

Statement of
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Starwood Hotels & Resorts Worldwide, Inc.,
before the
Committee on Homeland Security and Governmental Affairs
United States Senate
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“Hurricane Katrina: What Can Government Learn from the Private Sector’s
Response?”

Madame Chairman Collins and distinguished Members of the committee. I am Kevin T. Regan, Regional Vice President of Operations, Southeastern United States and Caribbean for Starwood Hotels & Resorts Worldwide, Inc., operators of more than 750 luxury hotels around the world. In New Orleans, Starwood operates three major hotels, the 1,110-room Sheraton Hotel New Orleans, the 423-room W New Orleans Hotel and the 98-room W French Quarter Hotel.

Thank you for allowing me the opportunity to participate in this hearing on behalf of Starwood Hotels and Resorts and discuss how our company successfully met the challenges faced from Hurricane Katrina. It is with great pride that we offer this information so that it may provide some insights that may be helpful to our government in managing future crises. Let me assure you that while we are proud of our accomplishments, we are also cognizant that the difficulties Starwood faced in New Orleans were of a much smaller scale than what the entire region faced in this horrific disaster. In our frame of reference, however, the challenges were incredibly huge.

The lessons we learned from Katrina are, quite frankly, not unlike those learned from past disasters. In our view, the keys to successfully managing a crisis are **planning, leadership, teamwork** and **communication**. Simple words, but not so simply accomplished.

After Katrina left the city devastated, we were the first hotels downtown with power. We were the first hotels downtown with trucked-in water. We were the first hotels with air conditioning. We were the first hotels with a restaurant back open. And, we were the first to reopen its bars.

While some of the other hotels may have closed and evacuated their employees for weeks, we were able to accomplish those things because we had a plan, because we had leadership, because we had coordinated teamwork and because we communicated.

Prior to 9-11 and subsequent terrorist activities around the globe, Starwood had in place numerous disparate emergency response plans to address such issues

as fires, earthquakes, hurricanes and other natural and non-natural disasters. These plans were in place as a reference for our corporate and property teams to facilitate the protection of our associates, guests and assets. Obviously, post September 11th, the rules changed and we had to increase our focus on non-natural disasters and plan even more for the unexpected. Development of the new global crisis management plan involved a core group of executives at Starwood corporate and our four worldwide divisions and timeshare group along with a consulting firms which coordinated the effort, including primarily The Alliant Group/Houston. Hotel general managers and safety and security directors and specialists participated throughout the process.

Starwood today has in place a comprehensive emergency and crisis management plan that structures preparedness and response at the Corporate, Division and Hotel levels, instills responsibilities and authority at each level, and, very importantly, provides for ongoing communications throughout the organization and the team directly involved in a crisis.

At the core of all of its plans are the mandates to always (1) do the right thing, and (2) assure the safety of guests and associates above all else.

Today, I would like to focus my comments on the specific plans that we followed during the Hurricane Katrina disaster that crippled New Orleans and the entire Gulf Coast. My comments will be based on direct knowledge of our hotels' situation and the key points in our processes that led us to the successful recovery we have experienced to date. These pillars include, but are not limited to, our communication plan, evacuation plans, recovery and organizational plans.

I spoke earlier of leadership being a key to successfully managing a crisis and it certainly was with Katrina. But leadership does not mean one individual. I am personally humbled by the praise, but I share it rightfully with many others at Starwood: Geoff Ballotti, president of the North America Division; Graeme Davis, Caribbean area managing director; Tom Schmidt, Texas area managing director; Dan King, general manager of the Sheraton New Orleans; Marcus Reinders, general manager of the W New Orleans; and Leon Young, general manager of the W French Quarter.

And, within each of the teams those individuals led are many other leaders and team members whose contributions are too numerous to list, but without which we would be talking today of failure instead of success, because in any crisis, the difference between success and failure is the quality of leadership. It is a dedicated team of knowledgeable people that can take the plan devised during calm and execute the elements of that plan during crisis, always adapting and changing elements as needed for the specific challenge.

