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100 Years Later: State-of-the-Art Business Disaster Response and Recovery Plans

By *Jeff Tanenbaum*

The centennial of the tragic San Francisco earthquake and fire of April 1906 is a poignant reminder of the need to plan and prepare for the next “big one,” because we know it is question of *when and where*, not *if*. It may be another earthquake in the West, a tornado in the Midwest, a hurricane in the East, a flood in the Southeast, a terrorist attack, or pandemic flu. Or it may prove to be something never seen before, in a city that least expects it.

*“Like a dog shaking a rag doll, the most destructive earthquake in American history shook San Francisco at 5:12 a.m. on April 18, 1906. It ruptured gas lines and ignited dozens of fires, many of which soon merged into the disaster’s single largest blaze. Eyewitnesses estimated that this ‘fire fiend,’ as one observer called it, reached 20 stories high. Its temperature exceeded 2,000 degrees, hot enough to melt steel” — M. Castelman, *Smithsonian Magazine*, April 2006.*

We know so much more now, and our resources are far greater. The technology available to us far exceeds the wildest imaginations of science-fiction authors of 1906. And yet, in the most fundamental way, not much has changed. Hurricane Katrina has shown us that many businesses are simply not prepared. Indeed, many of the most stunning stories of the past year — the terrible losses from Katrina and Rita, the devastating earthquake in Pakistan, a brutal tidal wave in Southeast Asia, terrorist attacks, and the current concerns over a potential killer flu pandemic — all provide the same lessons.

In the days, weeks, and even months following a larger-scale disaster, individuals and businesses in the danger zone will be on their own. One hundred years after the San Francisco earthquake, we can only hope, but cannot expect, to receive timely and effective government assistance when tragedy strikes. And, when a government response does arrive, it will also first focus — as it should — on individual suffering. Businesses must expect that they will need to continue to fend for themselves and their employees. These lessons lead to the inescapable conclusion that previous thinking about business disaster response and recovery planning does not go nearly far enough. Every important element of such planning must now be reconsidered by a prudent business community. If we did not recognize it 100 years ago, we must surely recognize it now. The business community will likely be on its own



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for some time after a disaster, and a business that is not properly prepared may never recover.

“[M]ore than 25 percent of businesses that close after a disaster never re-open, and 40 percent go out of business within five years” — C. Rauber, SF Business Times, April 14-20, 2006, referencing data from Fireman’s Fund.

In most cases, businesses will need to be the first responders for their employees and any onsite customers, contractors, and vendors, and this first-response role may well need to transition to a continuing-response role.

Immediately after the 1906 earthquake hit, A.P. Giannini, the owner of a small bank in San Francisco, raced to his bank building in a horse-drawn wagon, retrieved gold and securities from his vault, and set up a desk on a wharf in town so he could make critically needed loans to other businesses and individuals. He also quickly began delivering lumber for the rebuilding effort. Giannini’s small bank beat the odds and he eventually built it into one of the world’s leading financial institutions, the Bank of America.

Few businesses are, however, fully prepared for such an event. And this is so in a post-Katrina era, when it is even more critical than ever for businesses to take a new and much more comprehensive approach to disaster response and recovery planning. The nature of the contingency plan needed will, of course, vary by type and size of business, as well as geography. However, each such plan should address a number of specific elements:

1. *Physical Structures.* Businesses are typically advised to ensure that all facilities comply with applicable building and fire codes. However, this may no longer be sufficient. An analysis may be necessary to determine if facilities have the ability to withstand any reasonably anticipated disaster for the area in question. In many cases, this will entail going beyond existing regulatory requirements.

2. *Evacuation Plans.* Employers typically develop evacuation plans that involve teaching the safest method of leaving a building, with reassembly at a nearby place after evacuation. Katrina suggests that employers can’t count on a government agency to evacuate employees beyond that designated assembly location. Employers may now want to plan for relocation of employees and their families to a safe location entirely outside of the affected area. Consideration will also need to be given to housing. A workforce will need to have a place to live.

“[More than a month after the 1906] disaster, some 40,000 ‘refugees’ were still living in tent camps. ... After Hurricane Isabel in 2003 ... [some] were still living in temporary trailers 18 months to 2 years after the disaster” — K. Stohr, Business Week Online, Sept. 12, 2005.

