississippi versus Louisiana—the numbers for Mississippi versus Louisiana, about half the size. Part of the reason is this is about a half populated area as compared to what New Orleans was.

And as you can see, the Biloxi-Gulfport area here about—what?—two-thirds of the really uninhabitable homes were in this particular area. So it is really isolated right there. If you look at their non-farm employment—this is January—they are down about 20 percent. And you can see, the construction sector is the one area that is really up strongly. Now, but you will notice one major difference between Biloxi-Gulfport and New Orleans is that all of the hospitals were open—about half of the ones in New Orleans are; all of the public schools are open—about half of the ones in New Orleans are.

If you look at Harrison and Stone sales tax collections, they are up markedly. Hancock is the only one that is down. Port traffic is about 45 percent of pre-Katrina and airport traffic is very near full recovery. Now, what is important for this area is this: where about 13 casinos were located—actually 12 were located there and Hard Rock was about to open up, making it the 13<sup>th</sup>—they completely shut down and now you have, I believe, three of them open. Now what the State of Mississippi did is, they passed some legislation, House Bill 45, and enabled the casinos to rebuild off riverboats and on land, I think within 80 feet of the high tide line. And let me tell you something, they are rebuilding casinos, they are going to build some mother—that's a technical economics term—big mother casinos there. And it is going to happen fast because this is private money and there is a lot money on the line and they are going to be coming back much faster, I suspect, than New Orleans because of this. So as a result we have, you can see here, the Biloxi-Gulfport area coming down, really bringing them to where they

were in 1993 and then coming back pretty sharply in the next year because of the return of the casino area—but still staying below where they were pre-storm, which is back in this area here.

Now when you get to Pascagoula—Pascagoula was a little bit further to the east—because of Katrina, about the other third of the really badly damaged and destroyed homes were in this particular area, and they got hammered pretty hard. But you will note, they are kind of like Lake Charles. There has been a major recovery back there in that particular area. If you look at why, the construction sector is up 27 percent—exactly what you normally expect in the face of a natural disaster. All of the hospitals are open in that area, all 21 public schools are open. I bet they never forecast this was going to happen, that is what I would bet. Sales tax collections in the MSA are up 62 percent; in Jackson County, it is up 68. Jackson is the one where Pascagoula City is actually located.

Now this is a weird picture. This is a picture of employment in the Pascagoula MSA. It has these wild fluctuations because the largest employer there is Northrop Grumman Ingalls Shipyard which has, I want to say, between 12,000 and 13,000 people.<sup>15</sup> If they get a federal contract, if they lose a federal contract, that's kind of what is going on there. And actually, we are expecting them to pop up pretty quickly and recover and to do quite well over the next couple of years.

That gives you kind of a quick overview of what's going on in these four areas. And I will turn it over to our next speaker.

15 Northrop Grumman Ingalls Shipyard, <http://www.ss.northropgrumman.com/company/ingalls.html>.

**MR. GURLEY:** Good morning. I am here to speak about opportunity. When Katrina hit, the MSBDC program, Mississippi Small Business Development Center network, in association with our national association brought in 43 out-of-state counselors to work with people of small businesses in our state.<sup>16</sup> I have been down on the Gulf Coast almost every week. I have been to New Orleans several times and I have seen the devastation. But what I have always seen is that we have a great opportunity here—not to rebuild, but to transform.

In Mississippi, our entire coastline was hit. There are places in Waveland where I can stand and look a mile and a half and there is nothing. So the houses have been knocked down. I see an opportunity in Mississippi—our manufacturing was leaving the state. Now we have an opportunity—our unskilled workers are working down there to rebuild and doing roofing, rebuilding houses, things like that. But as time goes by, we have an opportunity to come in and rebuild our infrastructure and go more high tech. Having been raised in Mississippi, a lot of the things that I have seen—we are 49th and 50th in a lot of things. For once, we have an opportunity to rise to number one or number two or number three. We lost over 60 percent of our small businesses. We have an opportunity to attract businesses that are high tech, to bring them in, to bring higher paying jobs. This won't happen fast. It is going to take us five to 10 years to do this. But we have a chance to control our destiny and not rebuild the way we were but let's go to a higher plane. Does that make sense? We have this opportunity. We can be proactive. We can do this.

In Mississippi, as I go down there, there is a problem in that the small businesses that are trying to open back up, there are no customers and there are not any employees—they have to travel in. So I see things where it is going to take us a long time to do this. We are going to have to just settle in and make it happen. It is not going to be a quick fix. Thank you.

**MS. TOOTLE:** I am very pleased to be here this morning, and I am also very pleased to be the voice of the rural Gulf Coast this morning. I want to talk to you a little bit about the challenges that are facing our rural communities and rebuilding their economies after the hurricanes. And notice that I said hurricanes and I appreciate the fact that Loren talked about both Katrina and Rita, because for a long time now people in southwest Louisiana have been complaining about what they call Rita amnesia. They are afraid that everybody is forgetting about people that were hit by another hurricane.

I want to talk about three things this morning. I want to tell you a little bit about the impact of the hurricanes in our rural areas. You are going to see some things that are very similar but there are also some differences in the rural areas. I want to talk about entrepreneurship in general in rural areas and the challenges that rural areas are facing. And then I would like to bring those two together and talk about the role of entrepreneurship and the long-term recovery of our rural areas.

As I mentioned, people are talking about Rita amnesia, and they are talking about it more and more in the recent months. And recently U.S. Representative Charles Boustany from southwest

Louisiana talked about some of the small towns that were hit hard by Katrina and Rita. And one of the things that he said was that these are small towns that were equally devastated. And he means they were equally devastated to the devastation that we are seeing in New Orleans. Holly Beach, and this is a quote, “Holly Beach looked like Nagasaki after the atomic bomb.” And I was there, I agree with him. Is it was unbelievable. It looked like a bad movie set. And he complained that they are not getting much national attention.

Well, he could have been speaking for the entire Gulf Coast, not just the southwest Louisiana coast. And granted the focus on Katrina is warranted because of the huge amount of damage here, but we need to remember that there are other places along the Gulf Coast that were equally impacted by these storms that came through. And this means small towns and communities all of the way from the panhandle of Florida to the east coast of Texas. It includes St. Bernard, the areas that you saw yesterday, it includes Plaquemines Parish. And those communities that were sitting on the coast, especially the Mississippi and Louisiana coast, were destroyed primarily by the extremely high tidal surges that came through these areas with Katrina and Rita.

And let me tell you a little bit about what happened in some of these communities. The water rushed in with such fantastic speed and with such force that it completely gutted homes and businesses, where homes and businesses are still standing. You saw a little bit of this yesterday, if you went on the tour, and those places where the water breached

<sup>16</sup> Mississippi Small Business Development Centers, <http://www.trncwashdc.org/sbdc2-25.html>.

**“In Cameron Parish, which was the hardest hit area in southwest Louisiana, the community was literally wiped off the map.”**

**DEBORAH TOOTLE**

the levees, it came through and it just took everything out. We saw churches that had nothing in them. We saw homes wiped off of their foundations. In the Mississippi Gulf Coast, all you see, and it is like you said, you can see and—you can go to Waveland and you can see forever now, and there are just little piles of rubble here and there that used to be homes, that used to be businesses.

In Cameron Parish, which was the hardest hit area in southwest Louisiana, the community was literally wiped off the map. We can't even find houses down there—the buildings were washed away so far. I have a colleague who lived in Cameron Parish; his family lives there also. After the storm was over, he went to see the damage in the house. He couldn't find his mother's house. He couldn't find his sister's house. He went back. He got an airboat and a GPS system and went looking for them. He found his mother's house two miles into the marsh. His sister's house was five miles into the marsh. These houses had so much mud and marsh grass in them that he literally walked through the house with his hands on the ceiling to balance himself. And these are not unusual stories. This is what happened down there. This is the norm. It is incredible.

And not much progress has been made in rebuilding these communities. In Mississippi, they have just recently closed a lot of the tent cities where people were living. FEMA has just recently stopped paying for the hotels for hurricane victims in Mississippi and Louisiana. And in many cases, Louisiana towns had to reopen shelters to house some of these victims. And a lot of the victims from rural areas we know are living with friends and families in other parishes north of the state. As a consequence of this severe wind and water damage, the rural towns and communities along the northern Gulf Coast have lost homes and businesses.

Now, let me tell you something about the industries that are suffering the most right now. The seafood industry, the infrastructure for the seafood industry was virtually wiped out. It is gone. The poultry industry—the houses were destroyed. The timber industry—timber is the number one agricultural commodity in Louisiana; it is also very important in Mississippi—most of the timber is unharvestable at this point. The dairy industry was hit. At this point, I think that there is only one dairy in southeast Louisiana that is opened up again. Agronomic crops in both states were hit hard. In southwest Louisiana, the rice farmers are only going to be able to plant 40 percent of their cropland this year because the salt is so heavy in the ground. If you were on the same bus tour that I was on yesterday, you heard that the soil in St. Bernard Parish was saltier than sea water. That's what we are seeing in southwest Louisiana. And until the Christmas holidays, people out there were still finding things like deep sea fish, rays and small sharks in their fields. That tells you how salty it was.

Tourism was hit very hard. We see it is picking up in New Orleans and the Gulf Coast area, but in the rural areas where they depended a lot on natural resource-based tourism, it is going to take a very long time for that to come back. The oil and gas industry and small businesses, especially retail and service businesses, are suffering because they can't get workers in. And you have heard that several times already and I can't emphasize how important it is. The housing isn't there. When the housing isn't there, the workers can't come back. And so those are the hurricane-related challenges that we are facing in rural communities.

But these are not the only challenges that rural communities are facing in terms of small business. So what are those other issues that we are talking about? Well, when we talk about entrepreneurship and enterprise development in rural areas in the south, we are usually talking about microenterprises, and we are also talking about a tremendous amount of diversity among our entrepreneurs. And when I am talking about entrepreneurs, I am using the same definition that the Corporation for Enterprise Development defined or used. They defined entrepreneurs as people who create and grow enterprises, and this is a really good definition for the rural South because it covers a lot of different economic conditions.

There are other problems relating to rural areas and they are primarily problems that are related to population. Rural is a population definition. It is a population concept. When you have small populations, you don't have many clientele for your businesses and you don't have access to markets and there are several other problems that rural areas are

dealing with. Rural areas are frequently not able to provide those key bridges to the business world that are so necessary for success, such as networking, incubators, mentors, financial assistance.

So what does all of this mean for long-term recovery? Well, we know that low-level microentrepreneurs really can bring in—and these are the type of entrepreneurs that we do see primarily in rural areas—we see the aspiring, the survival, the lifestyle entrepreneurs. They really can have an impact in rural areas. But as we go through this rebuilding process, we are going to have to do more than help redevelop the built capital in these areas. We are going to have to rebuild the human, the social, the cultural, and the natural resource base of these devastated communities. Because entrepreneurs need a supportive community environment to survive and they also need the assets that are in these communities to build upon. I can't emphasize this enough: the assets and the supportive community environment. We need to be able to focus on regional growth. We have to be able to increase our sources of financial assistance. We heard that this morning.

And we have to remember that entrepreneurship is a process and it is not just an individual process—it is a community process. Research shows that entrepreneurship education alone is not enough. Education is necessary but not a sufficient condition to promote entrepreneurship as a rural development strategy. We are going to have to develop capacity for growth, development, and

support for our small businesses. And this is going to be a real challenge in rural America and the rural South and the rural Gulf Coast area.

It is going to be difficult but there is help available for rural communities. It is help available from all of the sponsors that you have heard here. The cooperative extension service and the land grant universities in all of our states have community development programs that also focus on business development, and the USDA rural development office in every state can also provide assistance.<sup>17</sup> It is going to be difficult but it is doable. Thank you.

**MR. WILLIAMSON:** Good morning. My name is Tim Williamson and I am the president of the Idea Village. And I remember when Chad called me up and said what we want to talk about and would love to have you come here. I think that I was probably in the streets of New Orleans trying to find some entrepreneurs and help them really figure out where they are. But I want you to see where my viewpoint is. We are in the trenches.

The Idea Village is an independent nonprofit. I've started six different businesses in four different cities and we started basically in a bar six years ago—five entrepreneurs saying, how do we help each other? And at the end of the day, our job was to try to find entrepreneurs and do four things: consult—you know, find strategies, strategic advice and help them get through situations. Second, identify resources—what do you need to get things done—mentors and expertise. Find capital: loans, venture capital, angel capital. And the last thing is therapy.

“...we have to remember that entrepreneurship is a process and it is not just an individual process—it is a community process.”

DEBORAH TOOTLE

We are basically in the therapy business—helping them go through the ups and downs of going through—helping entrepreneurs.

Before Katrina, we had over a thousand entrepreneurs come to us. We assessed over 400 of them, their exact ideas, and created tailored programs to help them get through and accelerate their early stages of development. Obviously, since Katrina, things have changed. But before this, I want to make it clear, it wasn't easy being an entrepreneur in New Orleans before Katrina. There are still a lot of challenges and this is one of our entrepreneurs who basically, you know, I feel like a salmon swimming upstream about to spawn eggs and die. Starting a business in New Orleans or running it was very difficult. And one point I want to make—there are incredible organizations in Louisiana that were probably underfunded. And you really need to find a way to build an infrastructure to support entrepreneurship. Before, there were a lot of incredible organizations, people really fighting

<sup>17</sup> U.S. Department of Agriculture, Rural Development, <http://www.rurdev.usda.gov/rd/disasters/Katrina.html>.

a good fight. And I think that, you know, if 20 years ago we would have made a significant investment in supporting entrepreneurship, we might be in a different situation today. But it was hard before. So anybody who was here—an organization as well as an entrepreneur—should be applauded, in my personal opinion.

This is post-K. And if you are an entrepreneur, you probably know what I am talking about. It boils down to insanity. It really has been trench warfare out there. So if you were able to come back to New Orleans and start a business, it is to me incredible. You did it on gut instinct. As one person in the audience said, you had to take out loans, you had to find employees, it really is probably the most incredible experience that anybody can go through because there was no handbook, no guidance. There is no one telling you what to do, you just did it because you had to.

And we are every day talking to these people. And when I say therapy is the most important thing, it's because these individuals are going through something that most people in the country have never gone through. And there is one thing through this conversation—I think we need to focus on the individual and the entrepreneur.

Our strategy was simple. Right after the storm, we huddled up in Baton Rouge—and what do we need to do? All of our entrepreneurs in our book were displaced, so we basically said we have to do four things. Search and rescue—where is everybody? We really tried to find this database of entrepreneurs because they were displaced.

And it really started out with an individual in Baton Rouge that says, Tim, how can I help these entrepreneurs? They don't need consulting. There is no advice that I can give them—they need cash. So we actually created this thing called the Idea Business Relief Fund, just providing cash grants. And we raised some money from private sources, and most of these were ex-pats. I just said, you know, raise some money. And we provided what we called “triage funding.” This was in September. We thought, okay, if we get through September and October and November, we ultimately would have the loans and the insurance and all of these funds. I didn't think I would be here in April talking about the same conversation. But we decided to come up with what we call “triage grants.” You know, give you \$2,000, \$5,000, some type of capital to open back up because this is in September, October, and they needed to buy equipment; they needed to do something to get open. So, we had over 500 applications come to us. We've awarded over 100 different grants. And we actually tried to get them restarted. But the great thing about it is, these guys used these monies for entrepreneurial efforts. And we are still trying to find more cash, obviously, because we think we need it.

The next piece was basically recovery. And we were fortunate to have our universities come back on line, and John Elstrott's Tulane class—the Rebuild New Orleans class—and really starting to engage students and MBAs in the recovery and expertise process. Because helping people with cash is one thing, but they need advice and strategy right now because they really are overwhelmed.

And the last piece is rebuild and stuff that we will talk about down the road at the end of this. But there is an opportunity here. We need to recruit and retain our talent here. We need to pair them up with our businesses. But as we talked about, the next 10 years can be a very interesting time in New Orleans.

I am just going to talk about the top 10 thoughts and these are just thoughts—anyone can challenge them. But things that I have seen out there in talking to over, I guess, 500 entrepreneurs and really every day. But it really has been the “ready, fire, aim.” Ready, fire, aim, meaning I have seen the difference between an entrepreneur and a small business owner. Kappa of Slim Goodies, I was with her two weeks after the storm.<sup>18</sup> And when the mayor said come on in, she opened up the first restaurant in New Orleans. If you can imagine that—no one is in town, there is no electricity, you can't drink the water. How do you start? There is no guidebook—there is instinct. She went to Wal-Mart, bought a fryer, came down and got some water from someplace and she started serving hamburgers to everybody in the street. And I mention this because the community has changed. And ultimately, if you are an entrepreneur, you have to sell something to somebody that needs it. That's your job. And the people who I have seen do a great job have become the true entrepreneurs because—what do people need in New Orleans right now?—and sell it. If you are selling something that someone doesn't need, there is no loan or grant or expertise that I can give you—you have to identify what people need. They needed hamburgers in September. I think her restaurant is doing better than ever.

<sup>18</sup> Slim Goodies Diner, <http://slimgoodies.com/home.htm>.

But she identified a need. But it was all about that entrepreneurial gut instinct.

The second is this: where is Tonto? If you are an entrepreneur, you are a lone man now, you are the Lone Ranger. And if you think about this, we went around and they are basically sweeping, they are doing all of the work. Loretta Harrison, who owns Loretta's Pralines—we went up there right after the storm and she is the oldest praline company in New Orleans.<sup>19</sup> She was packing all of the boxes, she was calling all of her clients. Every entrepreneur is by himself right now. Their employees were displaced, their managers, all of their networks are gone. And I tell you, the fact that what these people have gone through by themselves—it was gut, it was impassioned, probably doing for their family, for their employees. But their homes are gone and their employees were gone so I want to focus on the fact that they are all by themselves right now. So any type of support that you can give through a network or mentoring is incredible. But the people who are fighting are fighting.

Third of all, peel the onion. The issues that we are really going through, other than capital, is dealing with their employees. It is a different mindset when you have a group of people that are working for you. In the past—why aren't you hitting your performance?—something must be wrong. They have their housing issues, everyone has so many issues. So we are really trying to focus on how do you help really manage your employees now. There are so much more complex issues in dealing with employees. And as a manager of people, I don't

know—when they come in and they are in a bad mood—is it because their house is flooded or the mold is growing up? But the entrepreneur has far more different issues now than before Katrina, and this is dealing with people. And you guys know, the key to a business is the people that work for you or in your team. And we really thought about the concept of how you actually help people manage a team through this process. And at the end of the day, you have to be their friend. Employees need friends.

Now—something that you have got to think about if you are running a business—we call this the Katrina diet. At the end of the day, Katrina has actually afforded some businesses an opportunity to be more lean and mean and focused. And Katrina was a horrible situation, but I have seen some businesses actually realize, I don't need to do these 10 things. I don't need 25 employees to do this certain task. And it really forced businesses to be focused and it is something—an exercise we all should do. But, you know, we take out the trash—you should do everything that you need to do. But how do you save as much money as possible? But I have seen some businesses really have to rethink what did they do, why do you do it, and what people do you need to perform this task. And this is, once again, where the expertise and mentorship really comes in, because it is not just about selling your product, it is really about how do you run a more efficient business.

Five week plan. You can't have long-term planning. You have got to focus your team on really direct focused goals. And that's what we are asking people to do, just get through the next couple of

weeks, but you have got to keep your team focused on the days ahead because you can't say 10 years from now where we are going.

The new buzz word is portability. I think someone said earlier that you need to be prepared to evacuate maybe one or two times a year; that needs to be within your budget; you need to communicate that to your clients. Because if you are not prepared, you are going to get stuck again. And if you are selling to someone outside of the community, they need to know that you are prepared and you need to budget for this type of portability—so technology is actually increasing some businesses.

Change does equal opportunity. As people will talk about, I think that you are going to see some interesting opportunities in retail. The bank deposits are increasing. You need to be selling something to somebody that they need and there is tons of money in the sidelines. The second thing that I think is interesting is disaster management and it may be crazy, but I have seen companies start to solve our problems. You know, New Orleans exposed a lot of issues public and private, university science in terms of managing through a storm. I would bet that the best growth industry coming out of New Orleans would be disaster management and solving situations, and taking these companies and going all around the country. So I think that we have created an opportunity.

Someone said that the ducks and sharks are coming. Opportunists will be here. There are a lot of people who are saying this is going to be a great city and investors are coming to New Orleans. So be prepared—focus on the locals, but there are going

<sup>19</sup> Loretta's Pralines, <http://shop.store.yahoo.com/lorettaspralines/>.

**“I would bet that the best growth industry coming out of New Orleans would be disaster management and solving situations, and taking these companies and going all around the country.”**

**TIM WILLIAMSON**

to be a lot more people coming here to do more things. But we have got to prop up the locals to be positioned for the growth here in New Orleans.

Anderson Cooper. I think that the media exposure is here. We couldn't get stories about entrepreneurs before, but now I start to see these stories on CNN and *The Wall Street Journal*. But if you are in a good position, I think that you have got the media supporting you.

And the last two things are basically remember October of 1987. At this point, you know, when things are the worst, when things are horrible, you see opportunity. There is one group called the Imagination Movers who basically created a CD for kids right after the storm focusing on helping kids get through the storm. They just signed a big deal with Disney because of their efforts. But it is hard right now. But the people who survive this effort, I think that there could be a 10-year process going forward.

What I would like to end with is what I think we need. Entrepreneurs need expertise and resources. We are working with Tulane and others to try to focus on keeping students here and recruiting talent here. But what they need is access to networks and expertise to help people get through this time. They need capital. You know, whether it is loans, grants or venture capital, we need to get capital quickly in to these entrepreneurs. They need facilities that help bring a community together. They need to know the rules. We need to know what the playing field is because these are risk takers. And then these people need to get out of the way. You know, let entrepreneurs do their thing. At the end of the day, this is what Leah Chase said: I am going to stay on the battlefield until I die.<sup>20</sup> This is the spirit. And entrepreneurs—those are the people that we need to bet on. And if we do this, we will be a model for the country. Thank you.

**MR. MOUTRAY:** So we are running a few minutes behind but I am going to take a couple of questions. But I do want to remind you that we are recording this session so if you have a question, please announce who you are and ask a question. So do we have any questions? We will take a couple of questions here for the panel.

**MR. ROBINSON:** Jeff Robinson, New York University. I am not sure who exactly will answer this one but feel free to choose. Tim will probably take on a part of this too. The one thing that I haven't heard said related to the recovery effort is perhaps a role for what we call social entrepreneurship—no one has said that. And just sort of to set the stage on

that, some people think, all right, if we are going to only rely upon what we will think of as traditional entrepreneurship, there will be a lot more sharks than there will be ducks—something in between the government or nonprofits and the private sector that is only looking for profits. Is there something in between, or are there efforts that are going on here that we should know about that represent what I would think about as social entrepreneurship? Maybe Tim knows something about that but if there are others, certainly chime in.

**MR. WILLIAMSON:** I think—and maybe it's the social entrepreneurship that you are talking about—there are certain individuals who really have that entrepreneurial spirit, but they are doing it for the greater good too, and not just profit. Something that we are seeing, we have seen a huge excess of ex-pats leaving New Orleans, as you guys know, and going all over the country. But since then, there has been a lot of interest in people wanting to return and get involved. And we have been talking in partnership with Tulane and others about how do you actually recruit some of these social entrepreneurs back. Because getting involved or helping a business is a wonderful effort. You might not need to make money, but this is a laboratory and opportunity to do things and learn things that you have never done before. The charter school system, you know, we have had entrepreneurs come to say how do I—I mean, starting a whole new public school system is incredible. But we need talent. So if you are somebody saying that I want to get involved and I want

<sup>20</sup> Leah Chase, co-owner of Dooky Chase restaurant, <http://www.globalgourmet.com/food/egg/egg0197/chase.html>.



to get involved more socially in an entrepreneurial way, we have got businesses being restarted, school systems being restarted, everything is up for grabs. What we need are the people. And I would suggest coming here and getting involved, because there are a lot of people rebuilding the city, but we are looking for the talented to really participate. So I think that you are right on. And I think that it would be the greatest laboratory for anybody in the next couple of years to participate.

**MR. MOUTRAY:** Do we have another question?

**MS. LEWIS:** My name is Marianne Lewis. I am also from Second Wind NOLA, which is an organization of small businesses based here in the New Orleans region.<sup>21</sup> We have got about 500 businesses currently signed up. And also Tim, it just so happens that all three of the businesses that you mentioned are our members. I am a good friend of Kappa's and even though she did very, very well in the beginning, she now says that she is slowing down because it is a trickle-down effect. The people who were flocking to her business now are either going back to where they came from or the local people, because their own businesses are suffering, can no longer go out every night to eat. Everybody made an effort when they first got back to shop at the local stores and eat but now we just can't afford it. And there is a feeling among the small business community that we are expendable—that, you know, we are focused on having the large corporations and, you know, we talked about—or Mr. Powell talked about—partnering up. Well I own a dress shop and I'm not probably

in that niche that I am going to find a partner who is going to save me. And say that one of my members is the oldest kite shop in North America—he is not necessarily going to find a partner who is going to save him, but he is a valuable resource to this city—he is what makes New Orleans special. So how do we ensure that these unique small gems that make New Orleans what it is can survive without—I mean, people do not want to talk about federal grant money but they used it in New York—they thought it was a valuable tool to keep small businesses in New York—and why are we not worthy of it? And that is, I think, that is the unspoken question that needs to be asked.

**MR. SCOTT:** I don't think that was asked of this panel, that was really a question for Mr. Powell; wasn't it, not for us? If I understand what you are saying, you are repeating what your next door neighbor just said too and that is a question for Mr. Powell and not for us. I think that everybody on this panel is very sympathetic of what you are going through.

**MR. WILLIAMSON:** I think what you guys are doing is right on. It is galvanizing the community, because the small business community never has really been a voice. I think what you guys are doing is right on because we have to save you guys. You have to save the people in the small businesses or we are going to have to restart over—but building your group bigger, because I think that we need to just do it, just get the voice out. At the end of the day, I am not sure that it is on everyone's mind.

“...the last statistic that I heard said that 80,000 businesses across the Gulf Coast had been touched by Hurricane Katrina, some in very major ways.”

NANCY MONTOYA

**MS. LEWIS:** But telling people that they need to go sell something else, where part of what they sell is the culture and fabric of this community isn't the answer either. It has to be value in what they are doing and that we need to keep them alive as well.

**MR. MOUTRAY:** We have time for one more.

**AUDIENCE MEMBER:** And I have a question for Dr. Scott. Loren, we have seen a lot in the papers lately about the windfall tax revenues, windfall tax revenues that municipalities and parishes are realizing mostly from sales tax. At the same time, we have people trying to rebuild, but in the economic context from the standpoint of taxes, that seems that may be more burdensome in the future. I just want to know your comments and your feelings about what municipalities and parish governments are going to do now that they are enjoying these windfalls.