A most critical element of successful leadership is empowering those leaders with the authority to act. We have all seen the disastrous results of handcuffing

leaders by mandating responsibility for results without the accompanying authority to act to accomplish those results. At Starwood, the crisis plan provides for decision making at different levels of the organization based on need and appropriateness. And, within the chain of command, authority is provided at the level closest to the crisis as possible with the other levels in the chain providing support.

For example, our team in New Orleans had full authority to order whatever equipment and services we felt necessary to deal with each need, including generators, water trucks, construction, security, cleanup crews and more. Decisions to provide free housing and food to all evacuated associates for a month at any Starwood hotel in the country were made at the corporate level because it impacted the organization more broadly. And, because of the impact, all levels jointly reached the decision to pay all New Orleans-based associates for the month of September regardless of where they were living after the storm. Those who could return to work in New Orleans to assist in the recovery were paid double.

Experience is a significant factor when you face a crisis and it is an unfortunate reality that we in the southeast U.S. had a lot of experience prior to Hurricane Katrina. Looking back only a year before, we had faced Hurricanes Bonnie, Charlie, Frances and, of course, Ivan the Terrible. We were still recovering from that onslaught when we began the 2005 hurricane season and were hit by Dennis and Emily. Then Katrina raked across the tip of Florida, damaging several of our hotels there before it continued its march toward the Louisiana and Mississippi coast. And, the season was certainly not over as we still had to deal with two more incredibly powerful hurricanes, Rita and Wilma, the latter of which significantly damaged Mexico's Yucatan Peninsula and Southern Florida and impacted our hotels in both markets.

Each of these storms was different with unique challenges but none like Katrina had to offer. Over these past few years we have utilized key lessons from each of these storms which helped us in the planning and recovery process for Hurricane Katrina. First and foremost we learned that you can never over communicate throughout the process. The communications plan we followed was pre, during and post-Katrina and to this day we continue to refine our key lessons from Katrina.

At the beginning of the storm season, we set up communications with all of our hotels in the region with a specific agenda of reviewing in detail the procedures and responsibilities that need to be followed during the season. Each hotel general manager has a hurricane checklist which gives them a handy reference to what the key roles are of each of the key personnel. Such communications assures an overall readiness as we begin the season, but there are specific steps that must be taken when the reality of a storm increases.

Once an area is under hurricane watch, our plan helps organize each hotel with the supplies they need to have on hand and the steps necessary to secure the safety of both our guests and associates, including communication with guests. Once a hurricane warning is issued we set up an emergency command center in each hotel that will give the convenient access to communications and we begin daily communications between our regional recovery team and the corporate leadership team and property teams and secure all needed assistance prior to the storm. At that point, our plan also directs our hotels to begin updated messages to our guests via phone or other avenues available and take such steps as filling all bathtubs with water and closing drapes to prevent broken glass flying through the air. We establish an associate hotline with daily or hourly updates as needed. We establish a final list of all guests and associates remaining on the property.

In the case of Katrina, on Friday we began a series of daily conference calls with the hotel managements in New Orleans, our regional recovery teams on standby and our appropriate corporate staff in White Plains, NY.

By the Friday before the storm, our three major hotels in New Orleans began all preparations according to the plan, which, for the Sheraton for example, included ensuring there was enough food and water for 1,000 guests through the predicted storm period and several days beyond. Emergency generators were checked along with supplies of diesel, oil and batteries. Personnel considered essential were notified to be on standby in case the storm did, in fact, come to New Orleans. Those preparations were actually considered precautionary because Katrina was predicted to go to the Florida panhandle. In fact, we kept the reservation systems open because we wanted to be prepared to take evacuees from Florida and Alabama.

By Saturday, all that had changed and forecasters were predicting it was headed for the city and that it could be a category 5. Unfortunately, by the time evacuation orders came, especially the mandatory evacuation order on Sunday, there was neither ample time nor resources to evacuate many of our guests. Our local teams worked diligently to find any available flights, rental cars or even chartered buses but by Saturday evening everything was sold out. As we understood, some of the airlines stopped all flights as early as noon on Saturday.

