

Transcript

Iraq Reconstruction Seminar

Friday May 23, 2003

Seminar hosted by

Trade Partners UK, and the U.S. Embassy in London

Please note that the Seminar was conducted in two sessions. General comments made by presenters were the same in both sessions, so they are only written once. However, questions and answers for both sessions have been transcribed.

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INTRODUCTION

Frank Mermoud, Special Representative for Commercial and Business Affairs, Department of State

Good afternoon. I am Frank Mermoud, the State Department's Special Representative for Commercial and Business Affairs, and it is a pleasure to welcome you to this United States Government and Department of Trade and Industry briefing on Iraq Reconstruction Contracts.

As President Bush has repeatedly said - and as he reaffirmed in his meeting with Prime Minister Blair - the United States intends to stay the course in Iraq and help the people of Iraq rebuild their country in the aftermath of war.

With the President's official announcement on May 1 that combat operations in Iraq had ended, the U.S. Government's reconstruction phase began. As a result of Congressional action on the Iraq Wartime Supplemental Request, \$2.4 billion has been committed to the relief and reconstruction for the people of Iraq. These funds will be U.S.ed to provide food, water, medicine, and clothing to the people of Iraq. They will also be U.S.ed to repair damaged infrastructure, restore important government services, and keep schools open.

We are quickly providing needed services through contracts. The work done to restore Um Qasr port, including paying local staff, hiring and importing needed equipment, is just one example. AID and DOD will speak in more detail to this and their other activities in support of Iraqi reconstruction.

We are intent on ensuring that the contracts to undertake these activities will go to qualified companies and that the end result will contribute to Iraq's economic development and allow Iraq to participate meaningfully in the international economic community. Iraqi and international participation will be vital to a successful, post-Saddam reconstruction effort.

We know of your great interest in how you, the companies, might assist in the reconstruction of Iraq. Today's briefing is part of a process to try to inform you about the contracting process.

In order to facilitate such participation we have invited representatives from the Department of Commerce, the United States Agency for International Development (USAID), and the Department of Defense (DOD), to talk with you about Iraq Reconstruction activities and contracts.

WELCOME REMARKS

Bill Henderson, Director, Middle East & Africa, Trade Partners U.K.:

Ladies and gentlemen, on behalf of trade partners UK and the British government I'd like to welcome you to our seminar this afternoon to discuss the important issue of reconstruction in Iraq. I'd also like to welcome our American colleagues who are co-hosting this event with U.S.. We are very grateful to them and to the representatives of Bechtel and Abt Associates, for their presence here today.

It's also very good to see reps from so many of our coalition partners. I know from my own experience that companies from many countries around the world have something to offer this reconstruction process. Not just UK and U.S. companies, but companies from a wide range of countries, and I am very glad to see you represented here today.

The aim of this afternoon's event is three fold. Firstly, for our American colleagues to explain the process for awarding U.S. funded contracts. Secondly, for some of the U.S. companies who have been awarded contracts to explain how they will go about the process of selecting sub-contractors. And, thirdly, we shall try to answer your questions.

In many ways this is a unique event. It brings together senior U.S. government reps involved in the redevelopment issues. It brings also U.S. companies who have been appointed prime contractors for the USAID contracts and brings also business people and reps from other countries, particularly our coalition partners and it's the only such event being held in Europe.

Yesterday's passing of UN Resolution 1483 is a very important step for the future of Iraq and for this process. This resolution lifts sanctions and ensures that the UN and the international financial institutions will play a vital role in the future redevelopment process in Iraq. All of this will help our companies to play their part. As I said earlier, many companies, not just from U.S. and the UK, but from many other countries, have a great deal to contribute to this development process for the development of the Iraqi people. I hope you will find this afternoon's seminar helpful in explaining how you can access the opportunities on offer.

Joyce Rabens, Minister Counselor for Economic Affairs, U.S. Embassy London:

I will be very brief since I know you are all eager to get onto the real meat of this meeting and I am delighted to see that so many of you have come. U.S.ually, when I tell American businessmen that I meet that I am from the government and I am here to help I get a big laugh out of them, but I see that you are much more respectful than that. I would like to join Frank and Trade Partners UK on welcoming you to this Iraq Reconstruction Conference and today we hope to provide some U.S.eful information on U.S. government contracts for the redevelopment of Iraq. We also hope to give companies and government reps a chance to ask questions, both of our government experts and of some of the prime contractors who are here today, and to network with each other. This conference is part of an ongoing effort by the U.S. Government to provide details about sub contracting opportunities and information about the U.S. Government contracting process, which I know is complicated and mysterioU.S. to many, including to many of U.S..

My Ambassador, Will Farish, wished he could be here today to welcome you, but he had a long-standing commitment that he could not change, and so he has sent a short message to this conference and I would like to read it to you.

He said, "We're delighted to co-host this conference on Iraqi reconstruction. This is one of the most important issues on the international agenda today. We hope these meetings will serve to inform interested companies about how they can participate in this process. Our UK partners and we are committed to keeping this process transparent."

I want to thank DTI for providing this lovely venue and Trade Partners UK for co-hosting the event. I hope you find it U.S.eful and I encourage you all to ask a lot of questions.

BRIEFING ON THE CURRENT SITUATION IN IRAQ

Graham Rowcroft, Trade Partners UK official seconded to the Office of Reconstruction and Humanitarian Assistance

Good afternoon everyone. I am currently based in the Office of Reconstruction and Humanitarian Assistance (ORHA) out in Baghdad. My role here is really just to provide the background, if you like, a view from the place about what exactly is going on out there at the moment, indeed, how things started to happen.

