



Citizens for 1 Greater New Orleans

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USA Today

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Reconstruction also focuses on image

By Leslie Cauley, USA TODAY

NEW ORLEANS — Hurricane Katrina left New Orleans in shambles. But the storm also gave the business community something that didn't seem possible just six months ago: a clear shot at a new beginning.

Heavy flooding on Aug. 30 devastated the New Orleans area after Hurricane Katrina.
By Vincent Laforet, pool

Business and community leaders plan to use the reconstruction effort to address a host of systemic problems, including racism, inferior schools, high crime and unemployment. (Story: For a small state, Louisiana has a lot of crooks)

They also hope to tackle a problem as old as New Orleans itself: corruption. It's a major deterrent to outside investors, who have long been repulsed by the city's grease-the-palms style.

Locals readily acknowledge that the Big Easy is not the easiest place to do business. The city's quagmire of rules is dense, multilayered and famously difficult to decipher. Corruption — in government, business, even the school system — is as much a part of the city's identity as crawfish and Mardi Gras.

To get along, businesses learned to go along. They doled out kickbacks, heaped favors on politicians and bent the rules beyond the breaking point. In doing so, they helped to create New Orleans' reputation as a slippery place to operate.

Few know that subject better than Jim Letten, the U.S. Attorney for the Eastern District of Louisiana, which includes Greater New Orleans.

In fiscal 2004, Letten's office won indictments of 44 people, many of them public officials, for a grab bag of felonies: fraud, extortion, bribery and more. That's double the previous year's total, he says. Among the 22 local officials charged were police officers, state judges and U.S. postal workers.

Over the past five years, more than 50 local law enforcement officials have been convicted, Letten says. Twenty-five individuals associated with the local school system — administrators, teachers, even teacher's assistants — have also been indicted

Letten credits his success, in part, to the increasing willingness of locals to cooperate with law enforcement agencies. He sees the attitude shift, which began before Katrina, as a hopeful sign.

Still, the crush of convictions is burnishing Louisiana's reputation as a place where local, state and federal laws are as disposable as Kleenex. Pile on Louisiana's cavalier attitude about corruption, and the result is a "Banana Republic without the bananas," says Fred Smith, a native Louisianan who is president of the Competitive Enterprise Institute in Washington, D.C.

James Bernazzani, the FBI's special agent in charge of Greater Louisiana, says the city's tough reputation is well deserved.

"Public corruption is real in New Orleans, and it is going to take the cooperation of the community to tackle it," he says.

Bernazzani says corruption is a major contributor to the city's other shameful legacy: violent crime.

In 2004, he says, New York City recorded seven murders for every 100,000 residents. New Orleans reported 59, giving it one of the USA's highest per-capita murder rates.

The city's propensity to go easy on criminals is another factor. In the 12 months ended September, just 7% of those arrested in New Orleans went to jail. During the same

period, the incarceration rate for federal crimes prosecuted by Letten's office was more than 95%.

The state's low incarceration rate is owing to many things. Among them: sloppy police work, the failure of local offices to follow up on investigative leads and the tendency of local courts to grant bail to those accused of violent crimes.

For all those reasons, locals are notoriously skittish about cooperating with law enforcement agencies. Why? Because they fear retribution — in the form of "revenge killings" — out on the streets later, Bernazzani says.

The ugly cycle — graft, corruption and a broken judicial system — has had a profound impact on the business community: "Businesses no longer want to relocate to New Orleans because they're sick and tired of the bribes and the kickbacks," Bernazzani says.

'Right kind of environment'

With billions in federal aid flowing into the region, the FBI expects the number of corruption cases to skyrocket. Bernazzani says he recently asked for additional field investigators to help handle the extra load. He declines to say how many.

The New Orleans Business Council, a 30-year-old group that represents some of the region's most influential businesses, is acutely aware of the cost of the city's oily reputation.

"No business is going to come here unless we create the right kind of environment," says Jay Lapeyre, chairman of the business council and president of Laitram, a major maker of shrimp-peeling equipment.

Lapeyre says his group hopes to use the reconstruction to create a corruption-free environment for business. The cooperation of the business community will be essential. Before Katrina, he says, businesses weren't shy about cutting their own deals with state and local offices. Post-Katrina, he says, the temperament is different.

"Now, the attitude is you have to do what's good for this city and not just what's good for my business or deal," Lapeyre says.