Once it was no longer possible to evacuate, our priority shifted to ensuring the safety of our guests, associates and their families within our facilities.

On Sunday, we transferred the guests from the W French Quarter to the W New Orleans, which had greater emergency resources. At the W French Quarter, we provided facilities to assist the 8th District police command, which turned out to be fortuitous in securing the property in the days to come. Essential personnel at the W and at the Sheraton, as well as some non-essential associates who did not have the means to evacuate themselves, came to the hotels along with their

immediate families in many cases. At the Sheraton, we had approximately 1,500 guests, associates and family members. At the W New Orleans, another 600. Those numbers grew somewhat in the hours before the storm hit on Monday morning as we took in people who had checked out of their original hotel only to discover they couldn't get out of town and needed a safe haven. Fortunately, I am pleased to say, none of our guests, associates or family members in the hotels suffered any injuries. Prior to the storm, we had moved all guests from guest rooms to protected ballrooms. At the Sheraton, it became a bit of a giant slumber party, with guests instructed to bring pillows, blankets and essentials including medicines, with them. Large screens were set up for movies for the children and news monitoring for adults. As the storm raged outside early Monday morning, the Sheraton was serving a hot breakfast despite having lost main power because the cooks had begun preparations at 3:00 a.m. in anticipation of having only emergency power a few hours later. A number of sick and infirm guests, some requiring breathing machines and feeding tubes, were provided for in another interior and protected meeting room with continuous staffing by our associates and emergency power provided for their care. Fortunately, our IT team managed to keep telephone and internet service intact and after the storm passed we were able to allow guests and associates to reach loved ones elsewhere to let them know they were safe.

While our hotel teams were taking care of details far more extensive than what I outlined here, our regional and corporate team had assembled the equipment, generators, power technicians, assessors and recovery teams and positioned them in strategic locations for ease of transportation once the storm had passed. We had tried to anticipate the needs prior to storm with dehumidifiers, diesel fuel, gasoline and replacement supplies of food and water all staged again in an area that we could bring in once we assessed the damage.

Not surprisingly, however, we had not anticipated the devastation to the infrastructure that the collapsed levees created. In most hurricanes, we anticipate more short-term loss of power and water, but the massive flooding of the city created substantially greater challenges than we had ever faced before.

We alerted our ground teams in Atlanta where we had moved our sales teams and White Plains regarding the need for temporary housing for our 850 associates and their families based on what we were hearing from our property teams and media reports about the extent of loss in the city. On Monday, even before the levee problem, we started the process of securing buses to evacuate our guests and had little or no luck as companies told us they were under contract.

After the levee collapse, on Tuesday rumors about a 15 to 20 foot wall of water coming up Canal Street where the Sheraton is situated created intense urgency to evacuate the remaining guests and associates. For any guests and associates who had cars, we arranged car pooling and caravanning with security

escorts to avoid car jacking and get them out of the city safely. At the W Hotel, our Director of Safety and Security found buses in Lafayette at 3:00 a.m. and it still took more than seven hours to get them to the hotel to get those guests out. Fortunately, he had also arranged for special security on the buses, which got them through the three security checkpoints that had been established on direct routes into New Orleans and to keep them from being commandeered. In addition to the guests and associates from the W Hotel, we ended up taking out many evacuees from the convention center and nearby areas who spotted the buses and came to us for help. At the Sheraton, we thought we had solved the bus problem by getting approval to take buses from a New Orleans tour operator and even had drivers ready, but by the time all arrangements had been made, the water was too deep to move them. That began another scramble to find buses, eventually arranging for 14 buses from two tour companies out of Baton Rouge, which could not come until Wednesday. By 6:00 p.m. Wednesday, all of our guests and most associates had been evacuated to Dallas. Neither the Sheraton nor the W Hotel at any time sent any guests to any New Orleans shelters or otherwise added to the burden of the city. In fact, we are proud of the support we provided to the city and federal agencies during that time.