I've pulled a few notes into the folder and you can read up on some of the detail of this, but perhaps to speak more generally, the three pillars in the ORHA organization cover reconstruction, humanitarian assistance, and civil administration. That meant that there were already interests established within the ORHA organization about how basically you were going to turn around Iraq from an absolutely, tightly-integrated country into an open economy, with a completely different social outlook.

Basically, on arrival in Baghdad, the necessity was to start contacting the people in the ministries to find out exactly what was going on; how these ministries were put together and what they intended to do or what they were doing. The only way that you could really do that was to actually go and find where the building was and maybe it was just a pile of rubble. And they would have to ask about anyone who might have been near by, whether they knew who was in it and who worked there. And slowly, you would actually work round and find people who were representative of the various U.S. ministries.

The next phase was to start drawing them in for discussion. The way in which discussion is carried out, there's about 1000 of U.S. now in this rather bleak but ornate palace, the one which is near the military grounds if you are familiar with Baghdad at all. Within that there is a convention center, which is within a perimeter. One would simply invite people to come into that convention center to simply start talking about what was going on.

So, early things that we were trying to establish: Who was in the department what was the payroll? What sort of budget was there last year? What was the real existence of this ministry? These are quite difficult discussions under those circumstances, even more difficult when some of the people that you would deal with would certainly be Bath Party people, possibly who you knew were going to be removed. In fact the new head of ORHA has been quite firm about removing the top layers of the Bath Party. So the people who you talk to, some of these start to change.

Some of the main areas of urgency have been in fact the humanitarian areas. For example, the Ministry for Trade, instead of having the normal functions that you would imagine for the Ministry for Trade, were actually responsible for distribution of food. That was probably one of the few things in Iraq that did actually work after a fashion. The other areas such as purchase of grain, for example, all very important aspects that had to be cleared through humanitarian channels. That whole process has been occupying a lot of time.

The office really works with very little communication. If you can imagine, there's obviously no cell phones, you can't just ring somebody up and get them. We do have phones going outwards. These are satellite phones. We do now have e-mail, which is just being set-up on a more firm basis on a military system. But we're all really sort of hot desking around picking up terminals wherever we can. So if we're bit difficult to get in touch with at times...

The reconstruction process - obviously people are concerned the potential opportunities. Much of the formal process hasn't yet really started. What you are seeing at the moment is a lot of work being done through the military and the Army Corps of Engineers, and also through the contractors that are already in place such as Kellogg, Brown and Root and Bechtel. But those formal bidding procedures as Bechtel will say later are really just starting up. The process of looking at what really needs to be done, that also went

through a number of phases, you get the military view of what needs to be done, then the civil affairs troops people who back up the main U.S. forces in looking at what needs there are.

There are also the Disaster Assistance Recovery Teams, who will seek to put in more detail about what efforts need to be done to restore power and to restore water. Further assessment goes through as the contractors are able to start looking at the various sites. So, we are seeing in terms of power and water for example there is an awful lot of power that has been restored to former level, but one of the problems is that the linkage of the power, the 400kv system is faulty and you can't actually move the power around. Baghdad always imported power, either from the south or the north. Obtaining equipment and procurement activities so far have been much more on a localized basis, or drawing from equipment which was already in the field. We are now moving to the more formal bidding process were Bechtel in particular will be looking to U.S.e their normal procurement procedures.

But also, of course, although there has been a lot of infrastructure reconstruction, the other contracts - health, education, local governance - are obviously going to be very much part of the process. As it stands, getting into Iraq is not that easy, and of course not that safe, the main constraint on activities within ORHA is, without a doubt, security. Getting to see other installations, other parts of the country is difficult because of the need to take some sort of military support with you. And that really prevents a lot of the work going on that, it slows down all of the work that could be taken on at the moment. So, security is a big issue, and of course, nobody's yet advised to go to Iraq, you really have to have a very good reason. If you go in, some contractors are doing this, you can take security with you, and make your way, if you've got particular business to carry out. It's certainly a good idea to get briefed on the local, current conditions through the Humanitarian Operations centers. There is one in Kuwait, which acts as a coordinating point for the effort, from the NGOs (non-governmental organizations, there are other organizations) providing the humanitarian aid.

The convention center in Baghdad has just been opened as a Humanitarian Operations center itself. When I get back later next week, that will be something of interest, I'll see who is turning up and what sort of information they're able get at the center. As I say the formal process of bidding is really just getting underway, as others will repeatedly tell you, researching the websites is absolutely essential to detect what's going on. Look at the USAID website, the Department of Commerce website, and Bechtel website and other contractor websites, just to detect exactly how the work is going on.

The way in which we are now talking to ministries, is, I say, there is a requirement to start developing some idea of how the budgets would work, but also one can see that there will be huge structural change, for example in the Ministry of Trade, the Ministry of Industry and Minerals, were in fact to run state companies. There are about fifty state companies in the Ministry of Industry and Minerals and about seven companies in the Ministry for Trade who were involved in distributing food and other commodities on a subsidized basis. One can see that there will be huge change necessary in that type of ministry.

I heard on the radio this morning that the Ministry of Defense for example has just been abolished. In fact there was a Ministry of Defense and also a Ministry of Defense Industries. There were a whole load of industries, I think about 150 Ministry of Defense industries. These are not being dealt with at the moment, as far as I am aware of at all. Probably no intention to for the immediate future. I guess the emergency needs, certainly to establish security for the people of Iraq and any equipment and facilities that are there. And that's one of the problems with the current reconstruction and rehabilitation efforts. You repair something once, somebody else steals it or damages it. Until we get security and the equipping of local civilian forces to do that's going to be very difficult.