**MR. SCOTT:** Well, I think most of them consider it. First of all, you need to understand that the ones that are enjoying windfalls are not Orleans, St. Bernard, and Plaquemines Parishes. I mean, we have been trying to collect data. In fact, even

<sup>21</sup> Second Wind NOLA, <http://secondwindnola.org/>.

finding somebody that can tell us what the sales tax data are for Orleans Parish has been quite a challenge. And we still haven't found anybody that can tell us about St. Bernard. Maybe somebody out there can tell us. But my guess is that they are going to—I know like the parish where I live, East Baton Rouge Parish, sales tax collections were up 34 percent in September—that's because our population was up 34 percent in September. Sales tax collections are now up 21 percent; it is slowly going down. So the parish government is, I think, realizing that this is a windfall and not necessarily a new trend. So I think they are being very careful about how they use it.

And, you know, the problem down here is exactly the opposite of that. You don't have money coming in and that is going to be the really tricky thing to watch. Now at the state level, to me right now the state has a lot of money coming in but we haven't got the income tax collections in yet. And it is really hard for me to believe that you are going to have a 32 percent drop in the economy down here and your income tax collections are going to go up a lot this year. So of course, we will know a whole lot more after—what?—May 15th, but I think even the May 15th deadline for filing taxes has been pushed even forward. We are probably not going to know very much about the income tax part until the fall. And it could very possibly be a big shocker for the state, for the state government.

A lot of times when I don't know the answer to a question, I will just kind of answer some other question, okay? So I am not sure that I answered yours. Also, if you ask me a question I don't know the answer to, you automatically drop a letter grade in my class. So I am not sure that answered your question.

**MR. MOUTRAY:** Thanks, Loren, and thanks to the panel. Hopefully, that set the context for the other four panels that follow. We are going to take a 10-minute break and resume at 10:20, a little bit shorter than before. So at 10:20, we are going to start the next panel. Thanks.

### Entrepreneurship as a Means of Economic Stability and Job Creation

**MR. SULLIVAN:** Ladies and gentlemen, we are right now starting our second panel. Our next panel will examine the socioeconomic factors that influence how urban entrepreneurs contribute to economic growth and renewal. If you could all take your seats right now and talk right after the panel, I would appreciate it. Leading the panel as moderator will be Nancy Montoya. Nancy is currently regional community development manager for the Federal Reserve Bank of Atlanta, and Nancy's specific responsibilities encompass Southern Louisiana and Mississippi.<sup>22</sup> Previously, she was instrumental in launching the New Orleans Community Development Fund, and she served as the president of Neighborhood Housing Services of New Orleans.<sup>23</sup> Let's welcome Nancy.

**MS. MONTOYA:** Good morning. I think we are missing one of our panelists. Could we have Mr. Morial come to the forefront? There he is, right on cue. I wanted to point out that the last statistic that I heard said that 80,000 businesses across the Gulf Coast had been touched by Hurricane Katrina, some in very major ways. And that the latest piece

of information was that 60 percent of those businesses are not coming back. But I want to kind of put a personal face on this and what it means to—I hope that nobody in their life that has not gone through this will ever have to go through this. But I always like to put a personal face on what we are talking about when we talk about Katrina and Rita, and in some instances Wilma.

Can I ask how many of you have another family member that is of a nonhuman species? A pet? How many of you have a pet? Raise your hands. Probably about half of you. Okay. For those of you that have a pet, how many of you have a veterinarian that will come to your house that makes house calls? Jerry, you are a lucky man. Anybody else that has a vet that will come to the house? Okay. There is one of you that does. I have a veterinarian that will come to the house to do surgery on a 180-pound potbelly pig in my kitchen. And that veterinarian is one of the two veterinarians that is left between uptown and St. Bernard. And those of you that took the tour yesterday will see what kind of an area we are talking about.

I ran into my veterinarian the other day and I said, how are you doing? He says, well, my office is getting ready to open up on St. Claude next week and I'm so excited about this. And you would imagine that, you know, it was the day after Mardi Gras and he was just as happy as could be. As I dug deeper, he said to me, Nancy, I lost everything. He said, all of my furniture was in storage. I lost years and years of family heirlooms. And I said well, how is

<sup>22</sup> Federal Reserve Bank of Atlanta, [http://www.frbatlanta.org/ca\\_invoke.cfm?objectid=05EBD07F-D838-11D5-A3830008C7720D25&method=display](http://www.frbatlanta.org/ca_invoke.cfm?objectid=05EBD07F-D838-11D5-A3830008C7720D25&method=display).

<sup>23</sup> Neighborhood Housing Services of New Orleans, <http://www.nhsnola.org/>.

your business? He said, well, we are getting up and running but I don't have my insurance money yet. I don't have my SBA money yet. My credit cards are maxed out. I said, well, what can I do for you? I said, there are a few people that I know in town, you know, that could provide some counseling. I understand there might be some bridge loans out there. He is, like, anything that you can do to help. He said, I am hanging on by a thread. And I talked to him about loans. And he said, what am I going to do? My credit is shot. I have had to do everything that I could on credit cards just to be able to get by. And he looked me in the eye and he said—and we all know how important our neighborhoods are. We all know, I mean I guess many of us understand how important our veterinarians are, especially if you have a 180-pound potbelly pig. But he looked at me and he said, Nancy, I've lost everything. All that I want is to be able to get my business back up and running and serve this neighborhood. That is all that I want. He didn't ask me for a house. He didn't ask me for furniture. He didn't ask me for food. All that he wanted was to get his business up and running so that he could serve the neighborhood. And people that needed to take care of their other household family members.

So I say that to put a personal face on it. Those of us that live in New Orleans, we look for our shoe repair places, we are lost without our shoe repair places. Our hairdressers. The McDonald's down the street from me, and I don't even eat McDonald's, but we are all looking forward to the day when McDonald's

opens back up. What about our musicians? What about when I went to go looking for costume supplies for my costume? I couldn't find any in New Orleans. I had to go to Jefferson Parish to find my costume suppliers. What about my musicians? What about those people that keep our food and our music and our art up and running?

One of the things when you talk about community development and rebuilding, that I have never heard in another community except for Louisiana, has to do with culture. What about all of those businesses that help people feed our culture, which help feed our tourism base, which help feed our economic development? All of those are tied into this whole issue about small business and microentrepreneurship.

Having said that, I want to take just a minute and introduce or mention some of the folks that I have worked with over the past 15 years on small business development. And I'm not going to talk about the organizations that you work with, but these people too are living the impact of Katrina on a day-to-day basis. And I think what is even more important is they were working with small businesses way before this ever became an issue for the rest of the country. So as I call your names, if you are here would you please stand up, and for those of you who are from out of town and are interested in working on small business or microentrepreneurship, these are the folks that you should be talking to. Because they know the person on the ground,

they know what they need, they know how to get hold of them, they know where they are living, they know what their financing needs are. They are probably counseling them on a daily basis.

So Arnold Baker, Bridget Carter, Phyllis Cassidy, Dr. Michael Cusack, John Elstrott. If you are here, stand up, please. I know I saw John. I saw Mike, maybe they are outside conferencing. Don Hutchinson, Alice Kennedy, Roy Frank Bass, Dr. Ken Lacho, Sherman Malveaux, Tony Martinez, John Matthews, Michael Olivier, Loretta Poree. And all of the SBA folks who for so many, many years have given above and beyond the call of duty. Peggy Savant, Carmen Sunda, Nathan Thornton, Mary Lynn Wilkerson, Tim Williamson, who you just heard from, and Patrice Williams-Smith. They are all in your attendee list. Those are the folks that you should be talking to.

And having said that, I am very pleased to introduce our panel. The first person on our panel is Marc Morial, who is the chairman of the Urban Entrepreneur Partnership and president and CEO of the National Urban League.<sup>24</sup> Morial's Empowerment Agenda for the league focuses on closing the equity gaps that exist for African Americans and other emerging ethnic communities, and education, economic empowerment, health, quality of life, civic engagement, civil rights, and racial justice. Morial served two terms as mayor of New Orleans from 1994 to 2002.

The next person on our panel is Pari Sabety, who directs the Urban Markets Initiative at the Brookings Institution's Metropolitan Policy Program, focusing on how information drives markets in urban areas.<sup>25</sup> She led Governor Richard Celeste's strategic planning efforts for science and technology

24 Urban Entrepreneur Partnership, <http://www.nulempowermentfund.com/partnership.aspx>; National Urban League, <http://www.nul.org/>.

25 Urban Markets Initiative, <http://www.brookings.edu/metro/umi.htm>.

**“One of the things when you talk about community development and rebuilding, that I have never heard in another community except for Louisiana, has to do with culture.”**

NANCY MONTOYA

investments to boost Ohio’s manufacturing base in the late 1980s. More recently, she has focused on the impact of broadband technologies on the competitiveness of emerging and traditional businesses in cities and regions throughout the United States.

And finally we have Dr. Leonard Greenhalgh, who is professor of management and director of programs for minority- and-women-owned businesses at the Tuck School of Business at Dartmouth.<sup>26</sup> His background includes work as a purchasing manager in a multinational corporation, founder of two small corporations, and management consultant. His expertise includes negotiation and conflict resolution, strategy implementation, effects of globalization and changing demographics in business, and the design and delivery of negotiation simulations.

Mr. Morial is going to talk about the current condition of New Orleans. Pari is going to address some of the financial strategies. And Len is going to finish up by talking about what kinds of services and community need to be in place in order to support

small businesses as we move forward. Would you please join me in welcoming our panelists.

**MR. MORIAL:** Ladies and gentlemen, good morning. Let me thank Nancy and the Small Business Administration and everyone who is here as a part of this discussion. And you all are experts in this area. And I think for this community and this region, tapping into what you know and your experiences can be so helpful to this rebuilding effort.

I just want to frame this up for everyone. The land area damaged by Katrina in New Orleans alone is seven times the size of Manhattan. Now those of you that went on the tour got a chance to see—perhaps now have an intuitive intrinsic sense of how devastating Hurricane Katrina has been to this city and to this region. If you have had or will have an opportunity to go southeast of the city to St. Bernard Parish and Plaquemines Parish or somewhat northeast of the city to the Mississippi Gulf Coast, you are going to see devastation of the same or even a greater magnitude.

What this is at the end of the day at the bottom and fundamentally is a great challenge for this generation—a great challenge for this generation.

Because this nation throughout its history has been a master builder. We have done it across the globe. Certainly, we all know from our history of the significant effort that this nation made after World War II with the Marshall Plan to help the European countries get back on their feet and re-emerge as an economic power. We may not know—and this is a piece

of information that I think is quite interesting—that after World War II, some 80 percent of the buildings in Germany were either destroyed or substantially damaged. Three years later, Germany was the world’s third largest industrial power. We know of what the Marshall Plan did. We perhaps know from history the efforts that this nation made to rebuild Japan; the efforts that had been made in recent history to help the nations that were formerly part of the Soviet bloc—the Iron Curtain countries—embrace entrepreneurship and private enterprise as a way of transforming themselves; the experiences in the Balkans; the experiences currently under way to rebuild Baghdad. This nation has been a master builder.

And the test for this generation is: can we now orchestrate a rebuilding of the Gulf Coast? Not the Gulf Coast in Asia or the Middle East or Africa or in Europe, but the Gulf Coast right here in the United States. And that’s the test and that’s the challenge. I say if we can do it for Europe after World War II, if we can do it in the Balkans, if we can do it, we have to do it. We will be judged by our children and our grandchildren by what happens. And when I say we will be judged—it goes beyond politicians. This generation is going to be judged as to whether in the 21st century a nation with a \$12 trillion economy, 300 million people, the most powerful nation economically in humankind, can orchestrate the recovery of this Gulf Coast area.

Central to it, and I think that is what this conference is about, is entrepreneurship and business. I have a very basic thought process, and this is the work we are doing in my current position as president of

<sup>26</sup> Tuck Minority Business Program, [http://www.tuck.dartmouth.edu/exec/targeted\\_audiences/mbep.html](http://www.tuck.dartmouth.edu/exec/targeted_audiences/mbep.html).

the National Urban League. And that is to work very closely in partnership with a number of partners, the SBA being one—the Small Business Administration, that is—the MBDA, the Department of Commerce, the White House Economic Council, along with the Ewing Marion Kauffman Foundation to see how to put together a public-private partnership to support the development and the resuscitation of small businesses with the focus on African American businesses.<sup>27</sup>

I think if we do this, this region will come back spectacularly. If it is not done successfully, if attention is not paid to small business growth and small business development, this recovery will limp, it will struggle, it will stumble for the next several years. It is indispensable.

Nancy broke it down. When we think of small business, it's the veterinarian, it's the person who owns the small restaurant, it's people in the service sectors, it's a wide variety of basic services—the shoe repair shop, and we don't always think about that. We tend to get on a sophisticated level when we talk about business. People say, let's go high tech, let's go this, let's go that. That's important, but the basic necessities of life, the things people need to be able to restore their quality of life is where we need to focus this effort. And we need to focus in this effort on those that have a stake in this region—those people who have made a decision long before Katrina that this is their home and that they own a business and they want to restore it and they want to resuscitate it.

And I believe very firmly that not only is this a very significant opportunity and a very significant challenge, but that this region, this nation can't take its eye off the ball. This is about basics. Get the electricity and the public utility system back on and operating. Help people who have insurance money rebuild their houses. Help those who don't have money of their own with resources to help them rebuild their housing. And if you just think about housing and everything related to housing, from plumbers to electricians to carpentry to furniture to electrical appliances to decorators to painters—you think of a whole sector of small business opportunities that exist.

If you go to the rebuilding of the infrastructure, it should lead you to a further conversation and the further discussion about businesses that serve that area. If you think about services that are basic in this community like restaurants, etc., shoe repair shops, I think we have got to keep an important focus, sector by sector, on what people need as necessities—the necessities of life for people to be able to restore.

People who are from New Orleans love New Orleans and they want to come back and they intend to come back. People who owned businesses and had businesses pre-Katrina want to come back. I think what we have to do is develop a support infrastructure that is easy to access. Some people can do it completely on their own—they just need some encouragement and the right signals. Some people need further assistance and further help. We have to connect people with the things that they need and the infrastructure.

**“When we think of small business, it's the veterinarian, it's the person who owns the small restaurant, it's people in the service sectors, it's a wide variety of basic services—the shoe repair shop, and we don't always think about that.”**

MARC MORIAL

And as I close, I go back to where I began. This nation over the last 50 to 75 years has spent millions and millions of dollars building a support network, an infrastructure support network for business development—for private sector business development abroad, because we felt our foreign policy was that if we could get people to embrace the free enterprise system, it was good and it was important. Now we have to sophisticate a system to support small business development in this nation with the focus on this region.

I think that many of you in here are the key, hold the key to doing it because there needs to be a laboratory of not only ideas and thought, but where this region needs to attach itself to the best chances and the best thoughts and the best opportunities that have come down.

<sup>27</sup> Minority Business Development Agency, <http://www.mbda.gov/>; U.S. Department of Commerce (Katrina response), <http://www.commerce.gov/Katrina.htm>; National Economic Council, <http://www.whitehouse.gov/nec/>; Ewing Marion Kauffman Foundation, <http://www.kauffman.org/>.

I appreciate it. We look forward to it. The organization I lead today, the National Urban League, is almost 100 years old. We operate in over 100 cities across the nation. We have here Edith Jones who leads our Greater New Orleans affiliate, Jay Howard Henderson who leads our affiliate in Baltimore. Combined, we serve over 2 million people a year. Combined, we are an enterprise of over \$400 million, one of this nation's 25 largest not-for-profit nonacademic organizations. And we've made a commitment to entrepreneurship as a strategy for economic advancement for our constituents. And we are making a further commitment to try to assist and help in this region. We think that the Urban Entrepreneur Partnership can be just one soldier in the battle—not the general, not the major, but just one soldier in the battle—in a battle that needs many soldiers.<sup>28</sup>

So certainly I appreciate you and look forward to the discussion. Thank you.

**MS. SABETY:** Hi. It is a great honor to be on this panel and I want to thank Chad Moutray and Tom Sullivan for putting this day together. It is a very unusual day because it brings together national leaders focused on the issues that are down and dirty—how do I get that dry cleaner up and going? I think that the most important images I saw yesterday, there were two. One was, of course, multiple houses with FEMA trailers in front of them. And if I were a business guy at a B school, I would be saying, those are weak market signals about the recovery that will be here. And I think that Marc very eloquently set that forth. The second thing was rolling past a dry cleaner with the pressing

machine and the ironing board right outside in the parking lot, thinking through, you know, what do you take away from disaster? How do you rise, sort of phoenix-like, to be better than before?

So today I want to talk about capital access. I have been asked to address this and what is interesting is almost every question we got this morning from businesses here in Louisiana talked about the need for access to capital in a very individual way. And so I am going to talk about what would seem to be an extremely narrow topic for a broad panel like this, but it is, in fact, I will argue, the milk for that private enterprise system and for unleashing the power of all of the entrepreneurs here in Louisiana.

First of all, I want to say I am from the Brookings Institution. Many of you know the work that my colleagues at the Metropolitan Policy Program do every month. We release a Katrina index which actually indexes exactly what has been going on around the recovery initiatives.<sup>29</sup> And I should say the purpose of this tool is not only to be an authoritative place where we are looking at what's going on, but most importantly publishing it in Washington, D.C., where we can maintain a high profile for what is and is not happening on the ground here. So I urge you to go to our website and take a look at that. One was released last week; another one will be released, I believe, the first week in May. Okay.

So entrepreneurship—you know—so what is it? It is an idea, it is the market, it is the people, the capital. And I am going to talk about capital. And when

people need capital, the arbiter of getting that capital, the pricing issue there is the level of perceived risk. And the level of perceived risk for the banking system is put together—you can go to the next one it is fine—...it is interesting because Mr. Powell this morning told us all two things; one, always anticipate a disaster and, second, I am telling the banks to take risks. Well, the reality is, what do we all know is the first thing a bank does when you walk in the door? They look at your credit score, right? And it's critical to enabling the capital flows this region needs for business restarts, for rebuilding, for inventory, and long-term assets. This is a tool that all of us as business people use every day. Some of us actually use it for looking at new employees and assessing those risks.

So what happens when disaster strikes? I am going to tell you a little bit about what happens when disaster strikes. But what I am going to argue today is that, left unadjusted, using credit scores to measure risk after disaster moves every participant—and that is every one of us, whether it is our own personal credit score, which is used when an entrepreneur goes out to start a business, or a business's credit score—into a parasitic spiral. Right. We don't have payments for six weeks, all of a sudden we go into an overage, we have got all sorts of penalties and the spiral just gets worse and worse. So the issue here is not just a personal issue about the impact of credit scores. Why is this so important? It is how the entire business community is measuring risk.

28 Urban Entrepreneur Partnership, <http://www.nulempowermentfund.com/partnership.aspx>, <http://www.kauffman.org/items.cfm?itemID=591>, <http://www.kauffman.org/items.cfm?itemID=679>.

29 Brookings Katrina Index, [http://www.brookings.edu/metro/pubs/200512\\_katrinaindex.htm](http://www.brookings.edu/metro/pubs/200512_katrinaindex.htm).

So let's look at Katrina and Rita and its impact on payments and credits to suppliers. 635,000 businesses were in areas affected by Katrina and Rita. And this comes from a study just put together by Experian in looking at its payment files. \$40 billion in payables were outstanding when the storms hit.

Now, what kinds of businesses were those? More than 50 percent of them had been in business for fewer than five years. Forty-eight percent of the payables outstanding were to businesses of 10 employees or less. And this says something very important about this particular economy, which does feature small businesses as the source of dynamism. So let's look at the outstanding payables by sector. And here you get a sense of what the distribution looks like here. Construction, wholesale trade, retail trade, professional and business services. And what's interesting about this that is different than what you saw this morning from Loren Scott is you don't see resource extraction on this list, right? So that is, in fact, the sector that is coming back very fast but you don't see a lot of impact there. Okay. Small businesses were hurt the most.

This gives you some more detail about the share of outstanding payables balance out there. The first two categories account for 50 percent of the total that was out there when the storms hit. And it was geographically dispersed over the entire Gulf area. So it isn't just New Orleans but, in fact, it is where all of these businesses are located. We see a detriment to the financial well-being of the community. That means people's personal credit score, their business's credit score, wherever the businesses are owned or operated.

So let's think about this, and here I want to come up with two lessons. The first is that the reality is when you have a disaster like this, we have false positives, right? When we look at a credit score after the disaster, it is based on payment patterns that are not consistent with prior behavior. And I'm pleased to see that there are some financial intermediaries—the Louisiana Economic Development Authority is one of them—that are actually looking at pre-Katrina credit scores in order to provide capital to folks with the clear understanding that there is something broken in the system.

We need to understand, and there was a lot of discussion this morning about this, that this credit squeeze is clearly going to have an impact on the size, structure, and ownership of businesses remaining after the disaster. And we heard some very emotional appeals this morning about, you know, my business isn't going to look the same; I can't get capital for the same kind of work that I do. The reality is we need to understand that if we can't correct the way risk is allocated, then the businesses that will come after will be businesses that have resilient credit scores because of operations in other states. And so the fabric of the economy here will look very different.

And in conclusion, let me say something about what my colleagues at Brookings would call Katrina's teachable moment. I am privileged to have a group here of folks in Washington that think about a lot of these issues and implement programs around them, as well as folks on the ground. And I have to say that we really need to

think about what lesson we need to draw from what we are watching happening to this economy. If the credit system and the credit reporting system are to remain the way, the dominant way we measure risks and we provide the oil that lubricates entrepreneurship and gets businesses started, then we need credit models that deal more sensibly with disasters. We have to make sure they don't generate these false positives. We have to adjust the models to come up with a score based on the impact of the disaster. And we need to think about ways we are measuring the resiliency of the local economy. We are measuring the strength of those weak market signals I actually opened my remarks talking about.

So I would be remiss if I didn't advertise some work that we are attempting to begin to put together at Brookings together with the Information Policy Institute—Michael Turner is here in the audience—to examine the impact of disasters on credit scoring as a system, to begin to figure out how we develop new models to deal with the disaster that Don Powell told us that we ought to be anticipating.<sup>30</sup>

So thank you very much for my time this morning.

**MR. GREENHALGH:** Good morning. I want to start with the point that Don Powell made. The recovery can't be purely a government solution or an aid solution or a welfare solution, it has to be an entrepreneurial solution. I would like to talk about what's necessary for that to become effective. And I have my remote.

30 Information Policy Institute, <http://www.infopolicy.org/>.

**“If the credit system and the credit reporting system are to remain... the dominant way we measure risks and we provide the oil that lubricates entrepreneurship and gets businesses started, then we need credit models that deal more sensibly with disasters.”**

PARI SABETY

We have got 27 years of experience in working with minority businesses, the entrepreneurial businesses. I am going to tell you the data of minority businesses. We have 3,500 alums of our program, which makes it certainly one of the biggest players in this field. And we have got a lot of data about where the difficulties lie. Access to capital—we spent a lot of time talking about—those are issues, as are access to contracts. But quite often, these are symptoms rather than causes of what the problems are. And I will say what I mean by that.

The next big point that I am going to make—and it is going to come back to Marc Morial’s point about the UEP is only one soldier in the battle. If you have a unilateral solution by one agency or two agencies, it isn’t going to work—you are going to be throwing money at the problem without having any impact. Okay. So some of the data that we have reveal weaknesses of minority businesses.

It is actually true of all entrepreneurial businesses, but minority business is where we have the data that I can speak authoritatively about.

Let me tell you the top eight shortcomings. The number one problem we find is not access to capital—it is not being focused in your business. And what happens is people go after whatever contract pops up in an RFP without thinking about what business am I in, what business should I be in? If I am in a business that doesn’t make any sense in the local economy, then maybe I should be in a different business or I should go someplace else. I mean, that’s the harsh reality of entrepreneurs facing local markets.

Okay. Second one is entrepreneurs being control freaks and not using the—excuse me for saying that for entrepreneurs in the audience here—but not delegating, not being able to hang on to high-talent people.

Cash flow management is a huge issue—what do you do with the capital when you get it?

Control systems. When people spend their time doing the job but not checking up on how are we doing vis-a-vie budgets, vis-a-vis the processes, vis-a-vis the goals, then the entrepreneurial businesses don’t work very well.

Inefficient processes. Almost invariably we find businesses that really haven’t examined how efficient are we, have we driven costs out of the system and questions like that.

Quite often the organizational structure is a bottleneck. Entrepreneurs tend to form businesses and as they grow, they don’t change the structure. And the record we have had at the Tuck School dealing

with entrepreneurs is 29 employees reporting to the entrepreneur. Can you see a problem with that? Okay. The entrepreneur didn’t. The entrepreneur said, I am working 18-hour days, I am working 7 days a week and still I have got problems. Okay. And just didn’t get it.

Being self-oriented. This is what I do as a business rather than this is what my customer needs and this is what creates value for the customer. This is another problem.

And the last one is having all of your eggs in one basket. And if you got all of your eggs in a particular customer, the federal government, 8A, if you got all of your eggs in a supply diversity program at General Motors, you have got a problem. If you have got a single service, a single product or perhaps a single geographic market then you have got a problem.

So we advise people not to do these things. These are the top eight problems. It is not just access to capital, it is a lot of things that impede the success of minority business. And that we ought to be thinking about, as we go forward, what do we do?

Okay. As we think about the Gulf region, I think in terms of an integrative solution that people have to work together and it is remarkably difficult to get people not to, as Marc says, be the soldiers that are going into battle alone. Let me just talk about this. If we are focused on simply supplying capital or simply connecting people with opportunities, then that’s not enough. You have to think about building capacity. How are you going to get the entrepreneurial businesses up and healthy for the long term? How are you going to get them to do business with each other; the networking, the collaborating, the working together? How are you going to create local self-sufficiency?



Okay. Infrastructure—there has been a lot of concentration on infrastructure. There are a number of national organizations, they will do the advocacy—you ought to be doing business with these poor disadvantaged businesses. We'll certify that it is a real business and it is not just a pass-through or something like that. We will get a supply diversity commitment, we will get a setaside.

Well, that isn't enough. The notion of matching businesses with opportunities has to take into account, can the minority businesses, can the small disadvantaged businesses, can you, a small entrepreneurial business, actually deliver for the major customers that you are going to serve?

The next thing you need is education. The school systems tend to fail most of our cities. But beyond that, entrepreneurial education tends to be hard to come by. So we have to think about are we giving the educational support people need to run these businesses?

Coaching. Do we have the follow-up in place after we have given the education? This is something we can't do alone. We can't be the soldiers marching alone. So we depend on—I mean, the Kauffman Foundation has one of the most visionary programs in terms of how do you follow up once people know what it is that they are supposed to be doing.

Okay. Access to capital. Very important. It is in here, it has to be a part, but you just can't give access to capital without having everything else in

place that entrepreneurs need to be successful. So access to capital is part of a comprehensive program at making businesses survive, prosper, and grow to scale.

Okay. Then we can't just hope for the best. We have to follow up. We have to figure out, is it working? Is it working the way we planned? What else do we need to be doing? We have to be following these businesses as they grow, and not just saying you are on your own, you are out of the nest.