3. *Communication Plans.* It is, of course, critical to establish plans for communication with employees, vendors, customers, etc. Perhaps the most important lesson from Katrina is that an employer must engage in both worst-case and “needs first” planning — making sure that such communication plans (and other disaster-response plans) consider all

contingencies, but first address those who will likely need help the most. For a communication plan, this means that multiple methods of communication must be planned. A telephone tree can work well *if* telephone lines have not been damaged and if employees have telephones. In this day and age, when more and more employees only have cell phones, this problem is particularly acute. Employees should, at a minimum, be encouraged to have both land-based and wireless phone resources. Web-based communication will also be effective for many, *if* infrastructure is not impacted and employees have access to computers. However, low-tech solutions must also be considered. Newspaper ads and community postings may be necessary, and even in-person delivery of messages (as an example, taking a telephone tree and turning it into a personal message-delivery system).

4. *Temporary Command Post Facility.* A business may need to set up a temporary command post in an alternative facility outside the disaster zone. If so, decisions and arrangements need to be made in advance with regard to the location of this facility, equipment and supplies for it, and who will staff it.

5. *Workplace Security.* Katrina suggests that, in the days and weeks following a major disaster, law enforcement assistance may be greatly limited or even entirely unavailable. Thus, businesses need to consider whether additional or different security will be needed post-disaster. Private security services will likely be in greater demand, so it will be critical to arrange for such services in advance.

6. *Information Technology Issues.* Backup files obviously need to be kept — and recent disasters show us the great need to have such files outside of the disaster zone. New technology exists not only for disc backups, but even real-time backup. Businesses will also need to consider redundant backup systems at alternative sites.

7. *Financial Records.* The same issues addressed above, with regard to IT, need to be addressed for financial records. Where will backup documents be located? And in what form will they be kept? Digitizing of all critical documents will be very helpful, but backup files of any type will need to be kept at safe alternative locations.

8. *Paper Files.* Consideration needs to be given to digitizing and backup of any important files, as well as the security of such files. Something as simple as requiring paper files to be kept in secure, fireproof file cabinets can make a substantial difference.

9. *Alternative Work Locations and Availability of Replacement Equipment and Supplies.* Consideration needs to be given to whether alternative work locations should and can be established, and replacement plans should be made for all critical equipment and supplies.

10. *Employee Training.* In many places of employment, disaster preparedness training is limited to the occasional, and often disparaged, fire drill. Katrina demonstrates that employees not only need to be fully trained with regard to workplace security, evacuation plans, and communication plans, but they also need to be provided with information concerning disaster response and recovery for their families. The sobering aftermath of Katrina has shown that employees will not be able to rely on government assistance. It is

often said that employees are the most critical asset of any business. What, then, will businesses do to protect that asset in and after a disaster?

11. *Insurance.* Insurance programs should be reviewed to determine whether or not business-interruption insurance, flood, earthquake, even terrorist insurance is prudent.

12. *Vendor Contracts.* It is common for large businesses to require vendors to have certain safety, HR, and insurance programs. It is far less common to require those vendors to have specific business-interruption/disaster-response plans. In light of the scope of the disasters of 2005, it may now be only prudent to do so.

13. *Future Proofing Plans.* “I just couldn’t imagine that something so horrifying could happen here.” Recent hurricanes, floods, earthquakes, and terrorist attacks should tell us that the unexpected is expected. Specific disaster-response teams should be established to not only develop and monitor plans, but they should be meeting regularly to review new developments, discuss trends, and even offer predictions of future events. And, once the unexpected is identified, related modeling and drills should follow. We hold fire drills; what about a flu pandemic drill? Holding such drills will help identify training needs and plan shortcomings that can then be discussed and resolved in a timely way.

14. *What Community Response Will the Employer Make?* In addition to looking inward, businesses should look outward as well. Many businesses will be able to provide emergency response within the community. Part of an employer’s disaster-response plan should include an evaluation of what equipment, products, and services an employer can provide as a member of an affected community.

“During the first eight days after the quake, the Southern Pacific Railroad carried more than 300,000 refugees by train and ferry anywhere they wished to go free of charge. ... In Ogden, Utah, the town’s bakers sent all the bread they had” — D. Oliver, Charity done right –How San Francisco Recovered From the 1906 Earthquake and Fire, Gale Group Inc.

15. *Budgets.* Some of the suggestions mentioned in this article are low-cost extensions of existing plans. Others are much more far-reaching and costly. Needless to say, the budgeting process needs to begin now.

The majority of businesses have not yet fully addressed all 15 of these subjects and perhaps not all 15 will be needed for each workplace. However, considering these 15 will help any business answer this question: “100 years later: are we really prepared?”

If you would like further information concerning business disaster-response and recovery plans, or if you would like assistance with your disaster response planning, please contact your NP attorney or Jeff Tanenbaum at 415-984-8450 or jtandenbaum@nixonpeabody.com.

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