A lot of emphasis on the food distribution side that has to be done, payments to staff, again that's the importance for having knowledge about the payrolls. Water, power, sanitation, these are coming back, in some areas such as Basra, the water was never fresh anyway, it was always brackish. And generally there is the view that the economy should be kick started, absolutely as quickly as possible, as much cash flow as possible, with the UN announcement that's clearly one of the major steps that's going to be achievable. The integrated nature of the Iraqi economy and businesses can't be over-emphasized, you can't play around

with one bit without affecting another. It's going to be quite a radical task for any administration that is set up. Look forward to that time.

BRIEFINGS FROM U.S. GOVERNMENT OFFICIALS

Frank Mermoud:

Thank you, Graham, for that very realistic briefing and assessment of the current situation in Iraq. All of U.S. here on the panel would like to make it clear that we are looking at very immediate and very near term contracting opportunities today. Obviously, we will be considering with the longer term as our respective governments are concerned with the engagement of the Iraqi people and the Iraqi interim authority, once that has been established. But we are talking about very near term contracting opportunities.

Just the fact that everyone who is attending today is hearing all of this, does not mean that there will be contracts or subcontracts awarded. I want to add a sense of realism today, there's not going to be sign-up sheets outside. We're here to pass on some information. We're also very intent to ensure that these contracts that are awarded and undertaken go to qualified companies and that the end result will contribute to Iraq's economic development, and will allow Iraq to participate meaningfully in the international economic community. Iraqi and international participation will be vital to the successful post-Saddam reconstruction effort. We know very well of all of your great interest. We have met with many of your host countries in Washington or here in London about your companies in Iraq. That's why we took the decision to hold this in Europe and we certainly welcome you to that.

Jay Brandes, Director, Iraq Reconstruction Task Force, Department of Commerce

As Frank has mentioned, I am the Director of the Department of Commerce's Iraq Reconstruction Task Force and just so you know I also am the Director of the Department's efforts on Afghanistan as well. My thanks to the U.S. Embassy here in London and the UK Department of Trade and Industry for inviting me to speak to this coalition of companies eager to participate in the reconstruction of Iraq. We certainly appreciate the support our coalition partners provided on behalf of Iraq's liberation. Of course the United Kingdom is our most steadfast ally, and it's gratifying to see so many of our coalition partners and British companies that visited U.S. today.

The U.S. Secretary of Commerce, Donald Evans, formed the taskforce at the Commerce Department to serve as a clearing house of information for companies and to assist them in how to participate in the economic rebuilding. We effectively serve as a one-stop shop for companies looking for information and counseling on Iraq reconstruction efforts. Secretary Evans believes that businesses accustomed to an environment of opportunity and fairness are our best ambassadors for democracy and freedom. And that is very much what we want reconstruction to achieve. A lasting democracy, democratic society in Iraq where the entrepreneurial spirit of its citizens can draw from Iraq's wealth natural resources.

But it's just not the U.S. Government and American companies that will make this happen. We recognize that our coalition partners have key roles play and we welcome their participation. So, while the U.S. Government is tendering contracts to American companies, we have already seen sub-contracts given to British companies based on the expertise that they bring to the table. For example, Bechtel has awarded some contracts to UK companies like Olive Security and Armour Group Land Mines for unexploded ordnance. That is why I and my U.S. government colleagues are here at this seminar to assure that all interested parties American, British and other coalition partners know where to find and have access to the information that will enable them to better understand the opportunities in reconstruction Iraq.

To that end we have launched a website. It's www.export.gov/iraq. That provides you, the business community, with the most up to date information on perspective opportunities and commercial conditions in Iraq. It also has links to all of the other U.S. government agencies that are involved in the reconstruction efforts. We also have on our website a business guide that provides valuable information of the key industry sectors, the current reconstruction efforts, the potential obstacles for doing business in Iraq and much more.

As we all know the principal agencies that are awarding contracts are the U.S. Agency for International Development and the Department of Defense and you'll hear a little bit more about what they are providing in just a few minutes. Between them they will provide more than \$2 billion for reconstruction, either as a contract, or as grants. Those companies that have been awarded the contracts will make the decision on sub-contractors. I understand that some of the prime contractors are in attendance today and they will be speaking with you later on after we finish our presentations. I suggest you take full advantage of today's event and the reception at the U.S. Embassy this evening to meet with the companies and to learn more about their needs and their selection process. You are also of course welcome to find me there if there is any additional assistance or information that I can provide.

In regard to the industry sectors in Iraq which we believe need immediate attention, I would list, but in no particular order: the energy sector, the power sector, water, transportation, airports, seaports - many of the sectors that Bechtel will cover in their capital construction program. I think it's only fair to point out there are still some obstacles for doing business in Iraq, not the least of which are security concerns, transportation in and around the country and a stable and reliable regulatory environment.

Having said that, yesterday's new UN resolution on Iraq, granting wide interim governing powers to the United States and its coalition partners, including a role for a UN rep working with the provisional authority, is good news. The resolution, co-sponsored by the United States, the United Kingdom and Spain, lifts sanctions imposed on Iraq for almost 13 years after it's invasion of Kuwait, allows for full resumption of oil sales, in order to restore economic activity for reconstruction and sets up a government infrastructure under the new U.S. controlled authority. UN general secretary Kofi Annan will shortly appoint that special rep. For our part President Bush has already suspended a number of sanctions to enable U.S. Government contracting and humanitarian assistance to move forward. In closing, I hope I've given you all a flavor of what the Commerce Department is doing and what opportunities are there for you to participate in the reconstruction of Iraq on behalf of its citizens. I look forward to meeting many of you this evening at the reception and to ultimately learn of the partnerships that result from today's event.