Okay. So the questions to ponder that I would like to leave you with are, as we think about the Gulf rebuilding, do we really have an integrative solution or do we have a lot of fiefdoms that are actually operating alone and feeling really proud of their efforts, saying we are doing this, we have done our part? Well, I am sorry—if you have just done your part and you are not connected with other agencies, other institutions, other entities, you haven't done enough. Are we focusing on the inputs? What are the efforts that we are putting forth rather than what is the impact that we are having?

Okay. Are we trying to make a sustainable difference here? What's going to happen to these businesses when we withdraw all of these support systems? Are they actually going to be able to go on by themselves in 10 years from now, still be prosperous, still supporting the economy of the Gulf region, not just in the City of New Orleans, but in the rural areas too? Okay.

Thank you.

“... just getting people to the table doesn't guarantee a result, but it does guarantee a conversation to identify the fact.”

MARC MORIAL

**MS. MONTOYA:** I know we are running a couple of minutes behind, but we might have a—I'd hate to lose all of this talent and experience that we have here at the table. Can we take a couple of questions? Do we have questions? Yes, if you could step up to the microphone and state your name and the organization that you are with as well.

**MR. MANSACK:** I am Dennis Manshack, I am with the Enterprise Corporation of the Delta and Oak Credit Union in New Orleans here and Jackson, Mississippi.<sup>31</sup> And what we are finding is with the entrepreneurs and the businesses that we are trying to help, there has been no relaxation of credit criteria through the regulators—SBA, the OTS, any of those. So we are having to use the same criteria as pre-Katrina. Also, I don't know if everybody knows this, there is not a loan processing organization here for SBA loans in Louisiana—we have to send the applications out for guarantees. I just—I don't know if everybody knows that or not. But we are having a hard time convincing people out of the region of the plight that we have with our entrepreneurs here and the people that are looking for business loans.

<sup>31</sup> Enterprise Corporation of the Delta, <http://www.ecd.org/>; credit unions chartered in New Orleans, <http://www.ofi.state.la.us/CULIST2.htm>.

**MS. MONTROYA:** Thanks for that comment. Was there a question there that you wanted one of the panelists to address?

**MR. MANSHACK:** Basically, I am asking for help from Marc and whoever can put some pressure on SBA to reopen a processing area here in Louisiana.

**MS. SABETY:** Well, clearly I think that I have made clear my position on what needs to happen to begin to think about how to fix the credit scoring system, which is all privately administered, I might add. And I should say here that industry is as open to doing this. All of the major credit scoring agencies have indicated a major interest in actually helping us to address this issue. I can't comment on the SBA rules here except to say that it's clear that a disaster means one ought to think about a new way of doing things.

**MR. MANSHACK:** It just needs to be a streamlined area to get the loans processed and looked at for the guarantees. I mean, when you are sending it out of state, you lose all of the continuity that you have in the state. Thank you.

**MR. MORIAL:** Now, I am not trying to put anybody on the spot. But this is an SBA conference, right? So perhaps—

**MR. MANSHACK:** And I have a lot of friends at SBA too.

**MR. MORIAL:** Perhaps there is someone here who could help with the response because I think that you raised two important issues. And that is, one, whether a processing operation here in the area would facilitate the turnaround time. And then, secondly, not being an expert on credit and credit

scoring, I think what you identified is an issue that there needs to be some conversation among the relevant players who are both credit scoring agencies and underwriters or lenders, etc. And I don't know who could offer that. That's a convening responsibility that maybe SBA could take. And when I say convene, just getting people to the table doesn't guarantee a result, but it does guarantee a conversation to identify the fact. And there has got to be some precedent out there with disasters or situations where credit scoring was looked at in a situation because you have a classic force majeure. You have events beyond people's control that is affecting their ability. So I don't know, Nancy, if someone here could either take it up or help with it.

**MS. MONTROYA:** Just a quick response so we can get to the next question. I know that this is important but SBA—

—Sure.

**MR. SULLIVAN:** I will actually give a very quick suggestion. There are folks from the district office here who know—I will tell you—they know a heck of a lot more about what's going on on the ground here than I ever could. And I want to thank them not only for their support for this conference but their willingness to field questions. If you could, the gentleman who just sat down could stand up again and go toward the back of the room, there is a young lady who is just waiting to answer your question and help you. So she is waving in the back. There are district SBA employees here who are actually here not only to help with the conference,

but more importantly to answer questions that are more specific to business situations like what was just proposed. So please take advantage of the resources who are here from the district office. Thank you.

**MS. MONTROYA:** I can't speak to the small business side but I can tell you that a group of bankers has been meeting under the auspices of the financial services roundtable to talk about some of the issues that we are dealing with on the mortgage lending side. And those issues are very similar to what we are facing on the small business side and banks realize that they have an investment in this community and that this is not business as usual. And so that we are all going to have to be working towards some long-term solutions together. So I will just leave it at that. And I think we have another question.

**MR. MONTGOMERY** [responding to the SBA question]: Yes, very briefly. We have consolidated the disaster processing to Fort Worth, Texas, over the last few years.<sup>32</sup> We feel like that is something that's a best practice is the private sector. In the past, it's worked very well, it is something that, absent the 100-year flood, we think that it is a good thing to have the processing centralized in one place. We have added about 300,000 square feet of office space out there.

But we also acknowledge that this is a disaster of unprecedented proportions. There needs to be things going on locally. The locals need to be involved, the banks need to be involved. So that's why, as Daniel mentioned, we are working with

<sup>32</sup> Small Business Administration, Disaster Recovery, [http://www.sba.gov/disaster\\_recov/index.html](http://www.sba.gov/disaster_recov/index.html).

the local banking and financial services community to try to process and close loans locally—as well as across the United States where victims of the disaster have been spread across 44 states.

As for the credit scoring, I don't want to get into too many details here, but SBA does not rely on credit scores alone. We try to integrate a little bit more credit scoring analysis the way the private sector does, but we realize that this is a compassionate lending program and there are a lot of different things that go on in a disaster that aren't typical. And the default rate right there now in the program is, I think, about 20 percent, so it is a vastly and a very heavily subsidized program and we work very closely with the individuals on an individual basis to make sure that the credit score alone does not rule them out. They can come back and appeal. There is taken into account the ability to repay. We look at what the cash flows were before the disaster, and take those into account. So it is definitely an interesting issue and something that is worth looking at and we would love to work with you all on that.

**MS. MONTOYA:** I think we have about 6 minutes left, Chad. We are okay.

—Yes, sir.

**MR. SHEFFIELD:** Hello. Charles Sheffield at Carthage Capital Group.<sup>33</sup> Good to see you again, Marc. I wanted to really address something that

you raised which was—obviously there have been precedents around unilateral intervention in the marketplace. There is no question that there is a lot of private equity that will flow into this region at some point because the people already have the capital, the opportunities. But as far as the participation, the people who actually live and have lived in this community, I am a little confused and maybe a little impatient as to why there has not been an articulation of massive amounts of capital that are flowing through businesses in this community either through—as they did, I think the young lady pointed out, in New York after 9/11—there were grants, there were loans, there were—I mean, just massive amounts of redevelopment dollars. And I'm just—maybe I don't know about it—and maybe somebody can tell me a little bit about it. But, you know, where is the Marshall Plan and who has the—you know, who is more than an advocate regarding that? Who actually has large sums and tracks of capital focused specifically on businesses here? Am I missing this? I'm just confused.

**MR. MORIAL:** No, I don't think that you are missing it. I will give you some of my observations. I mean, I think the approach that's been taken on this rebuilding has been for the federal government to appropriate money for the rebuilding.

And I'm separating recovery, if you know what I mean, from some of the rebuilding to the states—which places, in this case—the primary source

of rebuilding funds seems to be the Community Development Block Grant Program which is a fairly flexible program.<sup>34</sup> But it also creates a chain of slowness in my opinion. That the money is sent down and they have got to develop a plan, and then the legislature has got to appropriate and then there are all of these commissions. A whole lot of check-offs, which in normal times makes sense but in difficult times, and this is a difficult time, may not necessarily be the best approach.

But, again, I think that his question is perhaps best focused on the people who were running the rebuilding efforts for the federal government, but then, secondarily, the people with the State of Louisiana who are the recipients of most of the rebuilding dollars and their determination as to what, in fact, will happen.

I think that the main point that I want to emphasize that he made that has been a concern of mine from the very beginning is that one of the things that we as a nation did fairly well is respond to 9/11.<sup>35</sup> There was quick action on numerous fronts. With Katrina, no one can say it's met at this point the high standard of 9/11. Now just go back to where I was when I was at the podium and that is that this generation is going to be judged by what and where this is five years from now.

And I think that what the question focused in on is a need for the whole, and Len mentioned it—is one component of this whole infrastructure—the capital. And maybe there are many, many things going on and the information just isn't out. But what are the various—you know, there are SBA loans and SBA loan guarantees, there are things

33 Carthage Capital Group, <http://www.carthage.net/>.

34 Community Development Block Grant Program (HUD), [www.hud.gov/offices/cpd/communitydevelopment/programs/](http://www.hud.gov/offices/cpd/communitydevelopment/programs/).

35 New York 9/11 recovery assistance, <http://www.nyssbdc.org/AboutUs/DisasterRecovery/disasterrecovery.html>.

**“How can we really streamline money to our local businesses from the federal side?”**

JONATHAN TEMPLE

that the private sector has done. There are numerous equity firms that are interested in putting money down here. There are a variety of tools and instruments. Maybe there needs to be a clearinghouse of information sources so that people that want information can easily get information about what is available to them if they are looking for capital for this business.

But I think that to some extent the ball is in the hands of state and local government to, in fact, effectively utilize the money that’s been appropriated to them for various strategies. And I think the sooner a decision is made on how that happens—but you know, the process of state government is the process of state government. When you add the process of the federal government to the process of state government to, in some cases, the process of local government, it is not designed to be fast. It is designed to be deliberate. And hopefully deliberate doesn’t equal slow.

**MS. MONTOYA:** And I just want to make one comment before we have time for one question. I apologize—I wish that we had more time. But for those of you who are going back to your home states, Florida has learned a very important lesson and that is that

you need to have emergency bridge loans available the day after a hurricane hits. So for those of you who are going back to your communities working on disaster preparedness, making sure that there is an emergency bridge loan or grant, whatever kind of program that you want to call it in place, that’s handled at either the state or the local level, that will be very effective in helping those critical businesses make it through this crucial time and be able to contribute to the rebuilding efforts. So that’s not an idea for more work for you. We have time enough for one more question. Quickly too.

**MR. TEMPLE:** Good morning. My name is Jonathan Temple, I’m the director of supplier diversity for the City of New Orleans.<sup>36</sup> I want to thank all three panelists for speaking on their presentations. All three were excellent and the information was very valuable and I would appreciate a copy of those presentations. The reason why I say that is because what I do is I go to battle for all small and microbusinesses and, in particular, disadvantaged businesses every day. From the moment I was in Dallas during the disaster, I immediately came home during the middle of September to see what I could do and found that a lot of our small businesses were excluded out of the contracting process. And since then, we moved forward proactively and had contracting seminars for those businesses to gain opportunities—in which they have gained opportunities—however, there are many challenges. One specifically is funding. A lot of businesses can’t get the funding because even though they may have the

contract opportunity, their credit scores pre-Katrina have prohibited them from getting those funding opportunities, so they cannot pay their employees. A lot of times when the federal government awards money, it doesn’t come overnight. And those small businesses have to sustain those employees for at least two months before they get a paycheck—in which in many cases that has not happened.

**MS. MONTOYA:** Sir, are you asking the panel to address—just because we are so short on time—your question would be?

**MR. TEMPLE:** How can we really streamline money to our local businesses from the federal side? But, in particular, in the CDBG money that is coming down, that money is still held up on a state level and has not gotten to the local level. What we have done from a proactive standpoint is had a contractor seminar with the contractors’ college to get the different office management perspectives in place for these small and microbusinesses. However, they still cannot get the funding.

**MS. MONTOYA:** So the question to the panel is this, how do we get the CDBG dollars to the entrepreneur quickly? Is that the—

**MR. TEMPLE:** Quickly. We need a streamlined process.

**MS. MONTOYA:** I understand. Can we have the panelists address that very quickly? We have one minute, we are running behind.

<sup>36</sup> See City of New Orleans, <http://www.cityofno.com/>; also, for Louisiana state contracting, see Louisiana Office of State Purchasing, <http://www.state.la.us/osp/osp.htm>.

**MR. GREENHALGH:** Okay. I think that there are some best practices that you ought to investigate. What they are doing in the District of Columbia now with the rebuilding of the Intracoastal Waterway and the stadium—I realize that we are short on time. They have got a novel solution that you really ought to check out. One of our authorities here is Kermit Thomas. Is Kermit here? Kermit. Talk to Kermit in the back. Kermit knows everything.

**MR. MORIAL:** And I want to add something. I don't want to put the gentleman on the spot. But the City of New Orleans gets a direct CDBG allocation each year that it can, in fact, directly appropriate for the purposes—and I don't know what the number is, it may be 10 or 15 percent—that can be used for economic development purposes. In this case the traditional Community Development Block Grant allocation goes to the city and cities across the nation for communities of populations above—I think that it is 50,000. And then the state gets a regular Community Development Block Grant appropriation on an annual basis. What Congress did to support the recovery is use the Community Development Block Grant Program and add money to it and send it to the states. But the city has its own allocation that it can use on housing, it can use on economic development, it can use on social services, it can use on public infrastructure. And I think that the city has to shape and can shape very quickly on its own without any, you know, oversight from

the state consistent with the federal regulations as they are written and appropriate money for small businesses today or yesterday or last week.

**MS. MONTOYA:** Thank you very much. That's all of the time that we have. Join me in thanking our panelists. And, Chad, you are going to tell us where we can find these presentations, right?

### Exploring the Potential for New and Existing Businesses in Promoting Revitalization

**MR. SULLIVAN:** Thank you, Nancy, and thanks to the panel. You are going to notice a great attention to time during this conference. It is out of respect for all of your schedules. It is also out of respect for the panels that we have assembled—really incredible amounts of knowledge, experience, and expertise. And it is unfortunate that we don't have enough time to expand on each of these panels but certainly want to make sure that you all get every minute worth of this conference.

As far as the proceedings go, the questions, the answers, the presentations, the slide shows, and so forth, these will all be put together in a conference proceedings.<sup>37</sup> And if you signed up to attend or when you were here if you checked in, and we have your email address, you will receive the entire proceedings via email. If you want a hard copy, we will mail you a copy. If you want more than one copy, we will mail you as many copies as you need. Because the lessons that we probe into and the focus of this

“...in order to have economic growth in the region, you have to have a workforce that is sufficient to rebuild, because this region is so important to the economy of the United States.”

LARRY BURTON

conference do need to be packaged and then pushed out to policy leaders not only here in the Gulf Coast but all over the country and in Washington, D.C.

Our third panel will explore how established businesses can bolster the health of a region. In particular, it will look at how established businesses can support new and smaller firms. Leading this discussion will be Steve Adams, the New England regional advocate for my office, the Office of Advocacy. Steve is the direct link between small business owners, local and state officials in our office. You may wonder why two guys from Boston are coming down to New Orleans to participate in this conference, me and Steve—well I will explain. Steve is also an expert in urban entrepreneurship. Prior to joining my office, he was the president and CEO of the Pioneer Institute as well as director of the Center for Urban Entrepreneurship.<sup>38</sup> Let's welcome Steve and his panel.

<sup>37</sup> Conference proceedings will be accessible through Advocacy's website at <http://www.sba.gov/advo/research/>.

<sup>38</sup> Pioneer Institute, Center for Urban Entrepreneurship, [http://www.pioneerinstitute.org/entre/entre\\_overview.cfm](http://www.pioneerinstitute.org/entre/entre_overview.cfm).

**MR. ADAMS:** Well, thank you very much. Thank you all for being here. The symbiotic relationship between large and established institutions and small businesses is really the core of the competitiveness of the U.S. economy. Our large corporations, large institutions couldn't do it, couldn't be the competitive edge that they have been without their relationships with the smaller firms and the middle-sized firms that really make the dynamism of this U.S. economy. Chad Moutray's division has produced research that demonstrates how important small institutions are and small companies are to the success of large institutions. And those large companies know that, they are not blind to that.

What we have got going on now in this panel is to really talk about what can we do, what is going on to make that bridge between the large and established institutions and existing and new entrepreneurs to be part of the rebuilding efforts. We are very fortunate to have the three individuals who are actively engaged in the area of looking at this whole dynamic and bringing large institutions together with entrepreneurs to try to turn around difficult situations around the country and here in New Orleans.

I am going to introduce each of our speakers individually as they present. And I am going to start with Larry Burton. Larry is the executive director of the Business Roundtable.<sup>39</sup> The Business Roundtable is probably one of the most influential, it is clearly one of the most influential CEO organizations in the United States. It is an organization where it allows large corporations to act collectively that have some vision about important economic issues, important social issues, and they

have been working on these things for some time. A part of their effort has been looking at the whole issue of building that relationship between large corporations and smaller companies.

But today Larry is going to talk about a piece of the puzzle that we all heard about, we haven't spoken much about, which is the workforce. We can't get anything done if we don't have the workforce to begin our businesses small and large. So I am going to ask Larry from the Business Roundtable to talk about the initiative that they are getting under way right now in that venue. Larry Burton.

**MR. BURTON:** Thank you, Steve. I really appreciate the opportunity to be here today to talk about the Gulf Coast Workforce Development Initiative that the Business Roundtable started really last December when the CEOs got together and thought deeply about what they could actually do to help rebuild and reconstruct the region.<sup>40</sup> The goal of the initiative is to increase the size of the construction workforce in the Gulf Coast, to aid in the cleanup and reconstruction of the areas devastated by the hurricanes. And I think yesterday the tour that many of us took really reinforced how important the purpose of this program is.

Many organizations and associations are involved in this effort—it is not just the Business Roundtable, but our effort has been to try to stitch it up. As Professor Greenhalgh mentioned earlier, it is important to have an integrated approach to this effort. Steve mentioned the purpose of my organization, which is a group of 160 chief executive officers whose purpose is to help promote economic growth. And one thing that I think that they realize is in order to have economic growth in the region, you have to have a workforce that is sufficient to rebuild, because this region is so important to the economy of the United States.

I want to mention a few of the organizations that are involved in our effort—this is not exclusive. But groups like the American Association of Community Colleges; the Associated Builders and Contractors; the Construction Industry Roundtable; the Construction Users Roundtable; the Louisiana Technical Community College System; and the National Center for Construction Education and Research are very, very important partners in this effort.<sup>41</sup> We have also worked with, I believe, at last seven leading construction contractors in the area such as Fluor; BE&K; Austin Industrial; S&B Engineers and Constructors; Beacon; Jacobs Engineering; Kellogg, Brown and Root; and several other facility owners in the area.<sup>42</sup>

39 Business Roundtable, <http://www.businessroundtable.org>.

40 Gulf Coast Workforce Development Initiative, [www.curt.org/pdf/BRT\\_Summary\\_Plan\\_Draft\\_3\\_19Jan06.pdf](http://www.curt.org/pdf/BRT_Summary_Plan_Draft_3_19Jan06.pdf).

41 American Association of Community Colleges <http://www.aacc.nche.edu>; Associated Builders and Contractors, Inc., <http://www.abc.org>; Construction Industry Roundtable <http://www.cirt.org>; Construction Users Roundtable, <http://www.curt.org>; Louisiana Community and Technical College System, <http://www.lctcs.net>; National Center for Construction Education and Research, <http://www.nccer.org/index.asp>.

42 Fluor Corporation, <http://www.fluor.com/>; BE&K, <http://www.bek.com/>; Austin Industrial, <http://www.austin-ind.com/company/default.asp>; S&B Engineers and Constructors, <http://www.sbec.com/>; Beacon, <http://www.beaconconstruction.com/>; Jacobs Engineering <http://www.jacobs.com/>; Kellogg, Brown & Root, <http://www.halliburton.com/kbr/>.

The goal of the project is to train up to 20,000 construction workers by the end of 2009. And not by reinventing the wheel. There are existing training programs out there that exist. The NCCER training curriculum is quite robust and has a track record. The ABC training schools are out there and at work. And so the whole idea is to use existing capacity.

And our effort is to try to focus our efforts and marketing and outreach to get people to sign up for this program. And we believe that there is adequate funding, scholarship types of funding for this effort, whether it is from the federal or state government. And our sole effort is to try to really outreach people to get them to sign up for this program.

So why train? I think there are two basic reasons. One is safety and one is you want to do it right so you don't have to do it over and over again. So that's—I think that speaks for itself. In terms of the project, we have seven focused project areas where groups like CURT and NCCER, ourselves, and others have taken ownership. I won't go through them all but they include things like the training program standards and oversight, owner company communications, an effort to try to make this effort to train 20,000 workers workable. This initiative gained the attention of Chairman Powell and the folks over at the White House because it was really an effort, again, to reference Dr. Greenhalgh, to integrate, to coordinate, to make sure that we are not reinventing the wheel over and over again. This is not something that the Business Roundtable CEOs can do on their own, it is something that everybody has to buy into.

So we try to access the best thinking, the best capacities, the existing programs to get this off the board. In terms of process, it is not magic. It is a little bit, I feel, like an audible on the football field in effect. I mean, we have a weekly meeting of groups that are interested, a conference call to try to get people to focus on what needs to be done that week to get this rolling. But we really stressed the importance of the public-private partnership to address the problem.

And the immediate concern or immediate task we have is to target an outreach program to get people to sign up. How do you get people to take time away from what they are doing now or how do you get people that are living in Houston to come back here and train? These are sort of the problems that we are trying to focus on and to work together to partner to get people to sign up. In terms of the actual recruitment and training, again, it is an outreach in every direction—from the folks that are not living in the region now to people that are here, we are reaching out.

And once we have them, we are going to put them through a training standard assessment, which is standard apparently in the field, to make sure they have the skills and capabilities to go through the training program, including reading and math skills. And if for some reason there is a problem with that and they need some training, to work with them for remedial math and reading skills so that they can actually perhaps get back into the training program.

So what does it mean? What does this all look like over the next few years? It may not seem ambitious, but actually it is quite ambitious. This 20,000 worker scenario is not meant to happen overnight. We are going to try and have our first class—actually they are beginning right now—but in May officially starts the first class. We are going to take three months to learn about how this really works. So in August we have full implementation. So by the end of this year, the aspiration is to have 2,500 workers trained, in the next two years 7,500 workers in each year, and then in 2009, 2,500 workers. So 20,000 workers trained over the next four years is really the aspiration which we think is quite doable.

The two CEOs that are the drivers behind this at the Roundtable are Raleigh Bechtel from Bechtel Corporation and Chad Holliday from DuPont. One is a contractor, obviously, and one is an owner/facility leader. And we wanted to have and they wanted to be part of this and lead this because both of these dimensions are very important.

What are some of the challenges? Well, obviously housing has been mentioned and if I had a magic solution, I would share it with you. But we recognize it is an issue. And one of the ideas in the training process is perhaps if we can train people, one of the first projects that we might be able to work on is housing and then you can begin thinking about how you bring people in from the outside area.

“...one of the ideas in the training process is perhaps if we can train people, one of the first projects that we might be able to work on is housing...”

LARRY BURTON

Second is to make sure there are real jobs available. Somebody trains for something, we want to make sure that it is matched up with the job so it is important, again to reference Dr. Greenhalgh, to integrate job opportunity with the job training. The targeting and marketing is critical. We need to make sure that the training adds real value and not just training for training's sake.

So what are the needs? I am going to break this down into sort of five buckets and be very, very general. From the private industry, it is really important for us to continue providing in-kind labor, thoughts, cash contributions to initiate the process, and to work in collaboration, as opposed to individual actors. From facility owners, it is important to look at and think about including in the contracts requiring or encouraging contractors to use the program, again, matching up training with jobs. We need to expect contractors to identify the skills they need to help make sure we are training for the right jobs.

From the federal government, we need a few things. Obviously, we need funding for the training, a lot of which is available through the partnership, Pathways to Partnership from the Department of Labor.<sup>43</sup> Making contractor training an allowable cost, helping us to locate and communicate with people that are currently displaced, which is, you know, a challenge. And include training and outreach provisions in federal contracts.

And then, finally, I think we all need a bit of patience. This is not going to sort of be fixed overnight but I think if we are in the right vector, we can do some things, we can learn, we can take a step back. We need input from people that are actually quite involved in this process. And then from state and local governments, we need to, sort of, you know, honor them and respect the processes that they use for sourcing and training programs. So that's a bit about the Gulf Coast Workforce Development Initiative.

I want to make one quick comment following on Marc Morial's comments about the UEP. About 1999, which is a bit before my time at the Roundtable, the Business Roundtable launched an initiative called Business Link, which was really a partnership involving the Treasury Department and the Small Business Administration. And the idea was to sort of have business-to-business relationships between large corporations and small, often minority-owned businesses. And this went on for a number of years, and I think a number of communities had programs, I think that there were

around 20 or so around the country. Last year we were blessed to be partnered with the White House and the Kauffman Foundation and the National Urban League to create this Urban Entrepreneur Partnership. And we are very pleased and privileged to be associated with it. I know that there is lots of learning from it and I just wanted to mention how important that is to us and to the effort.

And with that, I will sit down. Thank you very much.

**MR. ADAMS:** Larry talked about the way that larger institutions are working in a collaborative way to try to deal with a very important part of the problem here, which is the labor force issue, especially in the building trades. Johnson Controls is a major player around the country and around the world, and we are really fortunate to have Eric Reisner here today.<sup>44</sup> Eric is going to talk about how a corporation by itself as an individual firm has been working in this kind of venue where it is working to connect their activities with local businesses.

Johnson Controls is headquartered in Milwaukee. I think Eric probably spends more of his time in New Orleans and in the Gulf area. He has been tasked—he is currently vice president of Strategic Programs, but he has been tasked and responsible for developing the overall recovery of customer facilities in the Gulf South region following the hurricanes. He has also been working more broadly, in a broader sense working with the whole company's North American metropolitan locations. So Eric is someone who has seen the issues

<sup>43</sup> Pathways to Construction Employment, U.S. Department of Labor, <http://www.dol.gov/opa/media/press/eta/ETA20052160.htm>.

<sup>44</sup> Johnson Controls, <http://www.johnsoncontrols.com/>.



around the country and very much locally about how a large corporation is working to address the issue of connecting the existing companies and their needs with the entrepreneurs in the area. Eric.

**MR. REISNER:** Good morning—I guess afternoon we are working on pretty quick. Quick background on Johnson Controls for those who don't know: this year we will break \$30 billion and we are a Fortune 75 company with 136,000 employees worldwide. Now when you hear that, you say, well, how can they relate to me? And here is how we can relate, because we break everything down to teams of 10. So when you take the corporation, we quickly break into three divisions. The division that I am a part of is a \$13 billion division; we then break into 300 branches in the United States. So each branch has a branch manager and each branch has its own P&L, so it is basically a small business. That branch manager gets to make local decisions like a small business and drive it. So that is where you start to think of these teams of 10 and then you really start to come up with the local decisions.