As I stated earlier, the 8th District police were already housed in the W French Quarter as of Sunday. On Monday, the Sheraton provided facilities for the personnel from one of the area fire department station houses, which had been knocked out in the storm. And, on Tuesday, the 5th District police station was wiped out by flooding and that entire command moved into the Sheraton, approximately 150 officers. On Thursday, we were asked to house some 400 U.S. Immigration & Customs Enforcement agents, which we did although we were still operating only on emergency power and did not yet have elevator service. Most agents, therefore, camped in our public areas. And, I want to mention that we never sought nor received any compensation for housing all of those officers and agents, who were there for about two weeks after the storm until other quarters could be arranged.

Our corporate team arrived on Wednesday from Miami into Baton Rouge and we had two buses lined up to take us first to the Sheraton Baton Rouge where we met with the first round of guests and associates on Tuesday to explain what we were doing for them and where they were headed. In the mix, we had guests and associates alike and we transferred them to one of our hotels in Dallas. We departed the Sheraton Baton Rouge enroute to the city of New Orleans, a trip that normally would take 45 minutes that took us 4 ½ hours. We arrived in New Orleans and met immediately in the command center to get the latest update and determine priority needs and next steps. Our team arrived with satellite phones but they found limited use because the Sheraton had maintained telephone and internet service throughout. And cell service, although often spotty, was working, too. The command center at the Sheraton, which had been moved from the sixth floor during the storm to the first floor once we knew we were not going to be flooded, became the command center for all three of our hotels. Wednesday

night, news media trucks began to congregate on the median on Canal in front of the Sheraton because of the safety with the police presence housed with us and the limited lighting we offered. Otherwise, the city was pitch dark.

Our corporate team surveyed the situation and began the process of releasing the equipment we had staged, arranging for it to come to New Orleans. Fortunately, because we housed the 5th District police, our Director of Security, who is also a commissioned deputy sheriff, was able to arrange NOPD escorts to get supplies through the roadblocks for the next few days. During that time, we did have one diesel fuel truck commandeered by the military, but we feel very fortunate that that was all we lost.

Thursday, we inspected each of our properties and found that security was the biggest concern as the lawlessness was everywhere. A police official explained to us that the city was out of the control of the police and it was now unsafe anywhere night or day. We saw looters. We saw armed civilians and we heard of all the problems in the area. Out of concern for our remaining managers, I ordered the evacuation of all but five of the local management team. The W French Quarter was safe with the 8th District housed there but not the larger W New Orleans. As we pulled back from the W Hotel to the Sheraton, we saw looters break into the hotel behind us. As part of our daily conference call with corporate headquarters and regional staffs elsewhere, we determined the need for our own armed security. Blackwater security, well known for its work in Iraq, Afghanistan and such other assignments, were contracted and arrived late Friday night. Their presence allowed us to return to the W New Orleans and provided safety as we moved between our hotels.

Also, Thursday, our first big delivery arrived under escort, the dehumidification systems to start pumping cool dry air into our hotels to reduce the moisture content and stop the growth of mold and mildew. The Sheraton lobby gift shop was converted into a temporary medical infirmary for emergency service workers for the next several weeks.

Friday, we had our first deliveries of generators from California and we powered up the W French Quarter and lit up the New Orleans skyline with the first lights since the storm. Friday was also the day that we provided accommodations for the Department of Immigration and Customs Enforcement. We had heard that some military caravans were on their way into the city but we didn't see them until Saturday. We also provided space for the Salvation Army to set up in the Sheraton motor lobby drive to feed the law enforcement officers and other emergency service workers in the area and we provided rooms for the Salvation Army volunteers.