Frank Mermoud:

Now we move into our video conference portion of the briefing, so I am going stay seated rather than going back and forth to the podium. It'll make it a little easier on me and you as well. I think everyone knows how busy the U.S. government officials and some of the initial prime contractors have been in this time period. Unfortunately, a few of those U.S. government officials could not make it today but they have agreed to participate in today's very important seminar via video conference. And it looks as though they are all behind me here. In the center I'd like recognize Jim Kunder, who is the Deputy Assistant Administrator of the Asia and Near East Bureau for the Agency for International Development. And to the right here is Ann Quinlan, who's the Senior Procurement Director for the Agency for International Development and to left is Barbara Glotfelty with the Department of Defense. But first I'd like to call upon our colleagues from the Agency for International Development to give a briefing here.

Jim Kunder, Deputy Assistant Administrator, ANE, U.S. Agency for International Development:

First I would like to express from Washington as well the appreciation of the U.S. Government for all of the coalition support represented in the room. Also to say that many of your Embassies have been quite active and trade delegations have come from some of your countries to visit U.S. here and make us aware of the capabilities you have to bring to the reconstruction effort that is also very much appreciated and we know from our own experience there is considerable expertise and experience dealing in Iraq represented in the room there today.

Very briefly, let me give you a little history of the USAID program in Iraq, how we got to where we are today, what we are doing, and what some of the opportunities are for the future. For those of you not familiar with the U.S. Agency for International Development, it is the foreign aid arm of the U.S. Government. We do both humanitarian reconstruction and long term development work in more than 70 countries around the world.

When we were asked before the conflict to begin some planning for reconstruction effort in Iraq, we brought together experts who had been working in the country from the international organizations, from the UN system, from private business, from universities, to try to get a best sense of what the reconstruction needs would be after the military operation. Based on that information and based on our experience working in other post conflict environments like Somalia, Bosnia and Afghanistan, we decided that we would issue contracts in several major areas that would likely need reconstruction assistance in the immediate aftermath of military operation.

Because of the need to move very quickly and knowing that our normal procurement requirements take some time, we generally limited the competition for the initial contracts and Ann Quinlan can expand more on our selection when I am done, but we essentially put contracts out, we issued contracts in the following areas. I'll just go through the list briefly because I know this information is otherwise available to you, including from our USAID website. But the contracts that have been this far issued have been in the areas of port administration, airport administration, logistics support for our team out in Iraq, capital construction (that's the Bechtel contract), we also issued a contract to help restore and reconstruct the health center in Iraq, another contract to help reconstruct educational institutions in Iraq, a contract to help rebuild local government structures at the village and community level and also a substantial contract to personnel support, that is to say the broad array of technical experts that we need to assist in the reconstruction.

In addition to those contracts which we have already let we also did some grants to United Nations agencies that had previously been active in Iraq to help with the reconstruction efforts and we have given health and education contracts to UNICEF, the United Nations Children's Fund, also an education grant to UNESCO and a health grant to the World Health Organization, WHO, all of which we supplement U.S. in the reconstruction efforts in Iraq.

For each of those contracts there are subcontracting opportunities for the firms represented in the room. Under our procurement system, we as government officers do not direct the selection of subcontractors. That decision is made by the prime contractor as has been indicated. That's your best opportunity for the subcontracting work.

Now there are some additional contracts that we have already determined will be let, either grants or contracts. One of those will be in area of what we call economic governance, or financial sector support, and this would be an array of fiscal, monetary and regulatory interventions that would set the stage for the fiscal operation of the Iraqi government and also to set the stage for private sector investment in Iraq. The second broad area will be in the area of agricultural restoration in Iraq. A third will be in the area of helping to restore marsh lands that were environmentally degraded by the previous regime. We will also be doing, probably through a series of non-governmental organizations to do a series of what we are calling community action programs, that is to say small grants and projects across the countryside and we are also planning to do a series of university partnerships to link outside universities with the university system in Iraq, and finally, given the complexity of the reconstruction effort, we will let a contract for measurement and evaluation service, that is to help U.S. establish the metrics, the measurements, by which the reconstruction activities will be assessed and monitored.

Those are the activities that are in some stage of being put out to bid at this point. Beyond that I would say there is a third category and naturally as we get more people on the ground and as more areas of the country become accessible to our civilian teams we will be looking at other needs and other opportunities. I'm told that the World Bank, for example, is also considering sending assessment missions into Iraq. If last year's experience in Afghanistan is any guide we would expect that those assessment teams would also discover additional reconstruction needs and so I would encourage you to monitor the results of any such additional assessment teams that are going out to the region.

From here on out, I think the big variables are going to be how quickly the Security Council resolution that was approved yesterday will be implemented, how quickly we will stand up a follow on Oil for Food Program and naturally how quickly we will stand up an Iraqi interim authority that will begin to

make some procurement and purchasing decisions on its own. Those are the unknown variables at this point.

The original amount of money set aside for USAID reconstruction and humanitarian assistance activities in Iraq was about 1.5 billion dollars. That amount appropriated by our Congress, but I should tell you that these that are being let are contracts structured with task orders, that is to say the actual amount of the contract that will be awarded will be somewhere between zero and the ceiling amount and naturally how long the USAID program lasts in Iraq will depend a lot on these other variables, that is to say how quickly a transitional government is stood up and how quickly the Oil for Food Program follow up gets implemented and takes over some of the reconstruction activities.