So here in New Orleans, the local decisions are made through Kirk Scott and others that are here and they run the offices here in Louisiana. The Contemporary Art Center, Jay Weigel and staff, you might see that we are out there supporting an artist a month.<sup>45</sup> So one of the things we thought is we need to keep the arts and culture as part of New Orleans—how can we participate and help with that? So there has been an artist a month that

we have supported through that. It is the architecture through Tulane's competition at the Ogden Museum.<sup>46</sup> You will see that we are supporting that, and these were all local initiatives.

Well, at Tulane University, you may have seen that we are a big part of the build-back—what you may not know is we are paying the subcontractors on 15- and 30-day terms and our terms are greater than 150 days. So we've funded literally in the millions of dollars that build-back so that small companies could get the work, subcontract the work, execute the work, pay their bills, make their payroll, all of that and we cushion that—once again, a local decision that was made. Lusher Extension working with Kathy Riedlinger, Fortier High School, trying to get those up and running so that they were available for the community and they made the January 17th date. But those were all the local decisions. And the UEP, you've heard it mentioned a few times and one of my teammates here, Wayne Embry, has worked locally with the UEP here and also getting it into Milwaukee. So a big company, but it comes down to small in the branches.

So here is the success. What I didn't mention is that this will be our 60th year in a row of increased sales. So you go back to 1940, since the 1940s, every year we have increased our sales. You think about what has happened. You literally have had wars during that time. You have had economies in Asia crash. You saw in 1987 the stock market crash. And we are never allowed to come into a meeting, part of the

**“So 50 percent of our cost is subcontractors and small businesses that have come forward and said either we can install things for you or we have got this niche that we think that we can work on.”**

**ERIC REISNER**

downside of being a public company, and say, man, the economy is really tough, I am just not going to grow this year, right? Because then your replacement is found within about 24 hours. So you have always got to figure out a way to grow.

And that is what—when I came down here, it was the same mentality. When I came down—literally, it was about two weeks after Katrina—I drove up from Houston. Got the team together, that's when we brought in 24 RVs. We started putting them around the state and saying, how do we grow through this? How do we keep everybody employed? How do we pick up other people, relatives and all of that? How do we grow and how do we drive it? What's been interesting is, the private sector is really where we have seen the growth and now we are working hard and hoping for the public sector to come in. But one of the keys of growth is to know what you are good at—and you've heard that earlier today, I think that Len brought that up—and stay focused.

<sup>45</sup> Contemporary Art Center, <http://www.cacno.org/>.

<sup>46</sup> Ogden Museum, <http://www.ogdenmuseum.org/>.

In the 1980s, we had over 1,000 electricians on staff. We put them all in business for themselves and outsourced it, right? In the 1990s, we had over a thousand fitters working for Johnson Controls in the U.S. We outsourced that work and put them in business for themselves. On the automotive side, if you Google us and look up Bridgewater, you will see that our automotive group not only became a billion dollar roundtable member in 2002, but also there is a company by the name of Bridgewater.<sup>47</sup> Ron Hall, whom we put in business—we gave him his first contract, which was the Cadillac DeVille seats, and last year he broke a billion dollars. Right.

So it is all about us knowing what we are good at, which is really technology, research, development, meeting customers—increasing expectations is one of our goals—but then outsourcing things and putting people in business for the things that they want to achieve. So when I look at it right now, if you look at our cost of our building systems division, 50 percent of it is outsourced. So 50 percent of our cost is subcontractors and small businesses that have come forward and said either we can install things for you or we have got this niche that we think that we can work on.

Here locally we had—when the FEMA contracts came out for trailer maintenance—we had groups come forward to us and say, listen, I would love to pursue this but there is no way that I can go after a \$20 million a year, five-year contract between my credit lines and everything else. So we partnered with them and created some JVs. There is another organization that we are working with here in Louisiana that has contacts in Houston and thinks that they

can get work in Houston, but they can't utilize their own infrastructure because it is just not far-reaching enough for Houston, so they are utilizing ours.

In Chicago, we met an individual, a small businessperson—both of his parents were immigrants from India where he did a lot of work at O'Hare Airport, which was great, except that the only place that he could then take that technology to was Dallas/Fort Worth, LAX, Kennedy and didn't have offices or salespeople. We have 300 branches, as I mentioned, and 2,000 salespeople. So he has utilized our infrastructure and our salespeople to sell his technology into other airports.

So what I ask of you, because I know that is what it comes down to, you know, is to come forward. You know, when you have an idea of the things that are up there, what does an entrepreneur do? But more importantly, a plan and objectives, you know, to come forward and say, here is what I think that I could do, here is what the plan looks like, and then here is what I need. And then that is the great discussion we'd like to have. There is not a public company out there that doesn't want to make a good investment with a good payback. All right. It is just unheard of to find somebody that would say, no, we would make too much money doing that or you would be too long-term doing that.

And the program that we call what this drives is MetroMarkets. And, once again, we actually had a *Journal Sentinel* reporter shadow us for three days back in December here in New Orleans

understanding the MetroMarkets concept.<sup>48</sup> And it is three pieces. It is the community piece that you have heard already—education, health care, housing. We then take it into partnerships, which is everything from an equity stake, a joint venture or just a strategic alliance with small businesses and minority-owned businesses. And then the bottom part is workforce development.

You may see that we have been, I am going to say, instrumental or supportive, whichever way you want to look at it, at getting Bill Strickland's program into the Contemporary Art Center. It will be housed on the third and fourth floor to drive long-term training but now the short-term training that the Business Roundtable and others are participating in, we have got to think about that also. And we have thought ahead about housing. I mentioned that we brought down over two dozen trailers. We now have our employees and families in permanent housing, whether it is apartments or houses, so we have the availability of housing up to 110 evacuees or local people that need housing to go through these training programs. So we have tried to stay a step ahead throughout this, all based on local decisions and the local team, all working with local companies and really trying to make this thing successful.

**MR. ADAMS:** What we are hearing about is not so much a philanthropic effort—those are always very important—but we are hearing about businesses making solid business decisions. They have figured out the business case for making the investments and Eric talked about Johnson Controls

<sup>47</sup> Bridgewater Interiors story, <http://www.degc.org/main.cfm?location=76>.

<sup>48</sup> *Milwaukee Journal/Sentinel* on MetroMarkets, <http://www.jsonline.com/story/index.aspx?id=425847>.

making sure that construction happened, knowing full well they would be waiting some time for their final payoff. I want to now introduce Dorothy Terrell, who is the chief executive officer of the Initiative for a Competitive Inner City.<sup>49</sup> ICIC is a really foremost national organization that's been working for several years now to continue to demonstrate the business case for investing in distressed urban areas. If that tour yesterday didn't prove something to me, it really sort of redefined distressed urban areas for me. But ICIC is very instrumental in bringing this message to companies large and small. Dorothy herself is very active in the small business venue both on the financing side, identifying sharp new companies and helping them succeed. So I would like to introduce Dorothy Terrell.

**MS. TERRELL:** Thank you, Steve. Good morning. I think we still have morning, yes. Good morning everyone. As Steve mentioned, I am the CEO of ICIC. And ICIC started about 12 years ago and was founded by Michael Porter, who is a professor at Harvard Business School, who is very well known for his work in competitiveness and international strategy. And what Michael thought of is using the idea of competitiveness and international strategy and applying that to the inner city. And ICIC has been testing those theories and proving them for the last 12 years saying that inner cities are competitive places to do business. So I am delighted to be here this afternoon, this morning rather, leading into this afternoon to advance and talk about this important discussion that we have been having today.

Post-Katrina New Orleans offers those of us in the economic field a unique, though not unprecedented opportunity. We have heard today of some of the cities that have been destroyed and have bounced back. And there is no reason to believe that New Orleans won't be in that same boat and bouncing back. But it also requires that if we don't think of it that way, if we don't act that way, that the America that we know will be sadly diminished by not having a more vibrant New Orleans as we had in the past.

For my organization, ICIC, the rebuilding challenge here is a little different because usually what we are doing is to try to get the inner cities interwoven into the economic economy. And here in New Orleans, it's like how do you do that in the beginning as you are working towards restructuring the entire economy, because of so much of the city being destroyed. So while it is unique, I think that the end result is actually the same.

And I predict that the job could be easier than it appears. If we look at the most vibrant cities in America, we know that they have robust networks of small and mid-sized companies. And at the base of these economies, that is what you have to have in order for the economies to grow. Though relatively small, these companies are lean and they are flexible—they usually know what to do in the boom times and try to be as flexible as possible when times are not as boom. They bake cookies, they print material, they brew beer, they

manufacture furniture, they cater meals to downtown functions, and that is just to name a few. Of course, they also supply the full range of goods and services to other businesses.

And the large corporations that are based in New Orleans, as in other cities, must realize that these businesses are closely woven into the economy of the larger companies themselves. The smaller businesses are an integral part of them doing well also.

A few years ago, ICIC, working with the Boston Consulting Group, helped Mayor Thomas Menino in Boston to set up an office that was dedicated to helping small businesses that operated in the city that sort of operated what we call below the radar. That office is called Back Streets.<sup>50</sup> And as part of that project, we had to show how important the businesses in the city were to the major industrial clusters. Since tourism and hospitality in Boston, as in New Orleans, is an important industry, we traced the number of companies and the number of employees that it took to take a lobster from a seabed in the Boston harbor to a bed of rice in a restaurant in downtown Boston. Our research showed that it took nine businesses, and those nine businesses employed over 200 people. But if you start with the boat and the lobstermen, the enterprise included the companies that make the traps and the buoys and other fishing equipment, a storage facility, a company that sells the bait, the repair company, a company that sells ice and fuel to boat operators, a fish wholesale company, a company that maintained refrigerated trucks, and a company that sells the lobster to the restaurants.

<sup>49</sup> Initiative for a Competitive Inner City, <http://www.icic.org/>.

<sup>50</sup> Back Streets, <http://www.cityofboston.gov/bra/backstreets/backstreets.asp>.

**“It is in the economic self-interest of large corporations and institutions such as colleges and universities, hospitals, and major corporations to support local and small businesses.”**

**DOROTHY TERRELL**

Large New Orleans corporations and institutions must understand that their self-interest is tied to that of the local businesses and we are not talking about charity. In many cases, these larger corporations can receive equal or superior services. And we have proof that that can work.

Another study that we did that was published was called *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*.<sup>51</sup> And it showed that urban colleges and universities make a mistake by isolating themselves from their cities and thinking that everything is fine behind their ivy-covered walls. And they learn that it is in their best interests to participate in the actual life in their communities. Even prestigious colleges were having trouble attracting the best students because of the derelict or even dangerous conditions of their neighborhoods. Several of them were in this situation—and Trinity College in Hartford, Columbia University in New York, and the University of Pennsylvania in Philadelphia, just to name a few, were among them—and they got involved in the economic revitalization of their communities.

And when they looked closely, they realized that they found ways that they could, in fact, impact the local economy. They were major purchasers of goods and services. They invest heavily in local real estate and infrastructure. They are employers and they are outsourcers and they provide workforce training and nurture businesses. These universities began to direct their economic growth to the local businesses. And it took time, but one saw improvement of the surrounding areas with investing in the community. Columbia for the first time began to get more applicants than any other university with the exception of Harvard and Princeton. And as part of the study, we developed an action agenda for colleges and universities.

And we believe the same principles can be applied here in New Orleans, and it is not just for colleges and universities but for hospitals and also for major corporations. And we recommend the following steps: that corporations create an explicit urban economic development strategy which is focused on the surrounding community. That strategy should mobilize the multiple ways in which the corporation can do and help in the community. That includes community participation, because to do that without including the community is talking down and not working with. The other is to charge specific departments and offices within the organization with explicit economic development goals. For example, a goal could be that the purchasing department is charged with 80, 90, say 100 percent of the supplies being purchased from local businesses. Also, it should designate a high-level coordinator to oversee and advance the

area. Designate personnel to serve on the boards of business associations. But, lastly, and also as importantly is to think long-term. This is not a short-term solution that we found with the colleges—and nowhere else that we have been.

To illustrate a point, if we look at large corporation that we know of that manufactures in New Orleans and take it as an example, it is a great company and it is perceived as a good, fine corporate citizen. And according to that company, the New Orleans plant has approximately 100 vendors or contractors, and 30 percent of that business is done in New Orleans. If that balance was shifted just a little to about, say, 50/50, it would make a big difference in the local economy and this in no way compromises the plant's efficiency. As a matter of fact, in talking with the plant management, they feel that the local suppliers are often easier to work with—that they are closer, that personal relationships are formed, that local suppliers can and do meet their needs. So in some ways it is helpful to make sure that it is integrated and part of the business strategy and it helps for both. So it is a win-win situation.

So in summing up, small and midsized businesses are essential components of an urban and regional economy. It is in the economic self-interest of large corporations and institutions such as colleges and universities, hospitals, and major corporations to support local and small businesses. And by aligning the purchasing and outsourcing activities with local economic development strategies, large corporations can have a win-win with the local economy. Thank you and I look forward to the discussion.

51 *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*  
[www.peleat.org/RR\\_Spring2003/1leveraging.pdf](http://www.peleat.org/RR_Spring2003/1leveraging.pdf)

**MR. ADAMS:** Thank you very much. I am going to take the prerogative and throw the first question out and, hopefully, we will energize some other ones. There are corporations who are large institutions who are beginning to reach out. You have heard from Eric. And I guess the question for you, Eric, would be what are the barriers in this unique situation to reaching out and connecting with companies? If companies like Johnson Controls have a tradition of working with local firms, what are some of the barriers that people need to be thinking about to reestablishing those relationships?

**MR. REISNER:** Yes, I would say a couple of things. The first one is probably persistence, because right now it is overwhelming with the amount of emails and voice mails and visits and business cards and all of that. So just persistence to stay with it and stay focused. So there again, come with a plan, come with your objectives, come with what you need, then just be persistent to really drive it. The second one is, which was mentioned earlier about, you know, calling your local politicians and writing your local politicians and everything else is to free up some of the funding for the rebuild. And I forget who said it but I think there is a real distinction between recovery, which did come fast and furious, and now rebuild to actually get the health care system up and the education system up and all of those. That is where we have seen a real slow response, which obviously we need to speed up.

**MR. ADAMS:** Let's open it up.

**MS. SAVANT:** Hi, I am Peggy Savant, I am with the Louisiana Economic Development Corporation.<sup>52</sup> I represent American women business owners, but I am also a small business owner. I am in the trenches now. I am in disaster housing, so you can understand and we do hauling and installs, and I do modular homes. I think that it is wonderful that, you know, you have been able to go through and do some joint ventures with the small companies with cash flows. And I have heard everyone mention about the cash flow situation and access to capital. I have five years that I have worked with small businesses, microbusinesses. Access to capital—it is important, but even more than access to capital right now is when the small businesses are getting the contracts and they are getting the contracts with these larger prime contractors—it is the flow of the money.

You know, we talked about payroll. Yes, I have payroll, a very small one due on Friday, it is only \$62,000. But that payroll—that money to me probably will not come for a couple of—two months if I am very lucky and it all has to do with the flow of the money from FEMA. You got your prime contractors—I know one that is owed \$985 million as of three weeks ago. So when I reach back and try to find small businesses to bring with me to build them, to establish their businesses, you know, it is the flow of the money and it is great if you can do a joint venture or have a holding company or someone.

But my question is with—I guess, we have got Nancy Montoya here with the Federal Reserve—I know that we have the lenders that are looking for ways to work with the small businesses, work with the business communities, we have the SBA. Can there not be some way that through the Federal Reserve Bank, through the CRA, through SBA, that the small businesses would be able to partner with the bank and still sell their accounts receivable at a reduced rate and get some kind of break as opposed to giving up 49 percent of their business to a big corporation because the big corporation is sitting there with a fistful of money? And just all that we are asking is to let the Federal Reserve partner with the banks and let us have a break on our accounts receivable on work that we have already done and the reason we are not getting paid is because the federal government is not paying the prime contractors.

**MR. ADAMS:** That's a great question. I am not sure if Eric has a response. If Nancy is here, if anybody has been working on that more creative approach to making these contracts move a little smoother. You know, the federal government seems to be the last payer in a lot of the cases.

**MR. REISNER:** And a quick response while Nancy or somebody comes to the microphone, is big companies like us don't choose to do this. It is not something that we want to do. To give you an example, internal rate of return within our company, we get charged 13 percent for all of the outstanding balances. We feel that we can make a return at 20 percent if we did it to actually use

<sup>52</sup> Louisiana Economic Development Corporation, [http://www.lded.state.la.us/led/business\\_incentive\\_services/louisiana\\_economic\\_development\\_corporation.asp](http://www.lded.state.la.us/led/business_incentive_services/louisiana_economic_development_corporation.asp).

it for acquisitions, new technology, development and everything else. So it is literally a loss. When I talk about the local team, the local team does not get excited about having millions of dollars of outstanding payables that we can't collect.

**MS. SAVANT:** What you are doing is wonderful, but not everyone is.

**MR. REISNER:** So if we could get all of the people that you just mentioned to come up to the microphone and talk about it or maybe a breakoff session, we would certainly be part of that conversation and would enjoy it.

**MR. ADAMS:** That's exactly the kind of idea that we are trying to get out of this event is to try to bring those things to the table. And we are lucky to have the folks here and nearby that can bring that further along.

—Yes, sir.

**MR. BROWN:** My name is Hal Brown and I am from Paladin Capital Group.<sup>53</sup> We are a venture capital firm based in Washington, D.C. My question was for the gentleman from the Business Roundtable, your workforce development program. I had two questions about it. Number one, are you simply developing construction trades people to be workers or are you also developing contractors who actually can run jobs? And, number two, conspicuous by its absence was any involvement from labor union construction building trades. Is there a specific reason for that or did you just simply leave them out?

**MR. BURTON:** Hal, thank you for that question. Let me sort of back up with the second part first. Indeed, we do have involvement of the labor area. They have actually been involved in a few conversations that we have had with Chairman Powell because we briefed his group on the status of this collaborative effort. So my apologies for not mentioning the labor dimension to this work effort as well. Again, I was trying to be illustrative and I should have mentioned them in that process. Secondly, I think the goal of the training effort is for construction workers to provide skills. The program that we are accessing through the NCCER is really a four-week program. There are a number of contractors that exist currently that, you know, we hoped to have kind of access the skilled workers that are developed. But the real purpose of this program initially is to get skilled workers into the workforce. If there are areas that we need to sort of think about as next steps, again, this is a work in progress. So I would love to talk to you offline about your idea if you have some things that we need to add to the equation. Thanks, Hal.

**MR. ADAMS:** Yes, sir.

**AUDIENCE MEMBER:** This is actually in response to a question that was raised to the previous panel but it still seems germane. The State of California had a program—they fund a network of small business development corporations that issued state-backed loan guarantees. And during the times of natural disaster whenever the president declares an area a natural or a national disaster area, these small business development corporations provide

interim loans provided actually by financial institutions. They guarantee loans provided by financial institutions as precursors to the SBA loans because of the SBA loans' extended process. I would just throw that out to those of you who are involved in that sort of work as a model that might be picked up for the State of Louisiana.

**MR. ADAMS:** Thank you very much. And we are going to hear from the economic development folks this afternoon from Louisiana. I know that we are all anxious to get a break and stretch our legs and get some lunch. So I want to first thank our panelists for presenting this morning. I believe now we are going to break to the Azalea Ballroom which is exactly across the hall and have lunch and have our speakers and then get back into it. Thank you all very much this morning.

#### Luncheon Remarks

**MR. SULLIVAN:** I am going to challenge you to help my office overcome a big obstacle. When we were planning this conference several months ago, Dr. Chad Moutray—and this is really his conference. I get the credit but it really is Chad's. So if it goes really bad, I guess that Chad gets the blame. But Chad came to me and he said, Tom, we have got too many really good speakers. I said, well, that's a good problem to have, I guess. How do you fit as many folks in? How do we fit the wonderful folks from the Gulf Coast Urban Entrepreneur Partnership in? How do we fit our tremendous friend and advocate from the small business community, Maura Donahue, in? Chad said,

53 Paladin Capital Group, <http://www.paladincapgroup.com/portal/index.php>.

oh, I know, we will just have speeches throughout lunch. And here's where I need your help to overcome this challenge because it is an awkward challenge. Because having a newborn son, I know how loud and messy eating can be. So if you could help me try to meet this challenge and eat softly, I sure would appreciate it. And I hope that you are enjoying lunch and I hope that you continue eating softly. And we are honored to have a number of luncheon speakers and a keynote address.

And before I get into that formal program, I would like to recognize someone who we are honored to have here this afternoon and that is Louisiana Senator Mary Landrieu. Thank you for joining us today. I certainly don't have to tell you how forceful an advocate Senator Landrieu is for all of you. And, quite frankly, for all of what we are discussing today at this conference, so thank you.

And I would also like to thank our cosponsors, the Ewing Marion Kauffman Foundation, the Public Forum Institute and the Gulf Coast Urban Entrepreneur Partnership, UEP. And I would like to especially single out the Kauffman Foundation for their generosity. Not only are they paying for the food that you are eating, but they are paying for this entire conference. And when we first set out to have this conference and bring in speakers and bring in small business folks, we just couldn't charge people. It wouldn't make sense. You know, charge money to come to hear about your issues and your struggles, and it just didn't make sense. And so thank you Kauffman Foundation for funding this conference.

First of two speakers, and then our keynote speaker, is Daryl Williams, and Daryl will introduce the next speaker as well. Daryl is the director of minority entrepreneurship and national director of the Urban Entrepreneur Partnership, UEP. Daryl will update us about the UEP initiative and how it ties into rebuilding and recovery here in New Orleans and across the Gulf Coast region. Please join me in welcoming Daryl Williams.

**MR. WILLIAMS:** Good afternoon. I guess that I have the dubious distinction of being the answer to the shortened timeframe, seeing I wear a couple of hats, so we get everything involved in one speech and get it all taken care of. I want to thank everyone for coming to this important conference. I think that there is a lot of energy and concern around the issues here in the Gulf. And we are just a small part of hoping to add value to that proposition, but that's why we are here.

I just want to talk to you today a little bit about who we are at the Kauffman Foundation and the Gulf Coast UEP, how we came to actually get involved in this process, what we hope to gain from being here in the process, and the value that we hope that we can bring to the community and to the people who have suffered because of Katrina. This conference—it was interesting today listening to the previous panels and speakers trying to decide the role of entrepreneurship in revitalizing the Gulf. You know, that's a large question. I mean, what should the role be? You have the government, you have the private sector, you have large business, small business contracts, all of these issues.

**“We have over \$2 million in assets and we have two areas of interest. One is youth education, that's our local kind of interest. And our national interest is being a catalyst for entrepreneurship...”**

**DARYL WILLIAMS**

And I think one of the things that really strikes us at the foundation is talking about the idea of training entrepreneurs, have entrepreneurs to be more sophisticated in how they actually go about growing their businesses and managing their businesses. People talk about capital. You need capital, you need opportunities. We are well aware of that. Infrastructure building is important. But the critical component—at least we at the foundation feel—is training entrepreneurs—there has to be an effective mechanism. I think Dr. Greenhalgh talked about that today—his idea about how do you have sustainable growth in entrepreneurs, not just in the Katrina situation but in a more global sense? How do you have entrepreneurs become successful and sustain that growth? How do we do that?

Let me tell you a couple of things about the Ewing Marion Kauffman Foundation.<sup>54</sup> We are a foundation started by Mr. Kauffman, who was an entrepreneur himself. He went on to buy the Kansas City Royals baseball team—we are not doing too well now,

<sup>54</sup> Ewing Marion Kauffman Foundation, <http://www.kauffman.org/>.

but it is still our team. We have over \$2 million in assets and we have two areas of interest. One is youth education, that's our local kind of interest. And our national interest is being a catalyst for entrepreneurship—that's what we do at the national level. And in that portfolio we talked about in Kansas City, how can we have an effective program that really helps small businesses in terms of sustainability, growth, and raising the bar to make them competitive?

And in that effort, we came to find out about a program called an Urban Entrepreneur Partnership, which is a collaboration with the National Economic Council of the White House, the National Urban League, the Business Roundtable and they asked us, and we were honored too, to join in that partnership.<sup>55</sup> And the concept there was to really strategically find ways to move the economic indicators for small and minority businesses all around the country. So we tested in five cities, in Kansas City, Cleveland, Atlanta, Jacksonville—and I am missing one. Cleveland, Atlanta—Cincinnati. Thank you, Marvin. And so in those five cities, we had a pilot program up and running, we were under way trying to test some theories.

And in the midst of that, Katrina hit. So then we decided to come down to Katrina and see, can we add value, can we do something to assist in the redevelopment of the Gulf Coast. And naively—when Carl Schramm, our CEO, and Bob Litan, my boss came down and told me to come down and take a look from the foundation's perspective to see what we could do—we were thinking in terms of where we were going to come down and offer fast-track classes and help these entrepreneurs.

And the devastation that we saw when we came down here was so much, we had to come back and just regroup, because it is very naive to think that you can train entrepreneurs in isolation without thinking about the housing situation and job training and infrastructure. And this is such a devastated area, we had to just come back and say we need to do some relationship building, and we need to come down and talk to people and try to assess how can we have a bar that we could move forward across all fronts so we are moving in the right direction in terms of training entrepreneurs in the region.

So that's what we have been doing. We have come down probably seven to 10 times since the disaster. We have talked to government agencies, community people. And I think that we are at a point now where we know what we are trying to accomplish in terms of how we are going to work. And so we are going to open up three offices, one in Baton Rouge, one in New Orleans, and one somewhere in Mississippi. We are going to offer what we call our Kauffman Coaches Model in terms of training entrepreneurs.<sup>56</sup> And then we are going to have an evaluation component. We are really going to try to follow up and see what effect our interventions have had.

I just want to take a minute now to introduce my colleagues here from Kauffman who have come down here, and they are actually going to be the ones that are going to be implementing the training so you will get to know them well if you

are from this area. I want to introduce Michael Dayton who is the head of our Kauffman Coaches Program. We have Andre Hinton who is one of our league coaches. Dr. Charles West is one of our league coaches. Kevin Lockett is one of our coaches. And everybody knows Kermit Thomas, he's been very instrumental in helping us do what we do here. I also want to thank Marvin Owens. Marvin was very instrumental in helping us when we first started this process of helping us with the five centers and we have been learning from each other in terms of how this process goes. Marvin Owens from the National Urban League.

Okay. So the question is, I mean, how will we help? What will we do? Well, we plan to offer kind of a virtual one-stop shop of training entrepreneurs, having access to service delivery models, in terms of service delivery organizations in your communities, access to financial institutions that are interested in participating.

Our coaching program is pretty comprehensive. And I think that it is a national extension of what Len does at Tuck, and we are talking about ways we are going to take on the people who go to Tuck and try to be an extension program for what it is that Len does. We really want to look at a long-term and a short-term kind of strategy. And our short-term strategy is to try to assist the entrepreneurs who are in the process now of trying to participate in the redevelopment efforts.

