

*Opening Statement of Congressman Rick Renzi  
Legislative hearing on H.R. 3961  
March 30, 2006  
Committee on Resources  
Subcommittee on National Parks, Recreation and Public Lands*

Thank you Chairman Pearce for holding this hearing today. I appreciate your assistance in addressing the subcontracting issue at the Grand Canyon National Park.

My intension in introducing this legislation is to fix a problem that began nearly five years ago. Many small businesses across Arizona, Utah, and Washington have been devastated by the unfortunate contract mismanagement between the United States Park Service and Pacific General, Inc (PGI). Some of these businesses are bankrupt today because they did not receive money they are owed. My legislation authorizes the National Park Service to pay the unpaid subcontractors who have performed work at the Grand Canyon National Park. This legislation only addresses this situation in the Grand Canyon National Park that the Park paid to PGI for work performed by the subcontractors.

I am looking forward to hearing from Mr. Richardson and I thank him for assistance in bringing this matter to the attention to the rest of Congress. I am also looking forward to hearing from the rest of our witnesses and discussing potential solutions to this inequity facing small businesses across America

As you may know, between 2001 and 2003, the Grand Canyon National Park issued approximately 43 task orders to PGI, under an Indefinite Deliver/Indefinite Quantity contract. In total, the value of these task orders was more than \$17 million for several construction projects throughout the Park.

According to invoices sent to the Park, PGI certified that payments were being sent to subcontractors and suppliers. However, in January 2004, complaints were received by numerous subcontractors that they had not received payment from PGI. The National Park Service paid more than \$10 million to PGI. Of this amount, PGI did not pay \$1.3 million to subcontractors who performed the work at the Grand Canyon National Park.

The Washington Contracting and Procurement Office of the National Park Service performed an acquisition management review. In this review, the National Park Service discovered that the Park had failed to ensure that PGI obtained the necessary payment and performance bonds required by the National Park Service under the Miller Act (40 U.S.C. 270a).

On February 6, 2004, the National Park Service suspended further payment to PGI and issued a suspension notice to cease activity by the contractor. PGI has ceased business and it is unlikely that the Federal Government will recover the \$1.3 million issued to PGI.

Unfortunately the subcontractors are still owed for the work they performed. The subcontractors who were not paid by PGI fall into two categories. The first category consists of those subcontractors that performed work on various projects where the National Park Service had already paid PGI for the work. The second category of subcontractor is composed of subcontractors who performed work on various projects where the National Park Service had not paid PGI for the work.

The National Park Service has been unable to pay the first category of subcontractors who performed work in the Grand Canyon National Park because Federal law prohibits payment directly to subcontractors due to the lack of a direct, contractual relationship between the parties.

I hope that this hearing will be the first step toward fixing a grave inequity facing mainly small businesses who have been hurt economically because of PGI's actions. I am committed to getting the subcontractors the money they deserve and my legislation would do just that.

However, I am not opposed to discussing other solutions to this unfortunate problem. We must work together to ensure that our subcontractors are paid what they are owed and we also must determine a strategy to solve this problem so we can assure our subcontractors that a similar situation will not happen again.

Again, I thank Chairman Pearce for holding this hearing today and bringing this matter to the attention of Congress.