That's a quick snapshot of where we are right now. In short, there are substantial opportunities for firms for subcontracting for some of these follow-on contracts that will be let directly by USAID and also for some of this additional activity that is likely to be done by the international financial institutions, the Iraqi interim authority or the follow on Oil for Food Program. With that I think I'll ask Ann Quinlan to elaborate and correct any errors I've made in the last couple of minutes.

Ann Quinlan, Chief, Europe, Eurasia and Regional Division, Office of Procurement, USAID:

I just thought quickly I'd mention the competitive process when we do award contracts at AID, and the first thing we do is we advertise the solicitation of the proposed work in two places. One, we advertise it in the federal business opportunities, and that's www.fedbusops.gov, and the other place we advertise it is on our own website www.usaid.gov/iraq. We normally give the offers about 4 weeks to respond with proposals, and they give us a technical proposal and a cost proposal. The technical proposal will consist of answers to the technical evaluation criteria that we have put into our solicitation and that's reviewed that's technically versed in whatever sector it is we need help in. And we also get a cost proposal, which gives us your estimate of what it would cost to do that particular work. A committee is formed to actually review the proposals and assess their technical quality and we have another team who is actually looking at the cost proposals and deciding if those proposals are realistic based upon the work it is that you all propose to do. And then at the end of that, the contracting officer looks at the technical scores and at the prices proposed, and decides which offer is giving us the best value for the money. And that's the offer we will award to. So that's it in a nutshell, again as Jim said the choice of subcontractor is left up to the prime contractor because they are going to be held responsible for the performance of work and how well they did so the subcontracting is within their own purview.

Barbara Glotfelty, Procurement Analyst, Office of the Undersecretary of Defense for Acquisition, Technology and Logistics:

The Department of Defense is engaged in the reconstruction in Iraq primarily in regard to the oil infrastructure. It was a CENTCOM and DOD mission to provide for the repair and continuity of operations of the oil infrastructure, and consequently contingency planning was done so that if there were indeed hostilities we would be prepared to do whatever was necessary so that that infrastructure could resume operations or continue to operate in the best way possible. The U.S. Army Corps of engineers is the executive agent for this Department of Defense mission. It is therefore the element within the Department of Defense that manages the contracts that are awarded for this work.

A little bit of background: the contingency planning that was done by Central Command, the Office of the Secretary of Defense, was supported by work done by the contractor Brown and Root Services, otherwise known as Kellogg, Brown and Root (or KBR). The involvement of this company was based on the fact that it had an existing Army contract called the Logistics Civil Augmentation Contract. That contract provides in part for the provision of planning support to combat commanders. In this case, the commander of Central Command had a need for this kind of contingency planning support. Consequently, a task order was issued under this log cap contract and the planning work by KBR was done.

The Log Cap contract itself is re-competed about every 5 years, and was most recently awarded after a competition in December of 2001. The task order that was within the scope of that contract was

issued in November of last year. Now this contingency planning had to address a full range of possible scenarios, from best case to worst case. Consequently when we were looking at what we would have to do if it became necessary to execute these plans we decided that the type of contractual arrangement we needed to put in place was as Jim described earlier. An indefinite delivery, and an indefinite quantity contract, or IDIQ Contract, that could have a broad scope of work to encompass all the different kinds of actions that might be necessary but would enable us to issue task orders, so that we would only order what was actually necessary. Consequently, when it became obvious that we did need to execute these plans and IDIQ contract with a broad scope was issued. The intent, however, is that we will only issue task orders for the work that has to be done in the near term and that be held and the contract awarded as a result of that competition will replace the contract that we currently have with KBR.

What took place was the planning was concluded in early February and it was immediately apparent that some pre-positioning activity was needed. Specifically, pre-positioning fire-fighting equipment, getting damage assessment teams staffed, and that sort of thing. We couldn't wait to commence those activities, so that contractor that had prepared the plans and was fully familiar with them was tasked with taking on these pre-positioning functions. Very quickly again there after it became necessary to actually get on the ground and do things. The contract that we are currently working under was awarded on the 8th of March, by the Corps of Engineers, and so far there have been five cash orders issued under it. The total as of the 6th of May was roughly 75 million dollars, and that is for the fire fighting that was done.

Damage assessment is still on going, response to oil spills at oil sites, the kind of emergency shut down work that needed to be done as soon as the teams were able to reach certain facilities. The provision of life support, to the contractor and government employees who were involved in this work and emergency repair that is taking place. There's also design work to precede that kind of repair and construction work. The other aspect of this contract that you should be aware of is it is a cost plus award fee type of contract, which means that for the work performed the contractor for the costs incurred and the fee is based on performance. The government is able to assess how well the contractor performed against pre-established criteria and then the amount of fee paid is based on the government's assessment of how the performance was.

The competition that I mentioned that will result in contracts that will replace this current KBR contract should be commencing in the near future. The acquisition-strategy that will lay out how that competition will be conducted is nearing completion and will be approved within the Army organization. It's important for you to do two things then in terms of business opportunities in this area. One is consult the point of contact at KBR who can discuss subcontracting opportunities with that company under the current contract. And the other is to monitor the federal business opportunities website that Ann mentioned earlier, because when the solicitation for these competitive proposals is issued it will be posted at that U.S. government website.

In terms of progress to date, the assessment of the condition of the oil facilities throughout Iraq, as of the 6th of May, was roughly 25% complete, with regards to the oil infrastructure in the south. Now that is considerable progress on one hand, and on the other hand that means there is still a lot of investment yet to be done. We really do not just how much work will be required to restore the infrastructure to the operating level that is needing to be at.