55 Urban Entrepreneur Partnership, <http://www.nulempowermentfund.com/partnership.aspx>, <http://www.kauffman.org/items.cfm?itemID=591>, <http://www.kauffman.org/items.cfm?itemID=679>.

56 Kauffman Coaches Program, <http://www.kauffman.org/news.cfm?itemID=679>.



So what do we do there, you know, we try to look at the solicitations that are coming out. We try to see if there is some way we can anticipate what's going to be needed among entrepreneurs and the labor force and work with people who do job training, work with people who need entrepreneurs or subcontractors, and try to train people up to a level or strategically assist them and at least try to facilitate them in joint ventures so they can build capacity—those kind of issues—to be ready to take on the contract as they come. This is not easy work, it is not a magic bullet. It is not going to happen overnight, but we think it is something that we can make an impact on.

Our long-term strategy is to try to provide fast-track training to entrepreneurs in the region or anybody in the region who actually wants to look at entrepreneurship as a career choice or as an alternative to what they were doing previously before Katrina.

We were working—I just met someone today from the local SBDC, I don't know if she is here, and there was somebody else that I met—and we were going to get together and we are going to talk about ways to incorporate all of the SBDC centers in terms of training for fast track. One of the things that struck me this morning was listening to people ask questions about what can the government do and what they should do. And I think government is going to play a critical role, they are needed. And it is important to talk about accountability for taxpayers and those kind of issues.

But I really believe that the final version, the final chapter of this story is going to be told by the entrepreneurs. You know, the whole idea about being an entrepreneur is being creative and innovative and thinking outside of the box. And it seems to me that the spirit of the people that I met in Louisiana and Mississippi so far, that that is what is going to determine how these problems get solved. It is really going to be from the entrepreneurs with the assistance of government, the role of the government. I think the entrepreneurs are going to write the final chapter here. So we are really excited about being part of this process. I thank you again for coming. Thank you for asking me to speak. And enjoy your Louisiana lunch. Thank you.

**MR. SULLIVAN:** Thank you, Daryl. The Kauffman Foundation's commitment to entrepreneurship for me is inspiring on a daily basis but at a conferences like this, I think it is an opportunity for them to inspire really more, more of the small business and economic development community. So thank you. Daryl, you do excellent work in a hands-on way and more than just academic ways, like this conference. And the Kauffman Foundation is truly a great American resource. Our next speaker has the honor of introducing our keynote address. This next speaker, who I am honored to introduce, is Sandra Gunner. Sandra M. Gunner is the president and CEO of the New Orleans Chamber of Commerce.<sup>57</sup> She is also past president of the Committee for a Better New

Orleans Metropolitan Area.<sup>58</sup> And in my view, most importantly, she is a small business owner. Her firm Gunner & Associates works on building small business capacity in Louisiana and Mississippi.<sup>59</sup> Please welcome Sandra Gunner.

**MS. GUNNER:** Thank you all very much. This is a great conference and I would like to thank all of the sponsors for thinking about New Orleans and for choosing this as a site to come here. We think that it is giving you some more insights on what we are dealing with here and, hopefully, it will set the model for the future. Not just in New Orleans but as we were saying at our table, it is going to happen again somewhere and, hopefully, it won't be to the extent that it did here, but certainly you can anticipate the small businesses will be impacted wherever that may happen.

I am not going to talk because I want you to hear the next speaker, which is Maura Donahue. Maura is also the owner of a small business based in St. Tammany Parish. The owner of Donahue and Favret Contractors. And if you were watching "Extreme Makeover" a few weeks ago, you saw that her firm had been selected and featured to do a makeover of a black church here in New Orleans and that was certainly an honor and a testimony to the fact that she could turn that renovation, not just a makeover, but a renovation over within a few days with volunteers.<sup>60</sup>

More importantly, what Maura has been doing, and not reflected in her description, is her spirit and her compassion for small businesses. She had previously—being chair of the U.S. Chamber—

57 New Orleans Chamber of Commerce, <http://www.neworleanschamber.org>.

58 Committee for a Better New Orleans Metropolitan Area, <http://www.cbno.org/>.

59 See, for example, Top 10 by 2010, <http://www.top10by2010.org/index.html>.

60 Donahue Favret Extreme Makeover, <http://www.donahuefavret.com/emhe/index.html>.

**“I want you to go back to wherever you came from and you make sure that you tell people what you saw and you tell them come on down, come down here and come see it for yourself so that you see what this community lives with on a day in and day out basis.”**

**MAURA DONAHUE**

served also as the chair of the Small Business Council for several years, and she has carried that mantra forward as chairman of the U.S. Chamber in terms of how she speaks around the country about what is the cornerstone and the foundation of the economy here in the United States.<sup>61</sup> It is certainly the cornerstone in the economy here in the Gulf Coast region. And we know that. We appreciate her leadership. We appreciate her perspective in looking at how can we work closer together as a region and putting that within the context of the global market. She has been a mentor, she's been a role model, and certainly she is a friend to small business. So I bring you Maura Donahue. Thank you.

**MS. DONAHUE:** Thank you, Sandra, I appreciate those kind words. Sandra and I attended a whole lot of functions together across this country, huh? I have to ask first, so I know who is in this room, who went on the tour yesterday and saw this region for the very first time? Let me hear one word that described what you saw.

**AUDIENCE MEMBERS:** Unbelievable. Overwhelming.

**MS. DONAHUE:** Unbelievable. Overwhelming. It is, isn't it? I want you to go back to wherever you came from and you make sure that you tell people what you saw and you tell them come on down, come down here and come see it for yourself so that you see what this community lives with on a day in and day out basis.

Tom Sullivan, thank you so very much for doing this. Tom and Chad, and Chad I know that you are going to get the blame so you may as well get a little of the credit too, there is no blame to be given. It is going to be a tremendously successful conference and thank you for doing this. We appreciate that you care. Tom truly does represent the business community in government. The Office of Advocacy is known as the voice of the business community in government and does an excellent job doing that. Tom and I had the pleasure of working over the last few years in different capacities and he is a real joy.

I have been chairman of the board of the U.S. Chamber of Commerce since last June. Little did I know in June when I took the helm of the Chamber, that on August 29th my focus was going

to change slightly. I started my year out intent on focusing on health care, number one big issue for small businesses, health care. In July prior to Katrina, Jonathan Ortman facilitated a health care retreat in D.C. between the American Hospital Association and the U.S. Chamber of Commerce. And it was a wonderful, wonderful retreat and I left it passionate about what was going to happen with health care. We got a little bit diverted but it is still on the top of the list and we will continue to still work on health care.

Thank you for being here and being one of our sponsors. I do ask you, again, when you return from wherever you came, make sure you tell people, come see this.

I would be delighted to sit in the audience right now and listen to Senator Mary Landrieu do this instead of me. We are so very blessed to have you in Washington, D.C., representing us. I can't think of a single spokesperson that I would rather have in D.C. doing what you do for us. Because when you speak about this, your passion shows in your face, it is in your voice and we are very, very blessed to have you. Thank you for doing all that you do, all that you do for us.

Secretary Michael Olivier was with us a little earlier, we are fortunate to have Secretary Olivier in his position. We are fortunate. I don't think that he's here right now. Oh, there he is. Did I do that on just the right time that you just walked in? I don't know that I want your job right now and we thank you for doing what you do for the state.

<sup>61</sup> U.S. Chamber of Commerce Small Business Center, <http://www.uschamber.com/sb/default.htm?n=rn>.

And, of course, I would be remiss if I didn't mention our GNO, Inc., president, Mark Drennen. Mark, thank you for all that you do. I am mentioning these folks' names because this is a team effort and we have a tremendous team of people put together to do the things that we are doing.

As Sandra mentioned to you, I am a partner in a small construction company on the Northshore. My business escaped the amount of damage that Katrina and Rita sufferers sustained. But many businesses like mine were not as fortunate. All told, Chamber numbers differ slightly from what I heard earlier, but I think that somebody mentioned 60,000. The Chamber's numbers are 120,000 small businesses that were devastated by Hurricanes Katrina, Rita, and Wilma, I would be remiss if I didn't say all three of those. Our hurricane season was a devastating season. And that is just the number of businesses south of I-10 that were affected. I don't know how you quantify the folks north of I-10 that have been affected in some fashion as vendors to the companies south of the interstate.

Recovery of the small business community is the critical linchpin in our region's recovery. That's because the Gulf Coast economy is especially dependent on a vibrant small business community. I have a trick question for you. How many Fortune 500 companies are there? 500, okay, very good. How many Fortune 500 companies, period. How many Fortune 500 companies do we have in our region? One. Exactly.

So this community depends on and this region depends on the small business community, a vital part of your community. Small businesses are the backbone of our communities and they are the future of the Gulf Coast economy. Small businesses provide most of the jobs in our region. We form a critical component of the tax base. Without small businesses, there are fewer incentives for people to come back. Without small businesses, the state and the local governments have fewer revenues to rebuild and sustain the levees and the bridges and the schools and the hospitals and the other critical infrastructure that needs desperate help. Without small business, the community has a much less viable future.

More than seven months after Hurricane Katrina and six months after Rita, almost everyone would agree that we aren't where we need to be in our reconstruction and revitalization of our small business community. With each passing day of little or no progress, we risk inflicting long-term damage to the business community. The longer it takes for people to come back home, the less likely it is that they are coming home. Time is of the essence. It's been said that the first 48 hours after a person goes missing are critical in determining whether that person is found. We are seeing the exact same thing happen to this business community. Without a greater sense of urgency, it becomes much less likely that people will return and more likely that we will lose the people, the businesses, and the things that we cherish most about our region and New Orleans—those things will be lost forever.

**“A quicker lasting recovery depends on several key factors. First, it is imperative that we get capital into the hands of small business owners more quickly.”**

MAURA DONAHUE

We have a strong foundation from which to move forward. Part of the solid foundation comes from the resources contributed by the private sector. The private sector stepped to the plate with \$1.2 billion in contributions and donations as a result of this past hurricane season. It is unprecedented—the response that corporate America has stepped to the plate with, compared with before.

The U.S. Chamber—and I'm hopeful that part of the Chamber's response is because I am there, but I know that that's not the case; I probably have nothing to do with it—the U.S. Chamber believes that the P-word—profit—is not a bad word because the P-word, profit, allows us to do the other P-word and that is to be philanthropic. The Chamber has worked with a group called Aid Matrix to develop a system that matches donations with needy people.<sup>62</sup> We saw a demonstration of Aid Matrix recently at a conference down here and we were so impressed with what Aid Matrix is able to do.

<sup>62</sup> Aid Matrix, <http://www.aidmatrix.org/default.html>.

The Chamber has generated support for the Louisiana Association of Business and Industry Small Business Relief Fund and has helped dozens of small businesses in our region with grants to help them in that very critical time right after a disaster.<sup>63</sup> We heard someone talking this morning about being on life support and those grants are helping those folks in the interim.

The Gulf Coast small businesses are rallying around each other and around organizations that anchor their communities. Sandra mentioned a minute ago our company had the pleasure of being asked to be the lead contractor in the reconstruction of a church in New Orleans on Carondelet Street. It is First Emmanuel Baptist Church. Pastor Southall, just an absolutely delightful man, not only takes care of his congregation, but he is community-minded. He has a food kitchen. He feeds the homeless. He takes care of children and daycare facilities. He helps students who are getting ready to take LEAP tests do well in those LEAP tests. He takes care of not just his congregation but the community. We had more than 2,000 volunteers from across the region completely renovate the church, its soup kitchen, the daycare facility, create a nursery and the after school care facilities in less than five days.

And why do I tell you this? Because it shows you the passion of this community. It shows you that the private sector—we can, when we come together, we can accomplish wonderful things. More importantly, our involvement in that project was because it sent a message across the country that it is okay to come back home, please, we welcome you back home, don't stay away too long. And the other message being that

our community working together is doing wonderful things and it is a wonderful area for people from across this country to look to, to invest. So we hope we were successful in getting that message out.

Combined with the federal resources, the support is having an impact. There are some positive signs that New Orleans is regaining some sense of normalcy and you heard some of those a little earlier. Our airport is operating right now at about 50 percent of capacity. Investment is slowly returning. Our levees are being worked on. Schools and hospitals very slowly are being restored. Some businesses are reopening. And, yes, New Orleans did celebrate Mardi Gras. And I know that was met with mixed results, some people thought that sent the wrong message about our area, but I am one of the people who thought that it sent a very positive message that we understand what Mardi Gras is to our economy, and it does send a positive message that we will survive.

A quicker lasting recovery depends on several key factors. First, it is imperative that we get capital into the hands of small business owners more quickly. It is imperative that we get capital into the hands of small business owners quickly. I appreciate the SBA's efforts to get loans distributed, but the fact of the matter is that the system has not proved adequate to deal with the level of disaster that we have experienced. I think this has been a disaster beyond any previous known disaster and I think SBA was caught as off-guard as all of the rest of us were in what we are experiencing. I am not an expert in your field but from what I understand, there seem to be frustrations at every step of the process.

To ease these frustrations, there needs to be better coordination between SBA and other government and nongovernment entities that are working on the recovery and reconstruction process. For starters, we would like to see the FEMA and SBA processes separated. Rather than having one agency depend on the other, they need to proceed on parallel tracks. The current policy of having to be denied for an SBA loan in order to qualify for a grant from FEMA doesn't make sense to the private sector. FEMA should focus on the personal situation, while SBA continues to focus on the business situation. We understand that SBA is doing a lot of housing-related loans too and though this is important, this takes away resources from its primary focus, which is small business.

Local chambers and banking institutions are eager to help SBA with various aspects of the approval and the closing process. Chambers and banking institutions can raise awareness about the resources available to small businesses. Chambers and banking institutions can simplify the forms in the initial processing application. Chambers and banking institutions can help facilitate loan processing perhaps by serving as a subcontractor for the SBA, and I'm real happy to hear that that is something that is actually taking place at this point in time. Chambers and banking institutions are able to arrange in-person closing meetings. Chambers and banking institutions can also work through the initial disbursement process to get people insurance coverage and funds beyond the initial disbursement. The fact of the matter is, the local banking community and institutions know the folks, the

63 Louisiana Association of Business and Industry, <http://www.labi.org/>.

clients, better than anybody else and are an excellent solution to a paperwork logjam that I know that the SBA is feeling at this point in time.

I hope that everything that I said is taken in the spirit in which it is intended. I think SBA is vital and does a tremendous job for us. But as I said, it is a pretty overwhelming situation for all of us to deal with. And we appreciate the SBA's assistance and hope for continued success for the SBA.

In addition to securing small business loans, we would like to see the creation of greater incentives for capital investment in our region. We appreciate the work of government officials such as Commerce Secretary Gutierrez, who will be leading a delegation of investors here in a few weeks along with private sector leaders to promote the Gulf Coast region as a good place to invest.<sup>64</sup> The fact of the matter is, this area is the best, according to Secretary Gutierrez, for investment. There is more opportunity here for investment than any other place in this country. And we hope that he is able to convince his entourage to invest in this area. He is actually bringing in around 30 business people who are committed to trying to invest \$5 million in our region for a total investment of \$150 million, and we hope that he's very successful in doing that. This is also the biggest economic development project that this country will ever undertake right here in our region.

Secondly, we need to expedite the reconstruction of housing, infrastructure and schools. And I am preaching to the choir, I heard earlier today comments along the same lines. Businesses are not going to come back unless we make greater progress in these areas. We need to decide how and what to restore and what we can do to leapfrog our development to modernize our infrastructure. Not just to come back to where we were before, but to make it better than before.

Thirdly, we need to have a community-based approach that focuses on building up clusters of businesses as opposed to supporting one company here and one company there. Recent studies of national disasters such as Hurricanes Hugo and Andrew and the Northridge and Loma Prieta earthquakes in California show that about 40 percent of small businesses in an impacted area are not in operation one year after the disaster. Reopening the doors is the easy part. It is the combination of how the infrastructure gets disrupted, the population shifts, and supply chains and customer shopping patterns get realigned that can have a dramatic impact on the ability of companies to stay open.

Fourth, we need to increase small business access to insurance. You heard insurance mentioned earlier today. Insurance will be a crisis for us. After a disaster, insurance costs have a tendency to skyrocket in the short term and that can have a significant impact on the rate at which businesses come

back to our area. This isn't the fault of any individual insurance company, it is a natural human reaction to a disaster, unfortunately. So we need to look at strengthening our levees and exploring our technologies to reduce our weather risk. We have to explore innovative ways to incentivize, reinsure, and otherwise reward insurance companies that are willing to take a chance on the redevelopment of the Gulf Coast. We want them to come back to our state, not leave our state.

Fifth, we need to invest in preparedness and mitigation. The 2006 hurricane season is less than eight weeks away for us. And meteorologists are telling us that we are in the middle of an intense 10-year storm cycle. It is not a question of if another disaster is going to happen, but actually when. The Chamber's Business Civic Leadership Center is convening a workforce conference in a few weeks to discuss not only preparation for the 2006 hurricane season but also to discuss emergency preparedness in general, because we are not going to be the only place experiencing disasters this year, as we have seen tornadoes across the country, perhaps—you don't know—earthquakes.<sup>65</sup>

Finally, it is important for the impacted areas to work together to share lessons learned and explore ways to build better connections across the region. It is all about the region. In New Orleans, we are very conscious about the welfare of our friends in Texas, Mississippi, Alabama, and Florida. And quite frankly, the more we stay together and keep attention on the entire region, the more likely it is

64 Commerce Department trade mission to Gulf Coast, [http://www.commerce.gov/opa/press/Secretary\\_Gutierrez/2006\\_Releases/May/02\\_Gutierrez\\_Powell\\_Gulf\\_Coast\\_Mission\\_advis.htm](http://www.commerce.gov/opa/press/Secretary_Gutierrez/2006_Releases/May/02_Gutierrez_Powell_Gulf_Coast_Mission_advis.htm)

65 Business Civic Leadership Center, <http://www.uschamber.com/bcl/default>.

**“In addition to securing small business loans, we would like to see the creation of greater incentives for capital investment in our region.”**

**MAURA DONAHUE**

that our nation will focus on our recovery. We have reached a critical juncture in the reconstruction of the Gulf Coast. We can either proceed at the current pace and direction and risk the long-term vitality of our small business community, which is our region’s economic base, or we can take steps necessary to increase economic opportunity and reduce the risks of operating a business here. We have to be realistic about the process. Mistakes have been made and more will likely occur. New Orleans and the rest of the Gulf Coast are not going to go back to the way things were before Katrina, but through things being done differently, we will be better, better than before.

I want to leave you with two thoughts. Emergency preparedness. Emergency preparedness for our country as a whole, I am very hopeful that lessons are learned from our experience with this past hurricane season. If you have an emergency preparedness plan, good for you. But the likelihood is you have to look at it and make sure it was a good plan.

Most people relied on communications to institute their phone trees and contact their employees. We didn’t have that. If you don’t have one, shame on you and put one in place. We need to rely on ourselves as businesses. Our local government, our state government, and our federal government were as shocked by our disaster as we were. And everyone at local, state, and national levels needs to have an emergency preparedness plan that takes care of the communities shortly after the disaster. The message to the rest of this country is, what is done for us in response to Katrina could be what’s going to be done to those regions when they experience the next tornadoes, the next earthquake, the next forest fires, flash fires, floods. If we learn anything from this, it is that we need to get money into the hands of small businesses quickly. We can give people food, shelter, water, clothing, but come Monday morning, everyone needs a job to go back to.

The second thought that I want to leave you with is that this tragedy, which has been a challenge for us, needs to be an opportunity for us. We have seen a broken health care system, we have seen a broken public school system—we can fix those. We can come back better and stronger than before. Chicago before the fires in Chicago was a stockyard town. Look at Chicago now. San Francisco before the big earthquake was a gold rush town and look at San Francisco now. Savannah, hit by hurricanes, is back and is a wonderful area at this point. We can do the exact same thing with New Orleans, working together. Working together as private citizens, working together as the business community, we can make this happen—if we work together.

As small businesses, we see problems, we have problems. We come up with the solution, we enact the solution and move on to the next problem. It is very frustrating, the situation that we are in right now, because the response is slow all across the board. But let’s stick with it together and make it happen. We will come back bigger and better than before.

God bless. Thank you.

**MR. SULLIVAN:** Thank you, Maura. Thank you not only for your remarks but for being such a tireless advocate in the local community, in the state community, and in the national community in Washington, D.C. Your personal reflections certainly frame many of the opportunities faced by entrepreneurs here in New Orleans and make the issues we are discussing come alive. Before we break, I would like for you to know that we will be donating the floral centerpieces to the Jo Ellen Smith Convalescent Center here in New Orleans. So even though they look pretty enough to take home, please don’t.

We are going to have a short break, which allows for you plenty of time to eat the delicious bread pudding, also to network. I feel somewhat guilty sometimes about being so rigid on our time schedule to cut off just some great discussion because a lot of what we are talking about does boil down to relationships. And so now here is your chance to network. You don’t have to eat quietly any more. Bolster those relationships, get up and meet new folks and then we will promptly reconvene at 1:45 back across the way in the Magnolia Ballroom. Thank you.

## Encouraging Business Ownership in the Gulf Coast Region

**MR. SULLIVAN:** All right. Welcome back. Welcome back to our afternoon session. I hope that you enjoyed your lunch and that you are ready for some more interesting discussion. Before I introduce the moderator, I just want to point out a few things. First of all, for those of you who are interested in receiving the proceedings via email, mail, or both, please make sure to leave your business cards, one business card at the front desk just so we can make sure to get you a copy of the proceedings.

The second thing that I would like to mention is the construction noise. Now, this actually was my idea, I thought if we were having a rebuilding renewal conference, we should pipe in construction noise to make it authentic. I am kidding. They are rebuilding behind this podium, I think Saks Fifth Avenue is rebuilding to try to open up the store. So please look upon construction in the way that I always do and that means that's an attitude of looking at it as jobs, growth, and renewal rather than a distraction. So thank you for your patience.

This afternoon, this first panel of the afternoon features national, state, and local development officials. They will be discussing public policy initiatives that can reduce obstacles and encourage entrepreneurship. Moderating the panel will be Daniel Heath, associate director of the National Economic Council at the White House.<sup>66</sup> Daniel is someone that I work with very closely. He and I are in contact

several times a week and I can tell you that he and the White House have a passion for small business and a passion for seeing full economic recovery in the Gulf Coast region. Please join me in welcoming my friend and fellow advocate for small business, Daniel Heath.

**MR. HEATH:** Thank you very much, Tom. If there is any doubt that entrepreneurship in the private sector has the lead in the role for economic recovery, this conference should dispel those ideas. As Professor Greenhalgh raised, though, is it a question of simply cranking up the private sector and then hoping for the best? Are we assured that the role of the government in the process is carried out to its fullest as well as the roles of every other sector that has a part to play? And in this panel, we confront the issue of whether the policies in effect are the right ones to encourage revitalization in the business climate or whether there are other policies needed to remove obstacles to the business climate for investment.

My distinguished colleagues on this panel will present their approaches in the states, respectively, of Louisiana and Mississippi. We are a little bit less of a distinguished panel because Donald Hutchinson, the economic development director for New Orleans could not be with us, unfortunately.

I could refer you, though, to an article in *The New York Times*, which perhaps most of you read last Wednesday, that talked about patchy recovery in New Orleans.<sup>67</sup> Only one in 10 businesses has

“...the president has invited public comment, public discussion of what should be the lessons learned and the way to approach this...”

DANIEL HEATH

reopened. I find this containing really no information that is unknown to those of us at the conference and many of you who are living out this experience in the region. What is interesting about the article is the focus that I know Don Hutchinson and the others on the panel share, which is the confronting of the status quo and then the future for business recovery. And by that I mean, there is one kind of primary level—that of restoring existing businesses, the customer base, the housing, getting those obstacles removed. And then there is a second level which is a little more visionary that talks about how should the future be different from the past. And I know that Mr. Hutchinson would talk about the technology future for disaster-proofing housing and for recovery through advancement in techniques and technology so that this region becomes known for that and develops a real kind of competitive advantage in that line of work so there would be a growth of a new industry. And I know that others have spoken about other new types of industry that can replace existing or previous sources of small business entrepreneurship.

<sup>66</sup> National Economic Council, <http://www.whitehouse.gov/nec/>.

<sup>67</sup> “Patchy Recovery in New Orleans,” *New York Times*, April 5, 2006, <http://www.nytimes.com/2006/04/05/business/05recovery.html?ex=1301889600&en=3bc3550ff4544655&ei=5090&partner=rssuserland&emc=rss>

In this panel we want to talk, though, about the federal response, about the state and local response, and whether all of our jurisdictions are doing all that they should for removing the obstacles to the proper business environment for a robust recovery. President Bush, as Thomas mentioned, feels very strongly about the role of small business and entrepreneurship in recovering. He is pretty famous for talking this way from Jackson Square and onward. He has mentioned it in the State of Union address. I lose track really of the amount of times that he has promoted this approach and acknowledged that the private sector, in particular, small business and entrepreneurship, is the leading element in recovery. He certainly in his proposals—what he has pushed in the Congress and articulated for the nation immediately following the hurricanes—bears that out. The Congress did pass the legislation on GO Zones, which includes the doubling of the business expensing and the bonus depreciation.<sup>68</sup> He has since proposed to extend that in his latest budget. He's a promoter of the Urban Entrepreneur Partnership, which is a new approach to creating economic opportunity, creating an old boy network for new boys and girls. His proposals that Congress hasn't acted on are helpful as well, including his surety bond proposal to go up to \$5 million from \$2 million. His use of SBA financing for disaster mitigation and preparedness, which we heard about at lunchtime. A grace period on SBA finance, as well as raising the maximum size of loans under SBA to \$10 million.

Within SBA, as reviled as it has been, there has been a push for great performance, in the sense that SBA is now on the cusp of having lent \$8 billion in six months since the hurricanes, more than

it's lent in disasters in its entire 50-year history. As we all acknowledged, this is a need of unprecedented magnitude. And the programs that SBA has been charged with carrying out by Congress have worked under those definitions of lending, not grants, and being as quick as you can with the unprecedented need. The New Markets Tax Credit Program, a billion dollars the president supported dedicated to the region here.<sup>69</sup> And the disaster process, improvements in the whole way SBA operates. SBA has with its direction put out a request for all of the public to join in and say, really, what should be done.

Does it make sense as legislatively required, that SBA is making housing loans? Actually, it is kind of paradoxical, and you might say typically federal government, that HUD money is being used for business loans and SBA money is being used for housing loans. Well, that perhaps needs sorting out, but the president has invited public comment, public discussion of what should be the lessons learned and the way to approach this, if it is preferable.

Don Powell spoke this morning about the whole world is watching, and Marc Morial reiterated that. And the president has articulated a need—like Don Hutchinson in his way in that article—for a new vision for small business. The president has spoken eloquently about ownership and how one doesn't just want to restore a kind of old business environment but one in which people who have seemingly been left out of opportunity can move into opportunity.

