

Bush suspends Davis-Bacon Act

# Wage-cutting and profit-gouging in the midst of the Katrina disaster

By Kate Randall  
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In a shameless display of a brutal class policy, President Bush on Thursday suspended the provisions of a law that requires employers to pay the locally prevailing wage to workers on federally financed projects. The suspension applies to areas of the country devastated by Hurricane Katrina—parts of Louisiana, Mississippi, Alabama and Florida.

The move will affect the thousands of workers who will be employed in the massive reconstruction operation in the wake of the hurricane disaster. With the suspension of the 1931 Davis-Bacon Act, companies will not be obligated to match the wages in these areas, which are already lower than in most parts of the country. In the New Orleans area, for example, the prevailing wage for an electrician is \$14.30 and for a construction worker or a truck driver working on a levee it is about \$9.

Presented by the Bush administration as a means to cut costs, trim bureaucracy and speed the relief effort, the suspension in fact amounts to a gift to the corporations inundating the area to carry out the reconstruction, who are under no obligation to pass the savings along. Under conditions where hundreds of thousands of displaced hurricane survivors—the overwhelming majority of them working class and poor—have lost everything, including their jobs, Bush's action is particularly despicable. Many of these same people will be potentially affected by the decision as they seek employment in the reconstruction effort.

Bush and his congressional supporters have seized on the Katrina tragedy to implement by fiat what they have until now been unable to achieve through legislation. The 1996 and 2000 Republican Party platforms called for revisions in Davis-Bacon. As unknown numbers of corpses of hurricane victims remained floating in the fetid floodwaters, 35 Republican representatives urged the president in a letter to Bush early last week to take action. He signed the proclamation suspending the act September 8.

AFL-CIO President John Sweeney issued a perfunctory

statement criticizing Bush's action. "Taking advantage of a national tragedy to get rid of a protection for workers the corporate backers of the White House have long wanted to remove is nothing less than profiteering," Sweeney wrote. He concluded with a toothless appeal to Congress to reverse "this short-sighted decision."

The relief bill passed by Congress on Thursday included another boon for corporations, who have descended like vultures on the hurricane-stricken region to get a piece of the \$62 billion so far allocated. In a significant change to federal contracting regulations, contractors will be allowed to spend up to \$250,000 on hurricane-related contracts and expenses without seeking competitive bids. Restrictions have also been eased that favored the contracting of small and minority-owned businesses. Previously only purchases up to \$2,500 in normal circumstances, or \$15,000 in emergencies, were exempt. Republicans have sought a change in these regulations for years.

The Bush administration is also hoping to capitalize on the disaster to change laws that bar the Federal Emergency Management Agency (FEMA) from giving money directly to religious organizations. By allowing FEMA to directly fund religious groups that are assisting Katrina survivors, Congressional Republicans hope to pave the way for their long-standing goal of increasing government funding of religious institutions—at the expense of federal spending on social programs.

In the two weeks since Katrina struck, private companies have already been awarded multimillion-dollar contracts, many of these on a no-bid basis. The government is drawing down on relief money at a rate of more than \$500 million a day and corporations are lining up at the trough. "They [the government] are throwing money out, they are shoveling it out the door," Washington lobbyist James Albertine told the *New York Times*, "Sixty-two billion dollars is a lot of money." It is estimated in excess of \$100 billion will be spent on the relief effort, with much of it going into the

corporate coffers.

In ways reminiscent of the private contractors' charge on occupied Iraq, companies are seeking to profit-gouge at the expense of human misery, this time on US soil. "You are likely to see the equivalent of war profiteering—disaster profiteering," Danielle Brian, director of the Project on Government Oversight, told the *Times*. With the suspension of Davis-Bacon these contractors will not be obligated to pay workers the locally prevailing wage, boosting their profit margins even further.

Three companies were awarded no-bid contracts by the Army Corps of Engineers to repair breaches in the New Orleans levees—the Shaw Group, Boh Brothers Construction and Kellogg Brown & Root, a subsidiary of oil giant Halliburton (the company formerly run by Dick Cheney, the vice president). Louisiana-based engineering and construction firm The Shaw Group, with estimated yearly revenues of \$3 billion, announced it had received two \$100 million contracts—one from the Army Corps of Engineers, one from FEMA—to work on the levees, pump water out of New Orleans and provide housing assistance.

Kellogg Brown & Root (KBR) has already begun work on a \$500 million US Navy contract for repairs to Gulf Coast naval and marine facilities on the basis of a competitive-bid contract won last July for emergency work related to natural disasters.

KBR was awarded a no-bid, five-year government contract to restore oilfields in Iraq shortly before the US invaded the country in March 2003. Strong evidence exists, including White House emails, that Dick Cheney was directly involved in selecting the Halliburton subsidiary for the contract. Halliburton has reported being paid \$10.7 billion for Iraq-related work during 2003 and 2004.

FEMA also suspended normal bidding rules in awarding contacts to The Shaw Group and CH2M Hill—a multinational engineering, construction and telecommunications company—to provide immediate housing in the disaster area. Bechtel Corporation, a private company with close ties to the Bush administration, is doing similar work under a longstanding FEMA contract. In April 2003, Bechtel was awarded a \$680 million contract by the US Agency for International Development, for work to rehabilitate Iraq's power, water and sewage systems destroyed in the US bombing campaign.

Two high-priced private consultants are playing a key role in steering corporations towards the windfall profits potentially to be made off the Katrina tragedy. One is Joe M. Allbaugh, close personal friend of the president, Bush's 2000 campaign manager and FEMA director from 2001 to 2003. The other is James Lee Witt, an Arkansas crony of Bill Clinton and a former FEMA director. Their businesses

offer services to companies seeking or holding federal contracts in the hurricane relief operation.

Witt's clients include Nextel Communications, telecommunications equipment company Harris Corporation, and Whelan Engineering, a manufacturer of warning systems, who all stand to profit in the reconstruction of the hurricane-ravaged areas. Witt's employees include Wesley Clark, former NATO commander and Democratic Party presidential candidate.

Two of Joe Allbaugh's top clients are Kellogg Brown & Root and The Shaw Group, both of which are already profiting handsomely from reconstruction contracts. In the immediate aftermath of Katrina, Shaw invited Allbaugh to Louisiana where he advised company executives on how to match Shaw's capabilities to the relief effort.

Allbaugh suggested another client, UltraStrip Systems, Inc., send its representatives to Louisiana where it could market its water-filtration products. He claims not to have been paid for his hurricane consultation services.

As destitute hurricane survivors—having lost everything, including in many cases loved ones—are herded into evacuation centers that resemble detention camps, the Bush administration is proclaiming wage cuts and corporate America is calculating the immense sums to be made on the backs of their suffering.

The incestuous relations between government and big business—including both Democratic and Republican figures of past and present administrations—laid bare by the gold rush in the beginning days of the Katrina disaster reconstruction are a chilling manifestation of the ruthlessness of the profit system and its political representatives. The White House, Congress, lobbyists and CEOs of the biggest corporations are all participants in this filthy display.

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