Finally with regard to the scope of work of this current contract and the contracts that will be awarded as a result of the competition, it has to be broad enough to capture all the sorts of things that may actually be required. The task orders would then be issued for requirements that become specifically defined in the future. One of the things, for example, that has needed to take place already is the importation and distribution of fuel products. This was something we knew was a potential need, but we had hoped it wouldn't be required. Unfortunately there have been severe shortages of things like propane or cooking and diesel fuel for generator, and consequently we had to engage KBR in providing assistance to the Iraqis in addressing these shortages. So the scope of work of the contract encompasses the broad range things that contingency planning indicated might be necessary.

Q&A Session 1

Q: We represent approximately 50 UK medical companies in Iraq. We've won about 65-70 contracts under the Oil for Food Program. I need to go back to these companies to summarize the situation as it stands at the moment. Generally speaking, if UK companies want to do business in Iraq, firstly, they've got to do it through the Prime U.S. contractors, and then business with U.S. companies is dependent on the British company complying fully with the prime contractors' requirements and conditions. Then receiving an invitation to bid the first place. Then bidding exactly to the U.S. specification, then using existing relationships if they do exist with U.S. companies. Does that summarize the current situation for British companies who wish to do business in Iraq?

A: We're representing the US government agencies that are doing some of the contracting. If you're asking what's required to do business under one of these contract mechanisms, for those that have not yet been bid, and which will be full and open competition, then a UK firm must meet the bidding requirements and simply bids on the contract. If you're asking about a subcontract opportunity, then you deal with the prime contractor for the awards already made, and work out normal business relations with that.

Broadly, what are the opportunities for British firms? All of us are operating in real time. The Security Council Resolution was just passed and now we are assuming that a couple of things are going to be happening: that at some point a transitional administration is going to be stood up in Iraq, and that that government will start becoming more engaged in procurement and contracting choices or decisions, and second, there is going to be some follow-on program to the Oil for Food Program, so what you just described to me, obviously you can characterize it anyway you'd like, but it sounds to me like you make it sound very constrained. I think the situation is that there are a) subcontracting opportunities for British firms, b) there are direct contracting opportunities within the US government, c) there will be contracting opportunities under the follow-on Oil For Food Program and then at some point obviously there is going to be an interim administration stood up and it's going to be making some procurement and contracting decisions as well, so that's how I would characterize it, as I see it from here.

Q: We did cover a point with you, and it follows on from what the last speaker has said. You get people like medical companies who want to work under the USAID programs, but there are an enormous number of private entrepreneurs, from all over the world, who will want to start working extremely quickly in Iraq. Now, we've seen the same sort of problem in Kosovo and Afghanistan. You quite rightly have identified this program of economic governance, fiscal, and monetary reform that's going to start. Inevitably that is going to take second place to getting the humanitarian situation sorted out, but even in that last week have had contact with quite a lot of people, people from the Arab states of the Gulf, who are looking to go in as private entrepreneurs into the country, and indeed only yesterday afternoon we had some 19 Singaporean companies, who are looking to do much the same if they can't get AID and IFI related work.

To come to my point we are going to have to wait a considerable length of time from the private sector before there is a legislative financial framework and indeed arbitration in place for private sector deals to go on Iraq which can be bat with confidence by insurance cover, etc, etc. Have you looked at all at parachuting into the country a system of, a legal framework, a financial framework, an arbitration, under which people can operate within the private sectors, working with Iraqis, working between different international countries, to try and get work started, because if I may, if we don't get something like this going very quickly indeed, we are delaying the start of the Iraqi private sector in getting itself up and running, and just relying on the IFI's and indeed the enormous amount of work you, DFID, etc. are doing.

A: First of all, I think the point you raised is critical, and I think it a very valuable contribution. I think that in recognition of the reality that you are pointing out. A) The essentiality of getting the private sector engaged in reconstruction as soon as possible and B) the need for the appropriate regulatory framework for that to happen. I think there has been an increased recognition by all of the development communities, multi-lateral and bi-lateral, DFID, USAID and others, of the need to move quickly on

these types of improvements of frameworks, and in fact, I think we're moving beyond the traditional notion that there's a sequence, a linear sequence, between the humanitarian operations and then follow-on reconstruction operations. Hence, in Afghanistan and Iraq, we've very early in the process, even while there are still basic food and health care and water needs being met, have started to look at the economic framework, fiscal-monetary framework, government regulatory framework that will allow private sector engagement, so I think actually there has been an advance in the conceptual thinking of all the international organizations, and hence you see that we are in the early list of contracts that we are putting out have economic governance on that list.

Having said that, and therefore agreeing with what you are saying about the need to have that on the books. We'll take under advisement the question of parachuting a system in, but we've got to be reasonable about all the dynamics present here about the need to get started quickly, but also the need to get an Iraqi transitional administration stood up as quickly as possible and to get Iraqi input into these very critical decisions about the direction the government's going to take in the future. I know we have folks out there from our Department of the Treasury. And I know they are in touch with DFID colleagues, and they're trying to get these systems in place as quickly as possible to allow the regeneration of the private sector and external investment. But I guess I would be hesitant now to endorse the notion of, as you say, parachuting an external system in on top of the existing system. I think at least the operative model we are looking at right now is trying rapidly to engage the appropriate Iraqi ministries and those technically competent officials who are still there, in reforming the system as quickly as possible and getting it stood up, but I take your point, and we consider this a priority to stimulate private investment and that's why we've got this contract going as quickly as possible in that area.