And I would submit that that approach is something that serves the long-term interests of this region in the sense that it goes beyond donor fatigue, it goes beyond a sense of the region looking to the federal government, but rather a region saying we really want to be different from the time before. We want to be a model for everybody to look at about a way of doing it that emphasizes opportunity—opportunity, which is the essence of entrepreneurship. And so we will work not only to restore the status quo in terms of a business environment for small business, but rather in addition, creating newer opportunities where they didn't exist before. This area, as others have reminded you, is filled with opportunity, and opportunity for certain sectors, maybe not other business sectors at the moment—that natural change occurs as the economy progresses. But through it all, I think that the theme of opportunity and the opportunity for the entire population is something that is dear to the president's heart and something he has articulated and it is a challenge to all of us when talking about the usual items of regulatory relief and relief from tax burden—which on the federal level we've done what is expected to be done in this situation—and to move beyond to a new vision for the small business environment here.

With that, I want to introduce the first of our speakers. Both of them really don't need much of an introduction—I know that you are well aware of their accomplishments and their requirements. Michael Olivier, who will speak first, has the latest

68 Gulf Opportunity (GO) Zone (Louisiana summary), <http://gozoneguide.com/>.

69 Internal Revenue Service, New Markets Tax Credit and other tax relief for hurricane victims, <http://www.irs.gov/newsroom/article/0,,id=147085,00.html>.



distinction of having the job that you were just told during lunchtime nobody wants. And I might just say as an aside, Leland Speed gives the lie to that characterization since he left a very lucrative and satisfying private sector job to take his counterpart position in the state of Mississippi. Michael Olivier is in the midst of a very distinguished career in economic development. You know him as the secretary of Louisiana Economic Development.<sup>70</sup> He has been in that office since June of 2004. He has been in key positions in economic development for more than 30 years in both states, really, Mississippi and Louisiana. We don't have time to go through all of the awards that he has received so just take my word for it, he has received many, many awards for his dedication, work, and effectiveness in this area. He has been the Economic Developer of the Year in 1999. And so this section is in very capable hands. And I joyfully introduce Michael Olivier.

**MR. OLIVIER:** Well, good afternoon. I know that you have been good morning'd enough. I also would like to read something that somebody sent me, and I have to use glasses to do that. By the way, Governor Kathleen Babineaux Blanco sends her regards. Welcome to Louisiana. Welcome to New Orleans.

We hope that you learn something about what's happening in the Gulf Coast region. The devastation, the hurt, the pain, the agony, the things that people are forgetting about as we move seven months beyond the dates of our two storms that impacted the Gulf Coast region.

Someone sent me this, I thought that it was pretty interesting because I know that you have been listening to all of these government folks like me and others talking about what we are going to do, what we are doing, and you are going to hear a little bit more about that. This is pretty interesting. "A major research institution has recently announced the discovery of the heaviest chemical element yet known to science. The new element has been tentatively named governmentium. Governmentium has one neutron, 12 assistant neutrons, 75 deputy neutrons, and 11 assistant deputy neutrons, giving it an atomic mass of 312. These 312 particles are held together by forces called morons. Which is surrounded by vast quantities of lepton-like particles called peons. Since governmentium has no electrons, it is inert. However, it can be detected as it impedes every reaction with which it comes into contact. A minute amount of governmentium causes one reaction to take over four days to complete when it would have normally taken less than a second. Governmentium has a normal half-life of three years. It does not decay, but instead undergoes a reorganization in which a portion of the assistant neutrons and deputy neutrons exchange places. In fact, governmentium's mass will actually increase over time since each reorganization will cause some morons to become neutrons, forming isodopes. This characteristic of moron producing leads some scientists to speculate that governmentium is formed whenever morons reach a certain quantity and concentration. This hypothetical

quantity is referred to as critical morass. You will know it when you see it." And, ladies and gentlemen, we have been seeing it. So I couldn't resist that.

What we have been trying to do at Louisiana Economic Development is travel in two paths. The one path is that we have 37 parishes that are included in the Gulf Opportunity Zone.<sup>71</sup> We have 64 parishes in our state. We call them parishes, Leland calls them counties. And we have a need for the rest of those parishes who were not or were less impacted to carry the economic football. There are 10 parishes in the New Orleans region that were critically impacted—three in the southwestern portion as you have seen today caused by Rita.

With that, we had to establish two tracks, one for recovery. We had a number of our staff who returned the day after the first storm. I was amazed to see so many people return to the office when there was so much uncertainty about who could return, when they could return, what could we do. We also received a great deal of assistance from our friends in Florida, and in the economic development world, you know people through activities and programs and professional development series.

And also our friends from the Empire State helped us to learn everything we could coming down here in between the storms of Katrina and Rita. I actually recall putting them on an airplane after one of their visits, and the next day Rita was coming. Well, these folks from New York State had never been in a hurricane before and they were really wide-eyed and wondering if they were getting out of Baton Rouge in time because they had seen what had occurred with Katrina. We enjoyed the fact that these people came to our assistance.

<sup>70</sup> Louisiana Economic Development, <http://www.lded.state.la.us/>.

<sup>71</sup> Louisiana Gulf Opportunity Zone Business Guide, <http://www.gozoneguide.com/>.

**“We have got probably half a million homes, be it apartments, be it single-family dwellings, whatever, that are impacted, half of which are destroyed. We have got to put people back into homes.”**

**MICHAEL OLIVIER**

We have enjoyed the fact that so many people have had the empathy and have given us the time that they have given us to understand and learn what they had done in reaction to four storms in two years in Florida and in reaction to the 9/11 incident and beyond. What would they have done differently, is our question, and we have been learning from them. We are also learning that some things that were done before this will not be repeated. So whether they established a precedent or not seemed not to make a difference in some cases.

So our role was to obviously support existing business and industry, seeking out prospects that would be a good fit for this situation, and a good fit for our state, and continue on the track of promoting existing business and industry and promoting that this is a good place to do business by attracting new diversified industry.

Now we have another opportunity, and I'm going to call it that, as a result of the devastation. And that is in this recovery process, this reconstruction process, which we anticipate may be as long as 10 plus years. Someone reminded me the other day from California that just a month ago they dedicated a museum, a new museum, to replace the one that was destroyed in the 1986 earthquake in San Francisco. I don't know if they were trying to tell me that we have got to wait 20 years to recover, but it may be a long time. None of us really know how long. None of us really know. We can talk about the assets that have been destroyed, but none of us really know what are all of the tolls that have been taken on people—not only the lives that were lost, but the tolls that are ongoing, with the people that are going through the anguish now, and you see it. You see it. We are going to see it. It has an impact on our children. It has an impact on so much that it touches that this is a nightmare, we keep thinking—right?—and we are going wake up and find it has gone away.

So what we are trying to do is create two paths. One is trying to do what we normally do, and that is work with existing business and industry in a normal world, attract new business, diversified industry in a normal world. Use the assets that we typically use, and now—attract those to find business opportunities from our existing businesses, from our small businesses, in this recovery process. And also attract diversified industry that we need to build capacity in, so that we can have a stronger and faster recovery.

And that is going to be taking advantage of the incentives that our state has, as well as the incentives that are available to us now from the federal government—the \$12 billion that we hope will be allocated by Congress to Louisiana, the CDBG funds, as you have heard them called, Community Development Block Grant funds, are to be spent in three areas. Housing, and we have, as you saw, several hundred thousand homes have been destroyed in Louisiana, several hundred thousand. Now, none of the statistics that you have seen today cover the number of apartments—the number of apartment units that are out of commission. It doesn't get into the fact that 60 percent of the people in the New Orleans region rented. We have got probably half a million homes, be it apartments, be it single-family dwellings, whatever, that are impacted, half of which are destroyed. We have got to put people back into homes.

That's part of the equation, as you have heard, to building the workforce. That's part of the equation of building the market back. And with that, we need to do workforce training. In a typical economy you are going to see 6 or 8 percent of the workforce engaged in construction. In our economy, you are going to see 20 to 25 percent of the workforce engaged in construction. So we quickly need to do two things. We need to recruit new people to come in. We need to bring people back and we need to retrain people from being the bread truck driver to the construction person. Whether it is a skilled or entry level or whatever, all of it requires training. As our governor says in terms of education, she sees training as tantamount and equal in importance to education.

And then the third leg of that stool is economic development. We have not been able to bring the level of economic development focus because of the huge demand for the housing reparations that some of us really don't know what is that total amount. I don't know if we will really know until we get into it. But we know that it is going to be an awful lot of money. If you just do the math and figure scenarios, which we have had to do, it is pretty scary. It is \$8 billion or more. And then the infrastructure that goes along with it brings it to another \$11 billion or more.

So what we have got to do, and some of the site selection consultants keep reminding me, keep doing what you have done. Yes, this is an opportunity—you need to sell it. But it is not just the opportunity for businesses that need exceptional incentives, although you have exceptional incentives. You need to keep focusing on what brought you to that point. And that's energy, durable goods, biotechnology, agriculture and forestry, transportation, and certainly the service sector, particularly as it relates to the New Orleans region with our tourism industry here. Now there is a lot to that, a lot falls under that, from retail to film development—so much of it, shipbuilding, etc.

Our assistance level to the effects of businesses has been the establishment of a bridge loan program, same as what was done in Louisiana, essentially. We took the Governor's Rapid Response Fund, which is our deal-closing fund, and we put that into a bridge loan program which lasted all of two weeks—indicating the demand—407 businesses, no loan more than \$25,000, 6 months, no interest.

The next round of funding we took CDBG funds that we had in play already in the state, \$30 million, we put that into play—again, two and a half weeks later, exhausted \$30 million—loans of up to \$100,000 this round, 6-month no-interest loans.<sup>72</sup> Now what we have got to do is be better ready for the next level when those loans mature, that we can roll those into a loan that's an extended loan—three years up to \$1.57 billion at an interest rate that's around 6 to 8 percent depending on what the credit rating of the company is or the individual. Now, I am not going to go into all of the details, but essentially that's where we are and then we hope to have another round of some \$60 million that will come down from Washington.

People keep talking about all of the money, the money hasn't come here yet. And so we can't apply the money. Certainly, there is a process that we have to follow and go through, as you heard earlier. And as former Mayor Morial talks about, he hopes it is a vertically integrated process—we are not too sure about that. Some of the fault is our own; some of the fault is on the other side.

We have set up business counseling centers in the hurricane-impacted areas. We have centers here in New Orleans, Covington, Houma, Lake Charles, Metairie, Marrero, and Baton Rouge. And these centers provide customized one-on-one assistance to businesses impacted by the hurricanes. Now, I have to tell you, we are experiencing something on the order of 6 to 8 hours per business. That's not one meeting, that's a multiple of meetings. And much of it at first was, the businesses needed

**“...business counseling centers have been made available to the over 81,000 businesses that were in some state of cessation, and today we still have about 18,000 of those businesses who are still closed.”**

**MICHAEL OLIVIER**

somebody to tell their story to. They needed to talk about their family, their employees, their business, their homes. And they really didn't get around to the business until the second or third meeting, where we have gotten into the business meetings themselves, the needs themselves, the business planning, what they were going to have to do to change, what were the realities of the situation, if they knew it. And so these business counseling centers have been made available to the over 81,000 businesses that were in some state of cessation, and today we still have about 18,000 of those businesses who are still closed.

And even the ones that are open—even the ones that are open—are not operating at capacity. And that is the workforce issue, that's a market issue. In most cases those are the two major issues keeping them from operating at capacity. Lots of questions about which businesses will be able to move forward. But what we have got to do in government is

<sup>72</sup> Louisiana Economic Development bridge loan program press release, [http://www.lded.state.la.us/led/news\\_press/205.asp](http://www.lded.state.la.us/led/news_press/205.asp).

make the environment as right as possible, providing the access to the capital, providing the access to the technical assistance, and then get the hell out of the way. Don't hold up the private sector with permits. Let's move at the speed of business, not governmentium.

And so it is exemplified by what we did in having the procurement and contracting workshop series that we did throughout the state because we found that in working with FEMA—I don't know if any of you have been to one of the FEMA centers. But you have seen anthills and you have kicked them—it looks just like that. We had to put people on our staff—we don't have a really big staff; we have got about 83 people on staff.

We had to put people on staff over there who could be in the face of the FEMA folks who were making decisions, as well as the prime contractors to say, hey, look, you are going to do this today, here is a company, here is a bunch of companies working with our partners in the professional associations. Anybody who is licensed in the state, we wanted to refer them so that they could find who could do business, who could provide that service, who could sell whatever they need to buy that day. And we have done that through the course of the last six months ending last month.

So now we have the relationships, we continue with our own contacts and network with the prime contractors in terms of making them aware of what's available to them every week, every month, every time a contract comes out. Are we being successful? We would like to think so. Have we placed some business? Yes we have. Is it all that we would like?

No, it is not. We can do better. So the most recent workshop was followed by a matchmaker process in which businesses were directly connected with the contracting opportunities: this worked very well.<sup>73</sup> And I applaud our staff who participated in that, some of whom are here today.

The other thing that we did that was somewhat unusual is that FEMA we found was buying a lot of trailers, travel trailers. And we introduced them to the fact that, hey, do you know what you can do? We have got to get business back to business. Governor Blanco talks about the recovery speed is going to be based on how fast we can get business back to business. And so we said what can we do, and our staff came up with this idea, speaking to FEMA at the operations center, what we could do is we can get—just like you work on and off, off-shore, folks in Louisiana, along the Gulf of Mexico, we know about on and off; it is a way of life. We said we can put these FEMA trailers there onsite, did it the first time for Folger's right here in the river region. They have four Folger's plants here, we put them in at each one of them. The president visited there—very impressed with the fact that we had a couple of hundred trailers out there for the workers who could be at work because they couldn't live in a house, were someplace else. We gave them at least a place to live for the days they were at work so they could get back up to business. We placed 4,000 mobile housing units—4,000 mobile housing units. We placed them from the time that they arrived in late October until December. Now that process is being taken over by another part operating under the Louisiana Recovery Authority. But

we were pleased to do this. In fact, right here in St. Bernard Parish, we put over 600 trailers in businesses from October through December.

And so this leads us to the next step of the things that we have to do that make a difference. We have always wanted to be able to have a much more prominent entrepreneurial program. Our entrepreneurial program was one really embodied in a person on staff—more in name only than what it ought to have been. And this gives us a great opportunity to promote it and do it better. And so you have heard today about the UEP, you have heard about how those programs with their partners have excelled. You have heard today that there are going to be, through the UEP, there is going to be one established in Baton Rouge, one in New Orleans, and one on the Mississippi coast. And these are to facilitate the development of a way to address the issues, to move businesses to the next level in terms of entrepreneurial development.

It will be an assessment tool that is going to determine the specific stage of where they are in the life of the entrepreneurial process and give them a mechanism to go to a resource provider—handing off, if you will, to the appropriate resource provider—not just handing them off, but handing them off to the appropriate resource provider. Develop a common database among all of the resource providers—not creating new resource providers, we have got a lot of that stuff. And keep the assessment tool going because it is a process. Certainly, we want to establish a process of tracking to see how effective the resources are reacting.

<sup>73</sup> See also Hurricane Contracting Information Center, <http://www.rebuildingthegulfcoast.gov/>.

We want to establish an initiative to ensure the continued elevation of the skill sets of the resource providers and a commitment to best practices, not just to leave them there to operate and do the same thing they did five years ago.

And support a linkage between access to capital and the needs of entrepreneurs at different stages in the life cycle and focus on quality of services and manage expectations. One thing we don't do very well is manage expectations. We tell people all kinds of stuff and they get very dejected. Being an entrepreneur is not an easy deal. Those of you who are, know you can—most of you have a great passion for it, but it is a whirlwind, it is an up-and-down deal. You have got to be pretty strong and sometimes you need a little helping hand. Sometimes you just need somebody to talk to. Sometimes you need a good resource you think can fix a problem. So that's what this is.

We are proud to say that Louisiana has signed a consulting services agreement between our Department of Economic Development and the National Urban Entrepreneur Partnership, the UEP Gulf Coast, Incorporated, joining in with the network of the Ewing Marion Kauffman Foundation, National Urban League, Business Roundtable, and federal agencies, whereby offices will be established, a level of service will be initiated, a commitment of \$2 million by the Kauffman Foundation for the next two years as well as a commitment from Louisiana Economic Development,

which we hope will bring our service level in cooperation with this wonderful program that they have, the Coaches Program, that you have heard about, so where we can deliver what we hope will be a satisfactory program.

So there is much to be done in our state and there are opportunities for economic activity and growth and we encourage you to tell people that, as Chairman Powell said, if he were a younger man or he might come anyway, he would be here to take advantage of it. We want you to tell people to come and take advantage of it because it is great.

I also want to introduce some folks, I want to acknowledge some folks. John Matthews. Johnny, are you here? John Matthews is the guy who has been the lone gun on the entrepreneurial side for LED. But he is joined by his boss Pat Witty who came over to us just this year. Matthew Lambert who has been a long time existing industry guy who has done a great job for us. Fran Gladden who is my deputy director—oh, there she is. Fran, you are standing, I'm sorry. Also, some on our team are people like Mary Lynn Wilkerson who manages all of our small business development centers.<sup>74</sup> Mary Lynn, you are out there. Pamela Davidson with EDA, I can't tell you. Pedro Garcia, Sandy Borah, these guys have been so great to us in helping to give us some resources that we just didn't have to be able to do the kinds of things that we are able to do that I just told you about.<sup>75</sup>

And some other things that we are doing in contracting to help small businesses. And I have to tell you Commerce Secretary Gutierrez and Chairman Powell have been extraordinary in what they have done. Their passion for this recovery for the Mississippi and Louisiana, Texas, and Alabama Gulf Coast areas, it is extraordinary and we have an extraordinary program. Also, speaking of programs, Entrepreneurship Day at our legislature—we are in session now, so nothing is safe. We feel at little awkward about being in New Orleans when they are in session over in Baton Rouge. Entrepreneurship Day in 2006, Matthew Lambert is our lead guy on that. April 18th on the steps of the State Capitol at 10 o'clock in the morning—you all who are entrepreneurs, we would like for you to come, because we want the legislature to realize that you play a critical role in Louisiana's economy, not just small business, but the entrepreneurs do. And it is all of that innovation, all of that drive and all of that assertiveness that's essential in terms of being an entrepreneur that we want you to display. The passion, the will, the desire. It's what makes America America.

And so we thank you for giving us so much time, your attention up until this point in time. And I sincerely appreciate being a part of this program with my good friend, Leland Speed. Thank you.

**MR. HEATH:** Leland Speed is also having a distinguished career now with public service. Before that, he was an investment banker and until Haley Barbour asked him to take over the job of executive director of the Mississippi Development Authority, he ran his two companies, real estate companies, Parkway Properties and East Group

74 Louisiana Small Business Development Centers, <http://www.lsbdc.org/>;  
Association of Small Business Development Centers, <http://www.asbdc-us.org/>.

75 Economic Development Administration, [http://www.eda.gov/EDAmerica/summer2005/Gulf\\_Coast.html](http://www.eda.gov/EDAmerica/summer2005/Gulf_Coast.html).

**“Federal programs, state aid, governmental assistance in all shapes and forms can help, but at the end of the day, it is going to be individuals making individual business decisions that are going to make it happen.”**

LELAND SPEED

Properties, they are both listed on the New York Stock Exchange. Markets are still open so you can act on that little information. When Morgan Stanley rated these companies in October of 2004, they were ranked in terms of total return to shareholders of the last 10 years, first and fifteenth. So it is a very strong record and he brings us a strong executive talent to his work at the Development Authority of Mississippi in their hurricane reconstruction.<sup>76</sup> He is a member of the Mississippi Business Hall of Fame and he finds time to be very civic-minded and is heavily involved in civic associations throughout Mississippi. Kind of a counterpart to Michael Olivier’s awards, his civic involvements are too numerous to mention and his good works precede him in reputation. So please welcome Leland Speed, who we are fortunate to have with us today.

**MR. SPEED:** Thank you. I appreciate the opportunity here to represent Mississippi. You know, Katrina put—well, as of now, we have a little over 450,000 people in the three most directly affected southern counties right on the water. A little over 100,000 of those 450,000 people today are living in FEMA trailers. That’s over 40,000 families. The destruction there went up in some communities as high as 75 percent of the houses in Pass Christian or Waveland or Bay St. Louis. In Hancock County, which is the county closest to New Orleans, 43 percent of the whole population of the county is living in a FEMA trailer. Has everybody seen a FEMA trailer?

Having said that, I am an old real estate guy. And what I see over there, and I think that I see here to a large degree in New Orleans, is one great big humungous real estate opportunity. We are where we are, now what are we going to do about it? If I have ever seen an opportunity for an entrepreneur any better than what we are looking at right now—I am sorry, I haven’t. I haven’t seen anything approaching it. When you see the market demand staring you in the face for just about anything that you can think of, that’s opportunity.

One thing in my company I am very big on is when we get into a discussion, I will wave time out, time out. Everybody in the room might not be up to speed like you are. Before we leap into the specifics, why don’t we stand back and see if we can’t put this thing in some sort of context. This conference is about entrepreneurship. What is an entrepreneur? When I was in graduate school, we

didn’t even use that term. We called it new enterprises. In fact, I am happy to report I was one of the organizers of the New Enterprises Club at my graduate business school. That sounded pretty fancy—“entrepreneur.”

Here is what I think an entrepreneur is. This is what I think is necessary to be a successful entrepreneur. And if I may be allowed myself, I think that I have been one of those entrepreneurs. First thing you have got to have is a good idea. Second thing that you have got to have is that you got to have an appropriate skill set. Now a lot of us can have a lot of good ideas, but we haven’t got a clue on what to do with it or how we should mechanically go about addressing it. The third thing you need to have is a high level of energy, because you don’t know what you are going to get hit with. You are going to be called on to work strange hours. You are going to be asked to do things that you didn’t know that you were capable of doing or hadn’t planned to or didn’t know even existed. And the fourth thing that you better have is you better have pretty good self-discipline so that you can take your pops, smile, and keep coming back.

The dream of having your own business is, thank goodness, pervasive in this country. That’s what has built this country. That’s what is going to rebuild Louisiana and Mississippi. Federal programs, state aid, governmental assistance in all shapes and forms can help, but at the end of the day, it is going to be individuals making individual business decisions that are going to make it happen.

<sup>76</sup> Mississippi Development Authority, <http://www.mississippi.gov/frameset.jsp?URL=http%3A%2F%2Fwww.mississippi.org%2F>

The big opportunity in Mississippi again, and I think that it is again like it would be in New Orleans and Louisiana, is housing. Our crying need in Mississippi right now is affordable housing and it is not happening. It is not happening. In Mississippi, I think on a conservative basis, I would say we are going to have to create about 50,000 housing units. I said, let's see now, we need to get 10,000 going during the first 12 months, 10,000 units, single-family, multi-family, everything. Even then at that rate, it would take years to get something done, to get the job done. If we get 2,500 built, I will be happy, this first 12 months after Katrina.

It is simply not happening. It is a combination of a lot of things. You had a market there that was generating only about 1,500 units a year. And now everybody sort of wandered around in a daze for about the first four or five months, but now it is time to get serious and get to work. And we simply don't have the folks with the skill sets there. We don't have the carpenters, plumbers, bulldozer drivers, you name it—we don't have the people. We don't have the workforce.

And one of the reasons we don't have the workforce is we don't have a place for them to live. So it is sort of a chicken and egg deal. This is a real opportunity. A lot of people are spending a lot of time thinking about how do you address this. And if you can name an industry where there are more openings for individuals or entrepreneurs than housing, I don't know what it is. If you are going to have an expansion in the petrochemical industry,

where do the entrepreneurs fit in there? Well, I am sure that there is room for a few of them. But housing to me is about the most attractive single area for new entrepreneurial activity. And just about everything that you can think of is needed.

Well, what are we doing in Mississippi to try to address this need? Well, before Katrina came along, we actually had five different, we call them procurement centers set up around the state under Rich Spatz, and I'm sorry Rich isn't here today to tell you about it because he could give you the real details.<sup>77</sup> What we have done is we have a database on all of the contracts that we are aware of that are coming up in Mississippi, both the public sector and the private sector.

And you come to one of our procurement centers and you say, hi, I would like to be in the roofing business. Okay, fine. Have you got a performance bond? No. Have you got a CPA who is going to work with you? No. Well, I tell you what we are going to do, we have got a short course we want you to take and if you stay with us and you complete the course, then you go in that same database with all of these contracts and you go under a category. And when that happens, you have completed the course, we have got you all squared away, and then you are going to be exposed to each one of these contracts that come up. And the people on the other end, the people letting the contract are also going to be aware of you. We are going to put you together so you are going to have a shot at these contracts.

**“...if you can name an industry where there are more openings for individuals or entrepreneurs than housing, I don't know what it is.”**

**LELAND SPEED**

And this has been working fairly well. Obviously now with Katrina, it takes on added significance. Again, we see our big challenge is to hold the hands of the individuals in our minority and small business program to walk them through this process and get them where they are qualified, where we can say, yes, these folks are ready to do business, Mr. whoever you are that is getting this contract. And we are working in that area. That to us is our big challenge.

We don't really see government holding anything up from the point of view of our development beyond the normal getting specific sites blessed and approved so somebody can build something on it. And we have got a plan, and we are working on that from the very top of the United States Corps of Engineers.<sup>78</sup> You know, you get down into this part of the world and it is funny, you find a water puddle and somebody is going to claim it is a wetlands. And this can just screw things up royally. So we need to have a way to rapidly resolve questions of this nature and not let these things drag on. We have got progress—we have got room for progress in this department, but we are working on it.

77 Mississippi procurement centers, <http://www.mississippi.org/content.aspx?url=/page/2746&>; see also Mississippi Contract Procurement Center, Inc., <http://www.msccpc.com/>.

78 Army Corps of Engineers, <http://www.mvn.usace.army.mil/tfh/>.

Again, I would just like to say this is a super opportunity for folks from around the country to come down here in our neck of the woods and join us. We aren't getting the housing done as fast as we need to, affordable housing particularly. And I think Mike would point out that the same thing is true here. We have got to have it.

I visited the other day with three manufacturers in Gulfport, Mississippi. I was talking to one of them, two others walked up. Each one of them were short 300 workers. I mean, these are companies that make big nice products and they pay well. And they are just crying for additional workers. And the reason they don't have the workers is because they don't have the housing. One of them is seriously considering going into the housing business himself, permanent housing, not temporary housing, permanent housing so that he could attract workers.

I have never seen a situation like this before. It is up to us to do a good job. The United States taxpayer has been more generous with us than ever with anybody in the history. I never cease to be amazed at the generosity. I was down on the coast last week and I was down in Pass Christian and I went to a tent city. The faith-based groups that are there that have been there for the last seven months are just awesome. We have really been blessed down here by the generosity of our fellow citizens. And it is up to us to be good stewards of this generosity. And I think one of the things that we will succeed in is expanding the number of folks that are in the system of business that can be the folks who actually do the rebuilding of our area. Thank you very much. I appreciate the opportunity to be here.