The FBI's experience bears that out. Since Katrina, Bernazzani says, the FBI's corruption hotline (800-CALL-FBI or 800-225-5324) has been deluged with thousands of tips. Many leads, he says, come from the business community.

Wiping out corruption depends to some extent on getting state officials to acknowledge that a problem exists.

Perception vs. reality?

In an interview with USA TODAY, Don Pierson, assistant secretary of the state's Economic Development Office, insisted that corruption isn't an issue in Louisiana — and hasn't been for more than 10 years. "We have heard, and I am aware of the perception, that corruption is part of Louisiana's fabric of history," he says. "But I don't buy it."

He also disagrees that companies avoid the state because of concerns over corruption. Before Katrina, he says, his office recruited more than \$3 billion of investment to the state. "We've not found that to be the case at all," he says flatly. "In my day-to-day experiences, (corruption) is just not an issue."

His boss, Louisiana Gov. Kathleen Blanco, disagrees. "We have a horrible image because of political corruption," says Denise Bottcher, Blanco's spokeswoman. "There is no doubt that Louisiana is going to have to earn the trust and confidence of this nation."

Blanco has been vocal about trying to stamp out corruption. But local business leaders say she needs to do more.

In November, the New Orleans Business Council sent Blanco a letter imploring her to "declare an all-out war against corruption, the appearance of corruption and patronage politics throughout the state. ... To restore public trust, we must create government that is honest, competent, transparent and accountable."

The letter, signed by 36 members, asked Blanco to replace the entire membership of the Orleans Parish Board, which oversees the city's devastated levee system. The levee board, which has been criticized for mismanagement before and after the storm, is under investigation by the FBI and U.S. attorney general's office.

Blanco's spokeswoman, Denise Bottcher, says the governor recently fired the board's president. But she spared the others, Bottcher says, because they are "new."

Concern about the levee board is nothing compared with the rising concern about the levees themselves. The levee system broke down during Katrina, causing catastrophic flooding. Businesses and residents are wary about returning and rebuilding until the levees are rebuilt to withstand another powerful storm like Katrina.

Citizens for 1 Greater New Orleans, a local grass-roots group, is also campaigning for levee reform.

Following the council's lead, the group has circulated a petition calling for consolidation and reform of the levee district for Greater New Orleans. It has so far collected about more than 52,000 signatures. The city has only 150,000 to 200,000 residents now.

Ruthie Frierson, the group's founder, says the big turnout is reflective of the city's growing frustration with the government's response to the Katrina crisis.

"We've gone from mourning to outrage," says Frierson. "Many lost lives, jobs, homes and possessions, and they are enraged that Louisiana's politicians are still playing games with their lives."

Concern No. 1, she says, is the levee system. "People are focused on and demanding safety from future flood destruction," she says.

Fresh start

Uncertainty about the future has left many unsure about the prospect of rebuilding in New Orleans. More than 40% of local businesses didn't reopen after the storm.

To shore up the tax base — used to pay for streets, libraries, firefighters' salaries and other infrastructure-related costs — the city needs healthy, revenue-producing businesses.

Before that can happen, New Orleans will have to convince people that the city is a good place to work and live, says Richard "Dickie" Brennan Jr., a namesake of the Brennan restaurant family.

"This catastrophe gives us the opportunity to come up with a new (business) structure that will allow us to compete with other regions," Brennan says. "That opportunity is here now. But it won't be here 10 years from now."

Smith, the think-tank executive, shares that belief. "Right now, Louisiana has the best chance it's ever had in history to rethink its past to ensure that it has a future," he says. "They shouldn't neglect that."

The local government has made much ado about the French Quarter, one of the city's main tourist draws, being up and running.

Locals roll their eyes at that: The Quarter, charming as it is, has never been the heartbeat of New Orleans, they say. That honor belongs to the eclectic collection of people and small businesses that called the city home.

"What makes the Quarter the Quarter are the crazy people who live there," says Cheron Brylski, who owns a small marketing firm.

Likewise, it was the people that made the Garden District, Bourbon Street and the city's once-teeming business district what they were. That's why it is so important for the rebuilding process to be tailored to fit the unique character and needs of New Orleans, Brylski says.

Letten, the U.S. Attorney, says time is critical. "New Orleans' survival depends on three things," he says. "Getting a handle on violent crime, building a viable public school system and eradicating the abject and debilitating corruption that has plagued New Orleans for so long."

Mason Granger, the president and general manager of WDSU Channel 6, the local NBC affiliate, seconds that notion.

"This is the moment," says Granger, a member of the Ne