Q: I want to follow up on a point that might seem like detail, but I think it's fundamental in re-establishing links with Iraq. And that is, you mentioned, at Universities higher education program. Can I ask, did you say, it was not just with U.S. universities, but it would be open to other universities, is wider than U.S. universities and the UK who had such close links in the past could be part of that new program? And, if so, have you been having any discussions with British officials on how that might operate?

A: Obviously you can tell I'm leaning over to Ann here to make sure I know what I am talking about before I answer your question. What I just wanted to say is, right now we haven't made a determination yet, whether it will be limited to U.S. universities or also include other universities outside of the U.S. It's something we're thinking about at the moment.

Q: Could I just register that we would very much like to be part of that coalition of universities, given the UK's particular link with Iraq in higher education, and the way those can lead to influential contact in the whole community?

Q: The question is on the technology in the gas and oil fields in Iraq. If you've got specific companies who actually have supplied all the technology, specifically pipe work, for example, how can we speed up the process of those companies getting involved now, and actually giving them expertise from the pre-embargo days with Iraq? Of actually getting into Iraq and helping people like Kellogg in actually establishing the oil fields.

A: The most direct to communicate a given company's capabilities in this regard, would be to contact that KBR point of contact, if you think that you could provide your services as a subcontractor. If you are thinking in terms of the successor contract that will be awarded competitively, you just need to keep tabs on when the competitive solicitation comes out and work with other companies that you might team with in preparing a proposal in that competition, but for the meantime, what the Department of Defense, and our executive agent, the Corps of Engineers is doing, is taking on the work that must be done in the near term, and that is based on the results of these assessments available resources including funding, so clearly technology is always valuable in being applied to task, but it depends on what tasks are being undertaken right now. I would suggest you contact that KBR point of contact for right now.

Q: Can I first of all thank you for and confirm the good relationship which has developed between the number of our suppliers and your prime contractors with whom we've been discussing various projects within the education sector. I've got a particular question however, in relation to higher education again. You talked about this business of partnerships with universities, but we have a particular interest, for example, in the three oil trading institutes in Iraq which must be of importance to getting the oil industry back on its feet again. What I am interested in, is whether that on the basis of being higher education falling under the remit of USAID, or whether it's closer to what Barbara with the ORHA office is dealing with.

A: We're agreeing here that we have not focused on the oil training institutes, and let me just take your question and expand its importance a bit. Before we did these contract designs, we tried to bring together groups of experts who had worked in Iraq from the international community, from other bilateral donors from the UN system, from the NGO world, from the academic world, to try to expand our understanding of what the reconstruction needs might be. Now as all of us suggested earlier, this was done publicly, but somewhat quietly, because we did not want to send the signal that we were pre-judging the outcome of negotiations prior to military action, that is, we did not want to suggest that a decision had been made, because one had not been made about military action and therefore we had already made the decision to reconstruct. But, we don't pretend to know all the answers or all of the reconstruction needs, so I would suggest that in areas like the specific question you are raising about oil training institutes that you simply take the time to send us a letter, send us information and it's something that will probably spur us to think a little more seriously, both in terms of the university partnerships that we will soon be putting on the street, or we're always examining whether we need additional mechanisms to meet needs that we have not yet identified. To your specific question we simply identified that yet.

Q: Existing Food for Oil contracts, what is the intent for those, the ones that are part way through at the moment? Are they going to be honored in full? And secondly, the Iraqis have very complete state contracting companies and is the intent that they will be allowed to continue in the future and will they have their own decision making as far their suppliers go?

A: Those are fair questions, but we are simply not able to answer them now. Again we are operating in real-time and those are the questions that we are going to be sorting out in the coming days as we interpret the Security Council Resolution and sort exactly how it's going to be operationalized. I simply am not able to answer those questions today. With regard to your question about Oil For Food Contracts, I would like to just clarify, that with regard to this specific DOD mission I have been describing, it is limited to the repair and continuity of operations of the oil infrastructure. It does not include future development of additional production capacity, it does not include decisions with regard to contract involving that. So those kind of questions are beyond the scope of the mission that Corps of Engineers is executing for DOD and the kind of that KBR is doing as a contractor to the Corps of Engineers. What I can read here is that the resolution that was passed allows the secretary general in coordination with coalition authorities and the Iraqi interim administration to continue to privatize contracts previously approved and funded by the UN for delivery to meet the immediate needs of the Iraqi people. Action on contracts judged to be of questionable usefulness in light of the changed circumstances will be postponed until and internationally recognized representative government is established and in a position to make its own determination. One billion dollars of unallocated funds in the UN escrow account will be transferred to the Development Fund for Iraq to provide for immediate reconstruction needs, so I hope that helps to clarify things.

I'm George Dragnich, Department of State. I don't specifically deal with UN sanctions per say, but with U.S. sanctions. At this point in time, since we are operating in real-time, that's the most accurate description that we have at this point.

Q: You've mentioned the Development Fund for Iraq which is being created by UN Resolution 1483, and that means at the moment there is not identified structure for the administration of the funds that will actually flow into the Development Fund from the sale of oil and gas. As I understand it, a significant part of those funds are actually intended for reconstruction. Really what I was hoping for was that there

would be some indication to what the process, what the procedure would be in order to dispense those funds.

A: I wish I could answer that question for you and all of us are going to be staying tuned in the next couple of days and I expect those answers will be forthcoming. But the funds we are talking about here, certainly from the USAID, are U.S. Government appropriated funds, that is to say, funds made available through our Congress, and if the management structure through us is through the Office for Reconstruction and Assistance (ORHA) and Ambassador Bremer there on the ground, who I know is working with UK colleagues. I simply am not able to answer that very fair question yet.