**MR. HEATH:** We have time for one or two questions if there are any. If there aren't.

—Yes

**AUDIENCE MEMBER:** Leland, you had me on the edge of my seat listening to your description of these centers that you just described. I gather, if you could just elaborate a little bit more on it. I gather what you are doing in these procurement centers is training people to become eligible for a variety of construction contracts, or is it governmental contracts beyond construction?

**MR. SPEED:** All types of contracts. You can go in the databank as it relates to your specific skill set in the business that you are proposing to offer.

**AUDIENCE MEMBER:** I see. So conceivably it could be an electrical contractor, training for an electrical contractor, a roofing contractor, etc, etc.

**MR. SPEED:** Correct.

**AUDIENCE MEMBER:** Okay, thank you.

**MR. OLIVIER:** Yes, let me expound on that. Every state has technical procurement training programs. They were funded by the Defense Department about 15 years ago. And there is a matching program that goes on between the communities in which they exist, the state, and the federal government. The Defense Logistics Agency, the DLA, is the primary contractor here.<sup>79</sup> And they are the ones who set up and require that you have a certain software system that manages a database of

companies who qualify through you in your state or region, and then the matching occurs on a daily basis. Rather than having to read the *Commerce Business Daily* every day to see what projects might exist with a magnifying glass, you put in keywords and key things that you do and every day you are notified whether one of those contracts come up wherever in the country. And then it automatically emails you so that you know what is available. What they have done is just taken that to the next step on a statewide level referencing the prime contractors and FEMA opportunities available.

**AUDIENCE MEMBER:** It seems, though, they have added a training component which is really what I was reacting to. But there are a lot of craftsmen in New Orleans who are very knowledgeable in a variety of fields, but they are not licensed. These are guys who have operated kind of under the radar, you know—they are avoiding the taxman, they are avoiding this licensing agency, that taxing authority, but have been doing this for generations or certainly decades in the case of their own careers. And an opportunity like this passes them by if they aren't appropriately qualified, appropriately licensed, appropriately insured to really make and take advantage of the entrepreneurial opportunity that is available to them. So I find what you are doing there is very exciting.

**MR. HEATH:** So you are proposing an amnesty for undocumented, nonillegal, nonimmigrants?

**AUDIENCE MEMBER:** If the local labor force is going to take advantage of the opportunity, we need it.

79 Defense Logistics Agency, <http://www.dla.mil/bussOppsMain.asp#Vendor>.



**MR. OLIVIER:** I agree with you.

**MR. HEATH:** Thank you. Any others?

**MR. ORTMANS:** Jonathan Ortman. I have a question actually for either of you, but Leland you may be a little bit more experienced with this. Has anybody ever actually looked at what other areas around the world have done in a disaster where they needed to have—and have got this catch-22 situation where they need to bring in workers and they got the opportunity to bring in workers, for example, to work on housing, in particular. But they've got no housing available in order to be able to do that. I mean, is it something that we can learn from a previous experience in terms of how to get around this?

**MR. OLIVIER:** Compared to what? I didn't know that there was anything this big. However, I do think that, as you know, the guest worker program is being debated in Congress. We had requested that our congressional delegation look into joining with Mississippi's congressional delegation and allow for a Gulf Opportunity H2 Visa where people who could qualify would come to work for two years as opposed to six months, which is what the opportunity zone—I mean what the program currently, the guest worker program currently provides for. The reason for that is that we have such a significant recovery process that it is estimated that it is going to take some 600,000 people in construction in the Gulf states area, who can then do this type of construction over the next decade. Even given the fact that what we have is at capacity now, we have people who have not returned to work, people who may not return to work, all of which may not return to their states even. And we are going to have to recruit. And part

of that recruitment process includes not only people from the United States, but people who will be eligible to come under the guest worker program, but we feel that six months is not adequate time. Because at the time that they do the work, they have to turn around and go back and it takes them two or three months to stand in line to get another visa, and we have lost an element of that process. You know, these jobs are going to go on for a long time. So as you move about, we would like for you to promote that idea with Congress that they be given consideration for an extended period, and only in the Gulf Opportunity Zone should this be allowed. Just as they do on the agricultural side where that have an H2B visa that's allowed and they come in for the growing season and then return—sometimes it is longer than six months.

**MR. HEATH:** One more question. We are about out of time. Thank you.

**AUDIENCE MEMBER:** This question is for Mr. Hutchinson. He's not here, I know that.

**MR. HEATH:** I will do an imitation.

**AUDIENCE MEMBER:** I have seen him before. Mr. Olivier, since you are at the economic development department and they are going to use CDBG funds to do some of these projects, is there someone on your staff that could look into HUD Section 3 rules and regulations that could open up an avenue for jobs here in the New Orleans area? A lot of people—I go to a lot of these meetings and no one seems to understand what HUD Section 3 could do to economically uplift low- and moderate-income people, especially here in New Orleans. Have you ever heard of Section 3?

**MR. HEATH:** Yes.

**MR. OLIVIER:** I know Dan knows about Section 3, we don't know. We don't do work for the federal government, we are trying to learn as much as we can. That is why we too come to these programs.

**MR. HEATH:** We are looking into Section 3, that is something under consideration, so thank you for that. If there are no more questions and we are a minute over the schedule, our exacting organizers—the buzzer is gone, I am sorry, sir. But we are a minute over.

**AUDIENCE MEMBER:** He pretty much asked the same question that I was going to ask and this gentleman presented a concept of Section 3 under HUD and, you know, we don't know exactly what, he didn't expound on that idea.

**MR. HEATH:** We can continue that, I think, after the session ends. I ask you to join me in thanking our distinguished panelists here today. Thank you for your interest.

### **A Vibrant Entrepreneurial Future in the Gulf Coast Region**

**MR. SULLIVAN:** Thank you all for staying for our last panel and it certainly won't disappoint you. Our final panel really will be the capstone of today. Reviewing what we have heard and learned, the panel will look at current proposals and discuss what will be the key elements of a long-term strategy to rebuild the small business economy in the region. Leading the panel will be my friend, Jonathan Ortman, president of the Public Forum

“...I found myself suggesting that maybe one of the things that we can do is that we can offer our lens where we see a perspective that maybe one might not see if you were residing in this community.”

JONATHAN ORTMANS

Institute.<sup>80</sup> The Public Forum Institute is one of our cosponsors today and it is dedicated to fostering public debate on major issues. Jonathan also oversees the National Dialogue on Entrepreneurship, which focuses the attention of policymakers on the importance of entrepreneurship to the economy and our society.<sup>81</sup> Let's welcome Jonathan Ortman.

**MR. ORTMANS:** Thank you very much. You know, I sat down earlier, listening a little bit to what was being said and I thought to myself, what on earth can someone from outside of this region bring to those that are going through so much suffering and pain and trouble? And I tried to do, as I usually find myself doing—I found myself thinking about the glass being half full. And I found myself suggesting that maybe one of the things that we can do is that we can offer our lens where we see a perspective that maybe one might not see if you were residing in this community.

And I really just want to begin by just first of all saying how encouraging it was to hear two people, both of whom I know, Maura Donahue and Leland Speed, earlier. Both of them focus on where the opportunity is here. And I had hoped that as we conclude our session today where we have talked about—and I think clearly there have been a lot of people listening to the incredible frustration around the fact that the pipeline appears to be clogged in needed resources for immediate needs. But I hope we will also take a look at where there are very special opportunities.

And at the Public Forum Institute, the work we do and the National Dialogue on Entrepreneurship, we are very privileged to be also closely associated with the Kauffman Foundation. And one of the things that I have learned from that association is that we need to look at entrepreneurialism as really being a spirit of invention. It is what formed our country and it is what has formed some of the great new institutions of the last 20 years.

And so I guess if I am left with anything, I have a whole array of thoughts that came out of this. I already have six or seven ideas. I am thinking, wow, you know, this really is an extraordinary opportunity in front of us. We have one of the most beautiful cities. We have one of the cities where certainly—I grew up outside of the country and people said, what do you love about America? They always say the same two things, we love New York City and we love New Orleans. They always used to try to say New Orleans, they could never quite get it right. And people, you know, there is so much to

work with here. And I echo what Leland said about the fact that there are extraordinary opportunities I think in housing alone, let alone some of the other opportunities.

But I had one little spirit of thought to it and that is—it is the notion that I think that Maura Donohue mentioned at lunch, it is one where perhaps the little nuance is different—that there is an opportunity not only to build better, but to build especially big and different. There is an opportunity to be able to take a look at what happens after. She used the analogy of the Chicago fire. But there is an opportunity to have—not just to rebuild businesses, but to create new types of businesses, to create new types of institutions that do things differently. And, please, those of you who are leading this effort in the community, you don't have to do it the way that anybody else did it. You don't have to look at best practices, you can create the best practices. You are New Orleans, you are a community known for innovation in the sense that you are creative people. And so I would emphasize, as I listen to the end of this process, one very much that I see not just an opportunity, but an exceptional opportunity to leapfrog ahead of where one might have been had this tragedy not occurred.

Well, to share their thoughts and ideas before us, I would like to ask—we are going to have a number of panelists. And first of all, we are going to start with Mark Drennen. We are going to offer some comments and then we will have a wrap-up discussion as we go forward. Mark is the president

<sup>80</sup> Public Forum Institute, <http://www.publicforuminstitute.org/>.

<sup>81</sup> National Dialogue on Entrepreneurship, <http://www.publicforuminstitute.org/nde/>.

of Greater New Orleans, Inc.<sup>82</sup> He has been previously a commissioner of administration under Louisiana Governor Mike Foster from 1996 to 2004. And he has served as chief financial officer of the state, managing the state's \$16 billion operating and capital outlay budgets. And working with the governor and the legislature, he pushed Louisiana into the forefront on performance budgeting and reordered the state's capital outlay priorities. Please welcome Mark Drennen. Thank you.

**MR. DRENNEN:** As long as you don't say New Orleans you are going to be all right. Anything else probably does real well. I am glad to be here today. I am always happy when folks come in from around the country to share with us their ideas. My office is a regional economic entity, created two years ago representing the 10 parishes that got hit the hardest by Katrina. Our mission was to create 30,000 new jobs in the region.

Well, our goals obviously have changed. Our mission to create the right environment for jobs is still there, but obviously our goals and tactics have changed considerably. I have been listening today to a lot of great ideas. Our organization, for example, has had representatives from all over the country that have been with us for months now, economic development specialists lending their support. We were talking a little while earlier, we had a group of Harvard students down here. So, again, we have welcomed all of these ideas and the outpouring has absolutely been wonderful.

One of the things that we have heard over and over, and you heard it today, is the failure of the existing systems to really be able to react to a crisis of this magnitude. And I am not blaming any one particular organization, entity, federal level, state level, or any of that. But what we have learned needs to be categorized. And if it is the United States Congress that does that, they have to do it so that we as a country will be better prepared next time this happens.

I will give you a couple of real easy examples and then I will move on to some other thing. There were hundreds of thousands of meals being provided to evacuees for a very long period of time in this region. They were being fed MREs shipped in from, I am not sure where, I think somebody told me South Carolina. What an opportunity that was to help some of our businesses in the restaurant area get back working, get back making money! We were approached by a gentleman with the Office of the Private Sector, the Department of Homeland Security back in October. He came to us and said, Louisiana can do food, this is crazy, I am going to work you through the bureaucracy of the federal level and we are going to have Louisiana restaurants providing this food.<sup>83</sup> We said great. We got to work. We got the restaurant association together. Within a week, we were ready to start providing on the Northshore 20,000 meals a day instead of MREs—cheaper, better food provided by Louisiana restaurants. That gentleman came back to us and said, I am so frustrated—I cannot

**“There are a number of things that the government has to do before businesses can survive in this environment.”**

MARK DRENNEN

move the bureaucracy. That is not allowed. I, in fact, am going to quit my job today. One example of a lost opportunity.

Another one, of these trailer units that have been described very nicely today, but they are really not nice, they are 200 some square feet of tin. Can you imagine moving your family into those and living there? For the golfers out there, you know when you start off on a round of golf, you tee up your ball. You put it on a little white thing and then you hit it. Well I am afraid that we have teed up these trailers now for the next hurricane. As you drove around and looked at the devastation, you saw these little trailers sitting on top of concrete blocks. What a missed opportunity, but because of rules and regulations, modular housing was not allowed. We could have put modular housing in that would have withstood winds in the future of 150 miles per hour and they would have been cheaper, and they would have given more dignity to those people. A lost opportunity.

<sup>82</sup> Greater New Orleans, Inc., <http://www.gnoinc.org>.

<sup>83</sup> Louisiana Restaurant Association, <http://www.lra.org/>.

Several people asked about the CDBG money. Mike Olivier, of course, works for the governor—he's part of a team and he really can't talk freely about what he wanted to do with CDBG money, but I will. Mike brought down people from New York City probably two weeks after the hurricane, and he invited me and my staff in to meet with them. We learned from the New York City experience exactly what happened to recover after 9/11. And what happened was a series of CDBG monies that were available for the discretion of rebuilding. So Mike and I put together, our staffs really, put together a plan modeled after New York City that would have put \$2 billion in economic development and \$2 billion into infrastructure repairs, and the rest of it going to housing. The \$2 billion for economic development was going to be used for bridge loans, was going to be used for low-interest loans, was going to be used for grants, it was going to be used for bringing back a number of the researchers and others that have fled the city with their federal dollars and are doing research elsewhere. The federal government decided, for reasons that we don't completely understand, that the model used in New York City that they used to recruit and retain their businesses was not going to be available to us in Louisiana and Mississippi. So we do not have the money that we need.

Give you some examples. We got some IT companies that have moved. They spent a lot of money going to other parts of the country after the hurricane. We would love to get them back. Their response to us is, who is going to pay for my moving expenses? I've already paid once. We need some financial help. Well, we don't have that latitude or those funds right now to do that. So that is a serious problem.

Normally, what we talk about is government getting out of the way—let us do business. But in this case, we need government. There are a number of things that the government has to do before businesses can survive in this environment. One of them is health services—our health care structure in this city and in this region has been devastated. Sewerage, water, the lines underneath the streets have been devastated—we don't even talk about that very much. Schools are devastated, insurance costs are rising—all of those things that are going to have to be addressed by government before we could be successful in building the future businesses in this region.

I have only got a minute left in my opening comments, so let me say very briefly. There are great opportunities. Mike Olivier talked about some of them. This is a booklet that I took off his desk yesterday—the rest of them haven't come in yet. But it is a summary that under his leadership was put together summarizing all the tax credits, tax advantages as well as the new ones that are available under federal law. Ten to 20 thousand of those will be coming in very soon and you will be able to get a copy and it is a great, great summary of the incentives either through Mike's office or through our office at GNO, Inc.<sup>84</sup>

Finally, on the housing front, if you want to go to our web page, [gnoinc.org](http://gnoinc.org), there is a wonderful study that has been done on the real costs and implications of

trying to rebuild the housing.<sup>85</sup> Because without the housing, we are going to have a very difficult time rebuilding our jobs in this community.

**MR. ORTMANS:** Thank you, Mark. Next, we are going to hear from Elaine Edgcomb who is the director of the Aspen Institute's Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination, FIELD, whose focus is the advancement of U.S. microenterprise.<sup>86</sup> FIELD created and manages MicroTest, a performance and outcomes measure for microenterprise programs, and MicroMentor, an online mentoring service. She founded the Small Enterprise Education and Promotion Network, a North American nonprofit association that supports microenterprise in the developing world.<sup>87</sup> Please welcome Elaine Edgcomb.

**MS. EDGCOMB:** Thank you so much. It is really an honor to be here and I am very humbled to speak before you this afternoon. And I want to begin first by saluting all of you who work on these issues day and night in your communities, and all of you business people who are working so hard to bring your businesses back.

I wondered a bit why I was asked to speak on this last panel and I think it is because the organizers wanted us to remember as we leave here today that in order to secure a vibrant entrepreneurial future for New Orleans, we cannot forget the very

<sup>84</sup> See *Louisiana Gulf Opportunity Zone Business Guide*, <http://www.gozoneguide.com/>.

<sup>85</sup> Greater New Orleans study, *Rebuilding after Katrina and Rita*, <http://inc.gnoinc.org/index.cfm?md=resource&tmp=main&catID=60>.

<sup>86</sup> Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination, <http://fieldus.org/index.html>.

<sup>87</sup> Small Enterprise Education and Promotion Network, <http://www.seepnetwork.org/>.

smallest businesses that have worked in this city and in this region for a long time. If we don't open wide the doors to opportunity to these very smallest of businesses, we are going to lose out. There are a number of reasons for that.

And the first reason is important to recognize, and I appreciate what Deborah Tootle said earlier today about the important role of the small businesses in the rural parts of the affected region, but these businesses are also important in urban areas as well. Census and Department of Commerce data, for example, pointed out that before Katrina there were close to about 320,000 of these very small businesses in the affected areas of both Mississippi and Louisiana and they accounted for more than 18 percent of all of employment in these two states. So just their sheer scope makes them important to pay attention to.

Secondly, there is a body of research that points out the importance of these businesses to the well-being of local communities. We have reviewed a lot of that research and it confirms to us that these businesses are very important contributors to the local economy. Some of our most recent tracking of entrepreneurs working with 12 different programs across the United States points out a variety of these outcomes. While most stay small, they generate employment for others.

When we looked at the data, we saw that 520 of these businesses that were surveyed produced over \$45 million in sales and created over 950 jobs in the places in which they were operating. Within

the space of a year, about 18 percent of those who were below the poverty line moved above the poverty line and that was just in one year. And those who are among the working poor, about 13 percent of them also moved out of the work—what we call the working poor category. So they produce real benefits for the families of these entrepreneurs and real benefits for their community.

But their value is not just in the dollars and cents that they produce, but also in what they contribute to the local flavor of the communities in which they operate—as one program manager I spoke with down here said to me—their value is in the role that they play in shaping, representing, and communicating the cultural heritage of the communities in which they operate. And I think that's really important here. According to Richard Florida who wrote *The Creative Class*, the ethnic quality of a place and the expression and the self-expression of a place are what makes it important and what makes it attractive to others for people who want to live here and businesses who want to relocate here.<sup>88</sup> And it is these very small businesses that make that flavor.

A third reason for focusing more attention on these very small businesses is that they build a pipeline of entrepreneurial talent. We've talked a lot today about recruiting and attracting all kinds of talent to this region and nurturing the talent that's here. The smallest businesses are the seedbed of a lot of that talent. So if we are not working with the smallest businesses, we are not building that pipeline going forward.

And finally, it is a question of economic justice. If we want to build a better community, we want to broaden it to those who have been excluded before. So there are a few things that I think that I would just like to point out quickly that we need to do if we want to work at that level. And the first of those is to build the institutional infrastructure that can provide support to those businesses. This means channeling support through microenterprise development organizations and other community development finance institutions, which as the opportunity finance network says, have the capacity to find and to finance the opportunities that others miss. And I think that's really important. What we find is that on average over 50 percent of the clients of these institutions are women and persons of color or other ethnic minorities. Two-thirds have incomes below the HUD medians, one-third are at the poverty line. So these programs find those who have been the most excluded and those are the groups that we want to get included as we go forward.

So working with those institutions I think is essential. As one struggling New Orleans business owner said to me, the only help that I found that worked for me was through the Good Work Network, which is one of these institutions working here very closely.<sup>89</sup> It offers valuable services of a wide variety. Not only are these institutions working here now, they are planning a lot of valuable efforts that I think are worth bringing to your attention. They include the development of physical business centers that can compensate for the lack of affordable rental spaces, that can accommodate the loss of equipment and technology, that can provide a set of back office services to enable entrepreneurs to focus

<sup>88</sup> The Creative Class.org, <http://www.creativeclass.org/>.

<sup>89</sup> Good Work Network, <http://www.goodworknetwork.org/>.

**“If we want to build a better community, we want to broaden it to those who have been excluded before.”**

**ELAINE EDGCOMB**

on what they do best and to increase their access to markets through supplier diversity programs—in other words, an array of services that save the entrepreneur the need to focus on all things at once and can help put him or her back to work.

Before Katrina, we documented that these institutions had almost \$28 million invested in small and microbusinesses in this region. And that sounds like a big number, but it is actually not a very big number. And what we need to do is try to build up the capacity of these institutions going forward. So I truly appreciated Tim Williamson’s comments that there are organizations here that were underfunded before Katrina and that are undercapitalized now, but if given some resources, can really make a difference in moving these communities forward. So that, I think, is the most important thing.

And the second thing that I would like to or the last thing that I would like to say is, having heard everything today, I think what’s really needed here is building some kind of a map of who is doing what. What you need to create is a structure and a system that’s really transparent to the entrepreneurs who are seeking assistance and to all of the

service providers themselves in terms of who is doing what. Who can offer services at what level of enterprise? How can we make some very efficient handoffs from one entity to another as people outgrow the services we offer and need services from another? How can we create among the institutions that are doing such good work here, a real network that functions together to move the whole community forward, that builds entrepreneurship from the ground up and creates a space where people can find the opportunities they need? I think if we build that institutional capacity now, you will have something for the long term that will not only solve the current problem but build a stronger and more sustained entrepreneurial culture for the years ahead. Thank you.

**MR. ORTMANS:** Next, we are going to hear from John Elstrott, who is the clinical professor of entrepreneurship and director of the Levy-Rosenblum Institute of Entrepreneurship at Tulane University.<sup>90</sup> And he manages entrepreneurship research programs that train and inspire entrepreneurs and he contributes to regional academic development through joint academic, government, and business initiatives that stimulate private enterprise. He is the director of the Tulane Family Business Center and is a former chief financial officer of Celestial Seasonings, Incorporated.<sup>91</sup> Thank you. Please welcome John.

**MR. ELSTROTT:** Good afternoon and welcome to all of our visitors from out of town. I am a native New Orleanian and have been at Tulane for 22 years

and I am also a very active entrepreneur. I have been involved and am still very involved in the natural foods industry, the biosciences, the pharmaceutical industry, the music industry here in New Orleans, construction. So I am very involved in the entrepreneurial sector from two sides, from trying to educate the future generation of business leaders here in New Orleans, as well as being actively involved as an investor and a businessman.

And there is more opportunity here in New Orleans than I have ever seen in my business career as an entrepreneur here. This is a very exciting time. And we need to focus and take advantage of what’s before us because we really have an opportunity to make New Orleans a truly better place than it was before and to use the experience we have in rebuilding the city to assist other cities that would go through—might go through a similar tragedy.

The universities are here to stay. They are not going anywhere, and they are committed to helping to rebuild New Orleans. Tulane, the Medical School, the School of Public Health, School of Social Work, the Business School, we are all involved. I want to focus in particular on what the business schools can do, not only at Tulane but at the other fine universities here in New Orleans. to assist with the rebuilding efforts. Tulane has as part of its revitalization effort—renewal effort after the hurricane—has made a new requirement that every student at Tulane has to put in a community service requirement to help to rebuild New Orleans.

<sup>90</sup> Levy-Rosenblum Institute for Entrepreneurship, Tulane University, <http://www.freeman.tulane.edu/lri/>.

<sup>91</sup> Tulane Family Business Center, <http://www.freeman.tulane.edu/fbc/links.htm>.

And I have had some experience with that. For the last 15 years, I have run a community service program for our business students offering them—both undergraduates and MBAs—a chance to volunteer their time to assist small businesses and not-for-profits, and they have done some wonderful work and have really made an impact. And this past semester as Tulane opened its doors back up in January, the dean asked me to start a new class called Rebuild New Orleans that would be required for all incoming MBA students. And we bring in MBA students from all over the country. Twenty percent of our MBAs come from Louisiana, but the rest from the East Coast to the West Coast. And so in this course, Rebuild New Orleans, we educated the students on what the issues were that we faced but we also had each student put in a minimum of 35 hours of time working in teams to assist small businesses and not-for-profits to get back on their feet and to help rebuild the city.

And what I learned in doing this—working the past 15 years with community service programs as well as this Rebuild New Orleans course—is that the student teams do excellent work, particularly when I matched them up with a faculty mentor and a business mentor, often an alum from Tulane.<sup>92</sup> So each one of my two- or three-person teams were working with a faculty mentor and they were working with a mentor from the business community, and they were working with a small business to assist them, or a not-for-profit.

The other thing that I learned reinforces what Professor Greenhalgh said from Dartmouth—that was that a lot of the businesses and not-for-profits focused on their lack of capital, but that was only a symptom of what their problems often were. And those related to lack of strategic direction, cash flow management, inefficient processes, the things that Professor Greenhalgh mentioned, as well as self versus customer orientation. They were too focused on what they had been doing and not on what they needed to do in this new marketplace. And our student teams really helped them address those issues and better position themselves to get back on their feet and attract the capital they need.

The other thing that I learned from the panel today was that we have to have the integrated solution. And I'm working on that with the other universities on two different levels. I am working with the other business schools and the other universities here to put together a joint grant request to do entrepreneurship research related to the recovery process and the role that entrepreneurship can play, as well as doing curriculum development to infuse entrepreneurship into the curriculum throughout our universities.

The other effort I am doing is to leverage off what we learned in working with students and small businesses. And what I want to do is to create a small business corps. I am calling it NOLA Corps for now, modeled after the Peace Corps, to leverage up our efforts. And essentially what we want to

**“...what I want to do is to create a small business corps. I am calling it NOLA Corps for now, modeled after the Peace Corps...”**

**JOHN ELSTROTT**

do is take 50 student teams over the next year, and do this continuing into the future, but I think that we can scale up to 50 student teams. Each team would include a first-year MBA completing their community service requirement, a senior undergraduate completing their community service requirement, and a second-year MBA that now has experience working as a consultant. And those three-person teams would work under the supervision of a faculty mentor and a mentor for the business community. And I would have each of those 50 teams work with 10 businesses throughout the year on a managerial and technical assistance project. I've teamed up with Idea Village on this. That has been providing access to the business community and helping me to do intake and find the right businesses to work with.

Also Desire NOLA, another group here in New Orleans, has been working with us as well.<sup>93</sup> And the three of us want to move forward with other groups like Young Leadership Council, existing organizations here in the city to essentially create a small business Peace Corps because we have students from around the country wanting to come down here and help.<sup>94</sup>

<sup>92</sup> Rebuild New Orleans class: Tulane and Idea Village partnership. See, for example, *Forbes*: “B School Boot Camp in the Big Easy,” [http://www.forbes.com/entrepreneurs/2006/05/09/new-orleans-katrina-tulane-cz\\_el\\_0510tulane.html](http://www.forbes.com/entrepreneurs/2006/05/09/new-orleans-katrina-tulane-cz_el_0510tulane.html).

<sup>93</sup> Desire NOLA, <http://www.desirenola.org/>.

<sup>94</sup> Young Leadership Council, <http://www.youngleadershipcouncil.org/>; Peace Corps, <http://www.peacecorps.gov/>.

