



U.S. Chamber of Commerce Center for Corporate Citizenship

Presentation for AMS

December 20, 2005





Two Separate Questions

- ⊕ How can private sector be given tools to rebuild?
- ⊕ How to motivate private sector to participate more effectively in preparing for future disasters?



What Is Rebuilding All About?

Risk-Adjusted Rate of Return

Either lower risk or increase the market opportunities

BUT...is this the right question or the only question? Do we care what businesses invest in the region? Do we care if they invest directly in New Orleans or not? Are there opportunity costs to consider?





Rebuilding Incentives

Risk Reduction

- Repair the levees
- Provide access to insurance
- Embed mitigation in planning, zoning
- Strengthen natural barriers
- Invest in weather management

Market Opportunity Creation

- Invest in infrastructure
 - Transportation
 - IT
 - Education/Health
- Workforce development
- Housing
- Access to Capital





Public Policy Approaches

- Tendency to focus on subsidies and tax credits (eg SBA loans, LABI fund, Enterprise Zones) – might be more useful to look at loan guarantees and insurance risk guarantees (looking for biggest multiplier effect)
- Need to focus on structuring the economy and the economic environment
 - Coase Theory – eg Apply Pollution Tax Credit Concept to Mitigation Market
 - Embed mitigation in concessions and off-set negotiations (eg energy exploration or gambling licenses in exchange for improving barrier island conditions)
 - Government(s) as Customers, Market Makers or Catalysts for Innovation (caution – vaccine problem)
- Improve Quality and Enforcement of Standards (get MS and LA to adapt Florida Standards to their conditions; avoid moral hazard)
- Benchmark Best-in-Class Infrastructure (“Leapfrog”)



Summary

- ✚ Insurance
- ✚ Investment
- ✚ Infrastructure
- ✚ Inspection

Make the Gulf Coast an area of opportunity where businesses are likely to succeed in the long term.





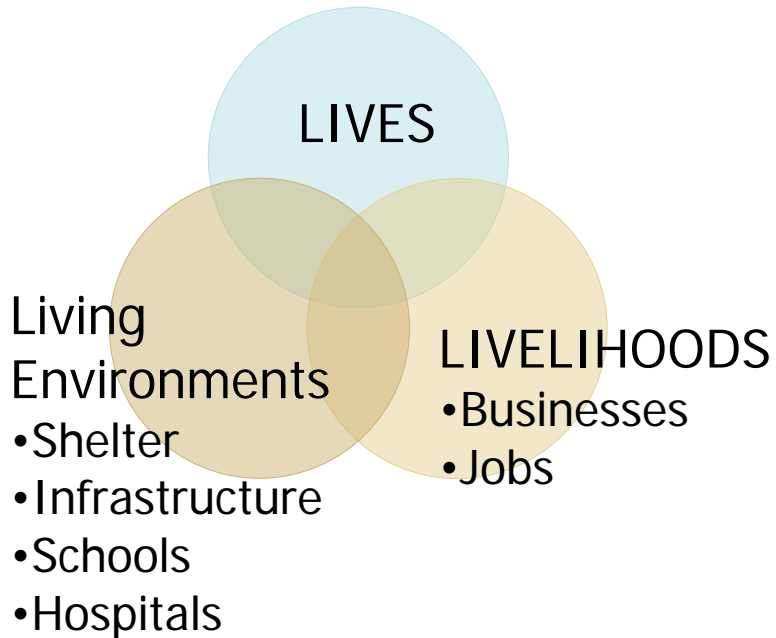
Part II: The Future of Private Sector Involvement in Disaster Preparedness

- ⊕ Current Involvement in the Preparedness/Response Process
- ⊕ Why It Is Dysfunctional
- ⊕ Prospects for the Future



The Response Process

Three Vital Components



Five Stages

- Emergency Response
- Relief
- Recovery
- Reconstruction
- Mitigation/Preparedness



Issues

- Lack of coordination between local, state, and federal officials very confusing
- Lack of coordination between public and private sectors presents companies with “surprises”
 - Requisitions (oil/gas)
 - Badging/Credentialing
 - Lack of Access to plant, property, people
 - Donors didn’t know what happens to their offers or donations
- Lack of information both ways
 - From local to national
 - From national to local
- Lack of planning and goal-setting
 - Too much emphasis on relief, not on long-term recovery





Issues continued

- ⊕ Expectations May Get Distorted
 - ⊞ Aid is not core competency of companies
- ⊕ Cost/Benefit Issues
 - ⊞ Disaster aid vs. schools vs. hospitals, etc.
- ⊕ Moral Hazard Issues
 - ⊞ Tendency to underfund future risk
- ⊕ Inability to Forecast the Future
 - ⊞ Tendency to overfund past disasters



What Should Success Look Like?

- At the Institutional Level
 - Institutional success should be determined by how little future disaster response efforts cost (resilience, robustness, and readiness)
- At the Event Level
 - Success of a recovery process should not be measured by money, but by time, safety, and cost minimization (How fast, how well, and how cost effectively do we rebuild?)
- Key Factors
 - Success will be complicated by future disasters
 - Success depends on Recovery and Reconstruction as much as on Response and Relief – we need to re-align aid thinking toward mid- and long-term
 - Business renewal and job creation is critical to sustain the long-term recovery process



How to Measure Success

- ⊕ How fast do the following assets bounce back?
 - ⊞ Per capita income
 - ⊞ # and type of Jobs
 - ⊞ # of Businesses
- ⊕ Quality of new infrastructure
- ⊕ Quality of urban/regional design



Disaster Preparedness in Context

- ⊕ Preparedness needs to fit in to a systemic context that includes:
 - ⊠ Public Policy
 - ⊠ Financing and Investment
 - ⊠ Market Incentives and Confidence-Building Measures
 - ⊠ Risk Reduction
 - ⊠ Public-Private Dialogue and Coordination



Preparedness Requires Engagement at Multiple Levels

● B2G

- Principals: FEMA, DHS, OFDA, SBA
- USA Freedom Corps; Dept of Commerce, HUD, DoE, etc.

● B2NVOAD

- Red Cross, Salvation Army, United Way
- National Volunteer Organizations Active in Disasters

● B2B – all part of www.uschamber.com/cc

- Jobs – www.jobs4recovery.org
- Products and Services – www.aidmatrix.org/uschamber
- Cash for Small Business Relief: www.labi.org
- Long-Term Relationships – Adopt-A-Business and Adopt-A-Chamber
- Ongoing planning and process management – CCC forums, meetings, and exercises



Strategies for Business Involvement

- Make the Business Case!
 - Cost Reduction
 - Easier Market Maintenance and Recovery
 - Employee Safety
- Awareness:
 - Invest in Communications and Public Education
- Knowledge Diffusion:
 - Role Modeling and Best Practices
- Upgrade Communications and Coordination
- Make It Easier for Businesses to Engage:
 - Incorporate Business Into the Planning Process
- Create Focused Mechanisms Where They Can See the Benefit:
 - Establish a Recovery and Reconstruction Foundation





Institutionalization

- Government Level (Federal + State and Local Equivalents)
 - Coordination with FEMA/DHS/AID
 - “Project Impact” part 2 + Public Education Function
 - Systematization of Recovery and Reconstruction Functions
- Public/Volunteer Level
 - Existing Relief Programs
 - CCC Best Practices, Communication and Coordination Programs
 - NEW: Recovery & Reconstruction Foundation





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