Saturday, we had our next shipment of generators arrive and by 3 a.m. Sunday morning we had power at the Sheraton on Canal Street. In the process of looking at the water system we realized that the city could be weeks away from

having it functioning again, so we contracted to have water brought in to fill our fire protection system, which was critical given the number of city and federal officers we were housing. We also had been dealing with another city problem. The sewage system had no where to go as the city had no power and no pumps. We contracted with a company to pump the sewage out to reduce the pressure and allow us to pump water in and we added a loop to pump the outgoing sewage into septic tanks. This allowed us to bring in the needed water to feed the fire protection system and allow us to circulate water through our cooling towers and condition the air to prevent mold growth, although it wasn't until the middle of the next week that we were able to restore city electrical power and run the air conditioning system throughout the hotel.

Sunday, we received the septic tanks and began the pumping process. We also received the last of our generators for the W New Orleans which we powered up by Sunday night. That night all three hotels' exterior signage was lit and it was a time of celebration for our teams as they were still the first visible on the skyline.

The following weeks were continuing challenges of beginning construction repairs, covering exposed windows, removing wet carpets and drywall and beginning the detailed recovery work that allowed us to be back and operating before virtually all other hotels in the Central Business District. We took in our first paying guests at the Sheraton on September 12th, two weeks to the day after Katrina struck.

To get the hotels operating again, a significant issue that we had to face was getting our associates back to New Orleans. As a hotel company we had a significant advantage over other businesses in that we could provide a place for our employees to live, something that wasn't available to others, which is a significant reason so many businesses are not operating in New Orleans today. As I stated earlier, our company made the decision at the outset to provide housing and food at any Starwood Hotel for our displaced associates and to pay them through September. For those who could return to New Orleans and return to work, they would be paid double during that period and continue today at a nice pay premium.

As all our efforts were underway in New Orleans to manage the physical recovery at our hotels, our company was also managing the most critical needs of our associates. As everyone is well aware, Texas, in particular, took in hundreds of thousands of evacuees. So many of our own associates ended up there, either on the buses we provided after the storm or on their own ahead of the storm. I want to call attention to the efforts in particular of our team in Dallas under the leadership of Area Managing Director Tom Schmidt from Houston and Dallas' Westin Park Central General Manager Ray Hammer. In order to accommodate nearly 1,000 associates and family members – and more than a few neighbors who simply got on the buses headed that way – Starwood reopened the Sheraton Park Central hotel, which had just closed for remodeling.

Over the many weeks to come, that team provided for all the needs of those associates and families, holding clothing donation drives to replace all that was left behind, arranging for support from the Red Cross and FEMA, assisting the children getting enrolled in local schools and helping them find longer term housing in apartments and homes as it was clear they wouldn't be returning to New Orleans any time soon. The Texas team in Dallas, Houston, Austin and San Antonio worked tirelessly to serve not only the needs of its own displaced employees, but thousands of other evacuees whose lives were turned upside down.

I am also proud of the generosity of Starwood employees worldwide and our company. As part of the recovery process, Starwood held a phone-a-thon to allow employees to donate cash and vacation time to aid the employees from New Orleans. Our employees donated nearly \$750,000, which Starwood matched. That \$1.5 million was boosted by a week-long online public auction supported by Starwood and our partners that raised another \$550,000. One hundred percent of the money raised went directly to the fund to benefit the more than 800 affected associates at the three hotels and the franchise Four Points by Sheraton Airport.

In closing, the key lessons for our team were to have a plan and execute that plan well, which also means being flexible and creative, to expect the unexpected and rely on your people. And, most importantly communicate, communicate and communicate. Leadership is more than taking responsibility for your actions. It is making the decisions when they must be made and not waiting for someone else to act for you. It is having decision making authority at the level closest to the crisis and providing support for those decisions.

New Orleans is a great city with such a rich history. It is, in fact, my birthplace and its foundation is built on its people! The heart of this city isn't the Quarter or the Garden District. It's the people who live in, work in and love the city that makes its heart beat. I appreciate the opportunity to appear before this distinguished panel and I hope it will benefit the city I love and help solve future crises we may face in this great country.

Thank you very much.