Well, we can integrate them into the student teams that we have here already in the city. And I think what we can do is if each of these 50 teams works with 10 businesses, we can impact 500 businesses and we can scale up from there. And what we would accomplish is that we would train and recruit the next generation of leaders. We would get these great students that come in from New York and California and we would integrate them into the business community, get them working with businesses here, introduce them to business leaders and they would stay here and be our next generation of entrepreneurs.

We would also identify and nurture businesses that had the opportunity to grow and break through. I know a gazelle when I see one. I have built some big businesses. I have been an early investor and a partner and a board member in Whole Foods Market, Silk Soy Milk, I can go on with some other ones. But I know a homerun when I see it. So we could help identify those businesses and help them break through to the next level.

We would also help the universities commercialize their technology and we will create a process where we introduce the students to the business community. So that's what I would hope to accomplish working with the partners here in New Orleans, and the other universities, the Young Leadership Council, Desire NOLA, Idea Village, we want to leverage our efforts and reach a lot more businesses. I know that the small business development centers are doing good work and we need them and I welcome the Urban Entrepreneur Partnership that is coming to town. But we have tens of thousands of businesses that need help and our focus is going to be to leverage the students

that we have to reach a lot of those businesses and keep those students here in New Orleans. So help us start the NOLA Corps, that's the Peace Corps of New Orleans. And it is a concept actually that can be rolled out to other cities around the country that would have a similar need. Thank you.

**MR. ORTMANS:** Fantastic. You know, John and I were actually talking at lunch about the fact that there is so much potential to tap into in young minds. You know, somehow our minds, the younger we are, the more flexible we are about how we might look at problems. So we were visiting about the fact that, in fact, we have an initiative to launch something called Entrepreneurship Week in 2007 where we are going to try to have 5,000 events that happen across the country getting people under the age of 25 to ask themselves the simple question, do I have it in me to make a job rather than take a job? So John and I were talking about the fact that maybe we could help with this and maybe we will make New Orleans the best example of the most creative and innovative ideas coming out of young people about whether or not they are potential entrepreneurs of the future. So congratulations. A lot of great ideas there.

And finally we are going to hear from Ronald Utt, who is with the Brookings Institution. And he works with scholars to evaluate the success and failure of policies for urban revitalization, land use and growth management. He used to be the executive vice president of the National Chamber

Foundation where he created and edited the *Journal of Economic Growth* and the *Journal of Regulation and Social Costs*.<sup>95</sup> So please join me in welcoming Ronald.

**MR. UTT:** Thanks a lot for the introduction and thanks a lot for inviting me here. And just one minor correction, I am with the Heritage Foundation, not the Brookings Institution.<sup>96</sup>

**MR. ORTMANS:** Did I say Brookings?

**MR. UTT:** Yes. I don't mind. I have a lot of friends there and I respect them. And also it is good to be here in the Crescent City. Did I pronounce that right? So, you know, as I was coming up here I was saying it is the Crescent City, or is that Cincinnati?

Anyway, so what I would like to do, I am the next to the last speaker so what I would like to do is sort of loop around back to some of the remarks that Mr. Powell made, because Mr. Powell talked about a couple of things that I haven't seen repeated since then. What Mr. Powell was talking about was safety, and he was talking about making it a secure place, not just to live, but to conduct business. And the other way of looking at that is when you preserve safety, you reduce risks.

And I came to involvement in entrepreneurship kind of late in my career as an economist and it goes back to the late 1980s and early 1990s when I got involved and I had the good fortune because

<sup>95</sup> National Chamber Foundation, [http://www.uschamber.com/ncf/default;Journal of Economic Growth](http://www.uschamber.com/ncf/default;Journal%20of%20Economic%20Growth), <http://ideas.repec.org/s/kap/jecgro.html>.

<sup>96</sup> Heritage Foundation, <http://www.heritage.org/>.



it is one of the more interesting experiences of my life, I got involved in helping East European countries make the transition from socialistic economies to market economies. When you went over there, you saw an enormous amount of energy—there are natural entrepreneurs waiting to happen. They had enough money to get going, they had the talent to get going. But what they didn't have is the legal infrastructure in which to operate. There were no property rights, there was no commercial law, there was no enforcement of contracts. I mean, there wasn't even a law to define a level of contract. And the consequence was that until these things happened—and these are things that we tend to take for granted here, and we assume that our contracts will be protected and that we can safely go out so the only risk that we confront as entrepreneurs in America is the basic business risk and kind of our own stupidity and kind of making the wrong decisions or bad times in the economy where you don't think about the infrastructure we take for granted being the most risky thing.

But in a lot of these East European countries as they were getting started, that, in fact, was the most serious risk that you had. That you could rent a store from somebody, sign the lease and the person could see that you had a very successful business. And the landlord would come back and say, you know, get out, I am breaking the lease. I am going to set up a clothing store here. You've already established it. So the consequence was that until everything was in, was established and created and a certain amount of legal certainty existed, the businesses never evolved beyond kind of mom-and-pop, low-level family things that created reasonably good prosperity

among the people in the family or the unit that was doing this, but didn't do much for the economy because it was too risky to expand beyond a fairly low level of activity.

That's changing now. And those countries that have established a commendable and workable legal infrastructure are the ones that like Czechoslovakia and Poland are going gangbusters, that are attracting enormous amounts of capital from the West and the standards of living are rising. And the people who are living there are happy, happy to be there—in contrast to other places further down in the Balkans where things are slower to develop and the most important export right now is their population.

We have the legal infrastructure here, that's not a problem. The infrastructure problem that you have here is the infrastructure problem. And I think Mr. Powell emphasized the importance of levees. And I think that he said something to the effect that the most important thing in real estate is location, location, location. He says one of the most important things here is levees, levees, levees. As an outsider who tries to keep in touch with what's going on here and what the issues are, there is the sense that there is still a lot of uncertainty as to just how secure this place will be and whether the Army Corps of Engineers has the capacity or the capability, given the existing design standards and the timeframe and the amount of resources that they have, to make the New Orleans area and the whole Gulf area as secure as you need to be in order to create an environment of business certainty where you can be sure that the only risk that you confront is a business risk, as opposed to a natural disaster risk.

And so the question is—and a lot of issues have been raised—are you bringing the levees up to Category 3 or Category 5? I don't know that this has been answered. It was supposedly up to a Category 3 level of strength before and that, in fact, turned out to be inadequate for the storm that came. If they build up to the same level, I think a lot of business people are simply going to say, it is too risky. America is the land of opportunities, I can go anyplace and make more money under safer conditions, and that is simply going to deter and discourage the development of entrepreneurship. The longer that happens, I think the existing entrepreneurs who are hanging on by their fingernails, judging by some of the comments that were made, are simply going to have to let go. So your core of businesses and entrepreneurs simply shrinks further from what it already is and the difficulty of getting back is even greater.

Another area of uncertainty appears to be the issue of land use. Back in January, I think there was a huge community effort involved with the business community, government, and civic organizations, of the commission that decided what parts of the city are defensible, what parts are not, and that in turn will decide where we will build, where we won't build. And that also determines what kind of aid we give to people, whether we are going to use eminent domain, pay them off, help them get on with their lives. And other people, where property is, this is where you could build and move on. So there is a sense of uncertainty with that. My sense is, at least from my understanding, is that agreement has somewhat unraveled over the period and that there is no certainty now exactly what will be off limits and what will be on limits. And, again, that discourages and deters people.

**“...it seems to me that the basic infrastructure issues, the basic safety issues, the basic risk reduction issues have yet to be dealt with.”**

**RONALD UTT**

Added to this is the issue of coming up with the flood insurance levels or base levels for that, so that raises the whole question of insurability—whether or not people are interested in coming in and insuring, the very basics not having been settled in terms of what level of risk we are going to do and that determines where you can build. Until these things are determined, nobody is going to do anything.

And then related to all of these things, even more significant, is not only do these things affect businesses but they affect sort of ordinary people who once lived here and are deciding should they come back or should they not come back. And if I don't know the situation on housing, and much has been made of the housing issue, I don't know whether I am prepared to come back. And this is very important for business because business doesn't exist in isolation. Business exists in an environment of customers and workers. And in hearing many of the comments today, many businesses are short of both.

So it seems to me that the basic infrastructure issues, the basic safety issues, the basic risk reduction issues have yet to be dealt with. And I suspect, my sense in

listening to all of the issues that were discussed, a lot of things that were discussed during this period were very interesting and compelling, but will never happen until we reach some degree of certainty involving how safe it will be for residents and businesses.

Because business has enough difficulty, especially small businesses, which cannot diversify risks. Usually, they have one or two stores, mostly they are local. And so you have 100 percent of your assets, your wealth and your career stuck in one place. And if that place is not safe and not secure, I think that individual is simply going to say, I will go someplace else. I have the talent. I can make something someplace else. I can open a plumbing shop in another state or further up the river where I will be safe and just as prosperous and I don't have to worry about all of the uncertainty.

So my sense is all of these things are public sector decisions. And I also get the sense that you still have the state, the local community, and the federal government not fully on the same page, sometimes still debating, not always together. And until everybody gets together on this particular issue and determines what the resources are, what the costs are, what is the technology that we can bring everything up to, and then decides on land use patterns, I think that it is going to be slow to get started.

And I think the slower it gets started, the more difficult it is to sort of rebuild Louisiana or New Orleans or the Gulf Coast. And a lot of people here believe that has the potential. I believe the potential is there, the energy is there but you simply can't get people to invest their lives, their careers in a place where that could easily be wiped out with a year's worth of time with no fault of their own. Thank you very much.

**MR. ORTMANS:** Well thank you. And, you know, on my board, I have half Democrats and half Republicans. And I actually take it as a compliment that my brain went to the Brookings Institution, which has a little bit different perspective than the Heritage typically. But my apologies. I was obviously back where we were this morning with our presenter from the Brookings Institution.

Well, first of all, while we are encouraging any comments from the floor here, I want to throw something back at you. Let's maybe start, you know, we talked about a lot of thoughts that we have got about where to go. We've talked about there being an informal network to support entrepreneurs, we talked about the fact that there was value in forming some kind of Peace Corps that may be out there of young people that can help. There are a lot of creative ideas that we have heard this morning that were pulled out.

But let's come back to that fundamental challenge that just got presented to us. Does all of this, and I just invite our panelists to respond, does all of this really mean nothing if we haven't got the basic risk issues tackled, and how do we feel about it? Is that the big white elephant in the room here? I mean, do people really think that ultimately people are not going to rebuild until they've got that security issue taken care of, that they feel like I am not really going to make that major investment, whether it be—obviously, the public sector doesn't feel that, but how about the private sector? Comments from our panelists?

**MR. DRENNEN:** That is absolutely correct. People are not going to reinvest, rebuild until a number of things happen. And we are all extremely—not all people, that's too general of a statement—but many are not going to until certain basic governmental functions are resolved.

We've talked about the levee system. Yes, we have lots of money coming in now to repair the levees, which is critical to everybody's security and certainly nobody wants to reinvest money in their businesses and homes until they have basic security. We are extremely, as a region, frustrated that we thought we had the money to finish at least a Category 3, and now we find out, we are \$6 billion short or something to finish Category 3. Category 5 is very long-term. We all recognize that. It involves coastal restoration. And, again, will involve trying to secure the necessary money to restore our coastline.

Housing we have talked about is a major issue. There is CDBG money available for housing. We are still as a community debating exactly how that is going to take place. Many of us are wondering if you simply are trying to make people whole or as close to whole as possible and you don't actually have somebody come in and redevelop the whole community, how are we going to redevelop whole neighborhoods?

Freeport McMoRan when they opened their gold mine in Indonesia, Indonesia actually went in and built a whole city.<sup>97</sup> We are going to need in this community some developers that have the means to go in and rebuild whole neighborhoods because I don't think that it is going to happen piecemeal.

Our health care system, clearly any business is going to want to know where their health care needs are going to be met. We have serious, serious problems in health care areas. So all of these basic infrastructures, again, that are normal in

most parts of the country, are severely hobbled right now in our region and will have to come back before we make a complete recovery.

**MR. ORTMANS:** John or Elaine, do you have a comment?

**MS. EDGCOMB:** Yes, I would like to comment. I think while that's generally true, the one thing New Orleans has at least going for it is that there is a whole bunch of people who want to be here, who want to have their businesses here, who want to reestablish their lives here, and who are willing to try to stick it out to make it happen. And that is what I think that you heard from some of the small business folks who were in this room this morning saying we don't want to give up, we want to stay in town, help us figure out how we stay in town. So while the externals or the fundamentals, let's say, will constrain, I don't think that that means nothing is going to happen. I think there is a community here that wants to make something happen. So the issue is from my perspective, how do you jumpstart that in an emergency while you are still addressing these larger questions that obviously need to be addressed?

**MR. ELSTROTT:** Certainly, the levee issue, education, health care—increase the level of uncertainty and you increase the level of risk. But entrepreneurs are used to assessing risk versus reward.

And as Elaine pointed out, there are people that are determined to live here and to come back here. My family has been here for five generations. My son

**“But the people who love this town and care about it, and the entrepreneurs that are part of those people, they are the ones that are going to be the early missionaries, but it is going to happen.”**

**JOHN ELSTROTT**

lives in California, my daughter lives in New York. They are both determined to come back. This is where they want to raise their families. Those of us who call this home, we are not going to let it wash away or disappear.

The early entrepreneurs that come in and deal with the uncertainty and the high level of risk are going to get higher rewards. And it is going to be a long-term process. Amsterdam has just finished a 50-year rebuilding process to make their city safe. We are going to go through the same thing.

I think by the time hurricane season starts, we will actually be better off, at least in terms of security of our inner canals, than we were last year. And next year and the year after that, each year is going to slowly improve. The level of the risk will come down, the education system will get better, health care will get better, the levees will get better, and also the rewards will adjust proportionately.

<sup>97</sup> Freeport McMoRan, <http://www.fcx.com/>.

So entrepreneurs are used to dealing with the risks. Yes, it is very high right now. It takes a special kind of entrepreneur with the guts to come in here and do it. But the people who love this town and care about it, and the entrepreneurs that are part of those people, they are the ones that are going to be the early missionaries, but it is going to happen. We are here and we are here to stay, believe me.

**MR. ORTMANS:** Great. I want to come back a second to the title of this conference, Entrepreneurship: the Foundation for Economic Renewal in the Gulf Coast Region. And I sort of also want to come back to something that Elaine, you mentioned. I mean, the big question is how are you going to jumpstart that? And I think part of the answer is entrepreneurialism itself. The entrepreneurial spirit is indeed what has got to be captured by this community. That means thinking very big, thinking very grandly, thinking very much outside of the box, thinking, allowing change to occur, looking for as much creativity and innovation from wherever it will come.

You know, I will throw out one thought while I am just making sure if there is anybody that wants to come to the microphone and ask a question of our panelists, do that. You know, I am reminded of a little story that some of you may have heard before and I am trying to remember where I read it. But the guy that manages and runs a shoe store says, you know, I really think that there are some opportunities for us in Africa. And he gets two of his scouts and he sends them out and they both go to different parts of the continent and they email him back a week later. And the first guy emails back and says, hey, boss, we got a problem here. I am afraid I am hopping on a plane, I am coming

home—they don't wear shoes here. And the other guy emails him back and says, fabulous opportunity, they have no shoes!

So I hope and think that the emphasis here is the lens that one really looks at here. I never expected after listening to this morning's presentations that I would feel quite so stunned that actually this could, in fact, be one of the grandest entrepreneurial opportunities for entrepreneurs who, by the way, are not just people that go out and make money. Entrepreneurs are people who are inventors, thinkers, innovators. Many of them apply their talents in a social nonprofit context. Many of them apply their talent.

You know, one last comment on this, too. They had a head of state I listened to in another country who was trying to encourage entrepreneurship in their country. And in order to do it, people stood up and said, we just don't know where we start businesses or what are these problems we should fix, I mean, what should we do? And he said, well, let me just tell you—by the way we have in our world a great deal of poverty, we have a great deal of disease, we have a great deal, you know—he was trying to have them come up with problems to fix. There is potentially a gift in every problem.

—Yes, sir.

**MR. ADAMS:** I think that this is a great final panel for me anyway, having heard all of the conversations during the day.

Just to throw out a point—I think what I have learned as somebody from outside who was thinking about these issues a little bit, is hearing from the entrepreneurs from the area—what I am hearing

is, something is going to happen here. For me as a policymaker trying to think about the issues we were thinking about as we were structuring this, I think that the question has gotten crystallized for me, and maybe I am just dense. But the question really is, how do we make sure that people from this region are the ones who share in the flow when it happens? Because it is going to happen. No one is going to wait. I was shocked to hear my fellow free marketer say, we have to wait for government to act or no one is going to act. That is not going to happen. People are going to manage risk and the question is going to be how do we have an environment here where people from New Orleans, from Mississippi and Louisiana share in the flow that happens?

And I think that is where policymakers in the private sector and public sector have got to really think through to make sure that—and here is the challenge, I think. If you live here, you know all of the challenges. I mean, the people who are going to come in here first are the ones that don't understand all of this stuff about the levees. And they are going to be—some of them are going to make big mistakes. But people who are here are going to be realizing what a big risk it is. And I think that the risk management issue is one of the big issues that you are going to have to deal with. How do you make sure locals feel secure to take those risks? And I just throw that out. I don't have a real question, I will just throw it out there.

**MR. ORTMANS:** Quick reaction is how do we make sure that New Orleans—the folks from this community—may be benefiting from this great opportunity? Anybody want to comment on that quickly?

**MS. EDGCOMB:** Well, I think that was part of the point that I was trying to make earlier about working with local institutions here on the ground who know the communities of entrepreneurs, who worked with them before Katrina, who are working with those who perhaps were excluded in many ways from some of the economic opportunities before but who now can be positioned to take advantage of them. I think there are people here who are working on helping entrepreneurs think strategically about their next steps, who are trying to give them flexible financing to begin to survive this period and move forward. And I think there is a lot of opportunity. There is a lot of talent to tap here in this state and in Mississippi, that have that experience and can work with them.

**MR. ORTMANS:** Sir.

**AUDIENCE MEMBER:** Yes. I am going to put Mark on the spot here. So we have talked a lot about uncertainties here in the city and the region, levees, health care, money in Baton Rouge, housing and we have talked about problems at the federal level and the state level. So we have one more major uncertainty and that is a mayoral election in a week or so. So I am not going to ask you to endorse a candidate. What I am asking you to comment on is what role does the mayor play in attracting entrepreneurs and helping ensure their success?

**MR. DRENNEN:** I think the role of the mayor or any mayor is to set a tone for the people to have confidence that government is working. Yes, I listed the problems a little while ago, everybody knows about

those problems and we are all working towards solving those problems so that business can be more successful. But the mayor as the top political leader has to set the tone. And then he has to be a consensus builder because the issues that we are arguing about constructively within the region are going to take everybody working together to eventually solve those problems. And also the mayor is going to have to make some very tough decisions. Before an election, most mayors don't want to do that and most politicians don't want to do that. But as soon as the election is over, there are some very difficult decisions that are going to have to be made.

**MR. ORTMANS:** Sir.

**MR. MITTERNIGHT:** I am Mike Mitternacht, I am a native and I am a local small business owner. I just have more of a comment than a question for Professor Elstrott. You talked about your young entrepreneurship program, I would just say don't forget us old guys. There are a lot of existing old entrepreneurs who may be looking to expand and do new things. So don't just concentrate on the young guys, think of the old people, too, when you are developing your program.

**MR. ORTMANS:** Thank you for that.

**MR. ELSTROTT:** A lot of the businesses that we help have been around for several generations that are run by older people.

**MR. MITTERNIGHT:** We are a 30-year-old company.

**MR. ELSTROTT:** What's that?

**MR. MITTERNIGHT:** My company is 30 years old.

**MR. ELSTROTT:** And we infuse young talent into those companies to help out entrepreneurs like you and to make sure that you survive.

**MR. MITTERNIGHT:** Great, thanks.

**MR. ANDREWS:** Yes. I am Donald Andrews, I am dean of the College of Business at Southern University, Baton Rouge.<sup>98</sup> And I don't normally agree with the Heritage Foundation but I think Ron—I think this has been a great conference. I mean, you know, entrepreneurs are optimistic. But I think Ron is correct. I mean, I don't think that anything is going to happen on a major scale until the level of risk for this particular area is reduced. In other words, this has become a high-cost area and people are not going to come back in here and invest their capital. I mean, I have had the privilege to talk to some insurance CEOs and they have moved out of the area. So if they more or less performed the capitalization, and they look at all of the factors and they say basically this situation is not risky anymore—but this situation is uncertain. We can't make a capitalization on it. So therefore, rather than risk our company, we are going to move out. So they are looking for some public-private partnership. So my question to the panel then is what innovation can we do in terms of state, federal, private insurance programs to help jump-start this economy? Because I think that is really a serious issue and people aren't going to make that investment decision until that level of risk comes down. I think that, Ron, you are dead on it.

98 Southern University, Baton Rouge, College of Business, <http://www.subr.edu/aboutsubr.html>.

**“I encourage you to view entrepreneurs as being not just the source of new business creation, but as being the thinkers behind what can be done to make the process work.”**

**JONATHAN ORTMANS**

**MR. ORTMANS:** Ron, do you want to start on that or anybody on the panel want to quickly comment on that?

**MR. UTT:** It is a controversial notion, and I don't want to give the sense that it is all hopeless, which is one way of looking at what I said. It is a matter of where you devote your civic energy over the next year. And the longer you delay, the less civic energy you are going to have to devote. And so it seems to me that these are priorities that are essential to get out of the way because, you know, my sense is that heads of insurance companies and actuaries and commercial lenders and Citicorp and venture capital places are all going to simply measure the risks. These are people used to risk and this is a risk one can't control. And it is beyond my skill level.

And just to address that somebody noted that I was speaking on behalf of government, which is surprising coming from the Heritage Foundation. I mean, the simple fact is that the public education system is right now a government monopoly.

The federal government has the responsibility for the levees. I mean, we can't change that. I have to accept what's there. And it seems to me that the energy from all of these different players right now ought to be devoted toward the issue of what Mr. Powell suggested this morning, and that is safety and security and then the rest will, for the most part, begin to take care of itself.

### **Closing Remarks**

**MR. ORTMANS:** Great. Well, I think hopefully one other way that we can do a good job as the panel here is to make sure that we finish on time. So I am not going to take too much time with you except to emphasize a message that I did hear here before. And that is that I think entrepreneurialism has a very significant role here in playing a leadership role in helping lead the way to finding solutions for any of these problems. And I think if there is one thing that I hope that we will leave with, it is the notion that an entrepreneur is a problem solver. It is someone who brings people together. It is an innovative thinker. Sometimes really good entrepreneurs actually are usually pretty crazy people. And I encourage you to view entrepreneurs as being not just the source of new business creation, but as being the thinkers behind what can be done to make the process work. And, of course, they can't do it alone but they can be a leading force.

Not on my script, mind you, but I just want to say that I applaud whoever made the decision to allow for the formation of the Office of Advocacy within the U.S. Small Business Administration. And as I understand it, and I'm sure Chad can correct me at the end if I am wrong, but the Office of Advocacy has a phenomenal independence from

the Small Business Administration, which means that they can come out here and hold a conference like this and be able to have the opportunity to take criticism and learn about it, about what are the things that could really make the SBA more effective and more helpful. And I would like to conclude my part for this by just asking you to join me in a thank you, of course to Tom Sullivan and Chad Moutray and all of the team in the Office of Advocacy because I think that they have done a phenomenal job. And I know for a fact that when they do something, they don't assign it to someone, they get involved, they get their hands into it and they get involved in all of the details and they make sure that it works. And I think we all owe them a big thank you for their great work today. So without further ado, Chad Moutray.

**MR. MOUTRAY:** Thanks to everyone who stayed around. This has really been a phenomenal day. And I think that it is something that we really have been looking forward to, if you can say that in terms of Katrina, but looking forward to since the fall when we first came up with this idea.

And the one person who is not in the room that I really want to thank, of course, is Bob Litan at the Kauffman Foundation. When I first dreamed up this idea of having this conference, first I approached Tom but I also approached Bob Litan who, of course, immediately liked the idea enough that he wanted to give the money to support it. So the fact that this is a free conference really is as much a testament to Bob Litan and Kauffman as it is anybody else. So thank you to Bob, who unfortunately couldn't be here today.

And I also want to thank Jonathan, we are a nice congratulations society up here. Jonathan, while Kauffman gave the money, Jonathan agreed to pay the bills. So anyone, of course, who has handled the administrative work of that, realizes that is an enormous task that he took on and his staff. And Ann Neel, who works for him, has been really a phenomenal lady, and you have a great staff as well.

And, of course, you already met Daryl Williams from the Gulf Coast Urban Entrepreneur Partnership, that certainly is a cosponsor that we are very glad to have on board, and they are going to be doing lots of great work around the country. I also, of course, want to mention, I know that Tom and I keep getting all of the kudos, but the reality is that we are a team. And as you saw when you signed in today and as you saw people walking around the room, we really couldn't put this conference on without them. So for the people who are in the Office of Advocacy, could you please stand up and we can give them a round of applause.

Today, of course, is only the beginning. One of the most important outcomes of today is that we, of course, have the chance to meet and talk about this particular issue. By continuing the dialogue that we have started today, of course, you will help us bring the importance of small business and entrepreneurship to the forefront of rebuilding—this policy discussion here in New Orleans and across the Gulf Coast region.

And if you remember, I started off the day with four specific questions, do you remember what those were? I know Steve Adams can because he actually wrote these for me. But what role can entrepreneurship play in moving individuals and communities to economic health? That was one of them that we were going to talk about. How can small businesses and local entrepreneurs connect with larger businesses and the government? What will it take for larger firms to reach out to local entrepreneurs and small businesses? And, finally, what are the elements of a policy environment that enables entrepreneurship and innovation, whatever the socioeconomic conditions of the entrepreneur? Those were the questions that we asked at the beginning and I am hoping that through the five panels today we have answered each of those.

For those that we didn't, this is where really the dialogue will continue. And hopefully over the coming months and years through our research and through other efforts, we can answer each of those questions.

In terms of the proceedings, Tom mentioned, I think in between one of the sessions, we will be producing the proceedings that has all of the content of this. I do want to thank our transcriber, if she can get her hands off the keys for a second who really has done a great a job today. I joked with her in between the breaks the she probably has carpal tunnel, but we won't get into that. But thanks to her efforts, of course, we will be able to in about 60 days put out a nice proceedings that summarizes everything that has happened today.

And if you are on our listserv, of course, you will receive not only all of our research but also information about the proceedings.<sup>99</sup> You can also do it using the card that's in your nice handy folder. With that, we are actually ending early. So that is good news. Hopefully, you can go out and take advantage of some nice Cajun cooking. Have a great day, and please keep in touch.

<sup>99</sup> For electronic version of the proceedings, visit U.S. Small Business Administration, Office of Advocacy, [www.sba.gov/advo/research](http://www.sba.gov/advo/research); to sign up for listservs, go to <http://web.sba.gov/list/>.

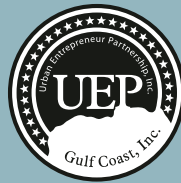
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