With regard to DOD's oil mission, the fiscal year 2003 supplemental appropriation created a natural resources risk remediation fund that has \$489 million dollars included in it, and the wording of that section invited contributions from other countries, from outside sources to this fund, so for the mean time, the DOD mission is being accomplished with those US government appropriated dollars. For maybe just another bit of clarification on the UN Council Resolution 1483 where it says insures Iraqi revenues are spent on Iraqi reconstruction. The Resolution underlines that the Development Fund will be used in a transparent needs of the Iraqi people, economic reconstruction and repair of Iraq's infrastructure, the continued disarmament of Iraq, the cost of Iraqi civilian administration and other purposes benefiting the people of Iraq. Again, a lot of this is real-time. We're going to be seeing how this takes hold as Ambassador Bremer works with folks to establish the interim authority there.

Q: We have a number of subsidiary companies in the Middle East. Particularly this time in Iraq, would we mark down, would we have any difficulty, should we use or not use Iranian work force?

A: That's a rather specific question that I think gets into the sanctions field a bit. Basically, it's my understanding that first of all, if you're working off of contracts, then all of the subcontractors are covered, but the United States does maintain a full trade and transactions embargo with Iran, and if you have questions about using Iranian workers for some of your contracts or work in Iraq I would recommend that you would address that concern, describing it specifically, to the U.S. Treasury Department's Office of Foreign Assets Control, and they will give you an opinion as to whether they think that that's consistent with U.S. sanctions or not. They can be located at www.treasury.gov, look for Office of Foreign Asset Controls and you will find information about the Iranian sanctions program and telephone numbers for calling OFAC.

Q: Do I understand that the main contracts that you will be letting from USAID will be for American contractors only? If yes, presumably then UK contractors will be acting as subcontractors, or is it possible for them to enter into joint ventureship as they do in other parts of the world, to have an opportunity on these latter contracts that are coming out?

A: For those contracts that have not gone out there is not reason why you could not have a joint venture between a UK and a U.S. firm.

Q: But otherwise they would be going directly to American contractors, and UK contractors acting as subcontractors.

A: For those that have been already been issued that is correct.

Q: And the future?

A: We're consulting. I was under the impressions that the decision had been take to open it to non-US firms, but we are not absolutely certain of that. But let me get back to this conference before you conclude today with a definitive answer. I'm sorry can't answer that right now.

Q: We have supplied pumps and we have extensive service network in the Middle East. In order for the main contractors to obtain insurance cover, they require U.S. government approval. Would this filter

down to subcontractors, and particularly UK subcontractors to allow us to obtain the necessary insurance cover?

- A:** We're leaving it up to the contractors of course to get whatever insurance coverage they need, now as far as I know all prime contractors, definitely would expect the subcontractors to get their own insurance. I am quite sure their insurance only covers their direct employees.

Could I just interject here further to that question? This question has come up on occasion as a sanctions question, with the subject of government approval, which was part of the question that was raised, and the government approval. The reference was the licenses which the U.S. government issues to the prime contractors who are doing work in Iraq, whether those licenses also cover the subcontractors is yes they do.

- Q:** There's one comment or one question if I may please. The comment the system actually works. For everyone else in the room, we've been working on a subcontract for Bechtel helping to clear the port down in Um Qasar now for the past two weeks, so it's swelling to action very rapidly, in that respect. But we're also a broadly based security organization in Um Qasar. We've got clearance divers down and we're clearing terrorist devices, booby traps, and so forth and we've been working for six years for the UN up in the north of the country where we've had armed guards for some of our activities now. I don't know who it's a question for from your panel, but of course under the new arrangements we are still awaiting the authority to arm our security personnel. Of course we're being approached by a number of organizations out there to conduct as an established authority in the country their security arrangements. I wonder if there's any indication as to when—since you've quite rightly emphasized the security problems—that we will be given the authority to actually now under the new regime to arm our security personnel.

- A:** I do not know the answer to your question. However, it is my understanding that CENTCOM, when it comes to matters of security, CENTCOM is in charge. In those respects, the Office of Humanitarian and Reconstruction Assistance, or ORHA, people take their orders from CENTCOM. So the answer to that question will undoubtedly work through the military chain. But I do not know if they have made such a decision yet or what the time frame is. We can try to find out for you.

It's a fair question because we have a number of the primes have hired some sort of security personnel for themselves. The whole question of standard procedures, communications, identification, carrying of arms and so forth we recognize as a serious issue. Another one that's being addressed in real time, I know it's being seriously addressed out there but not able to give you an answer to your question of exactly when that decision was made.

- Q:** We have a number of automation and control systems already installed in Iraq in the oil sector and the utilities predating the sanctions. From a humanitarian contribution point of view, who would we register our interests with? Would it be DFID here or some other agency, and indeed are such offers still being asked for?

- A:** You could register with DFID. You could register with us, USAID's Office of Foreign Disaster Assistance still has humanitarian teams in the country. And I would also recommend registering directly with ORHA, with the Office of Reconstruction and Humanitarian Assistance.

- Q:** We're already in Iraq supporting a number of the development organizations. I'm particularly interested to hear what you said about the award of the Economic Governance Contract. And given the urgent need to sort of remove large volumes of dinars and dollars from the street, what's the likely timing on that contract? Is there any more detail about the scope of it? And also your comments about presumably the award of that contract could be made in parallel to the studies that are likely to be done by the World Bank and other international institutions.

- A.** With regard to the Economic Governance Contract, we hope to be issuing solicitation for that

sometime next week, because we'd like to have a team on the ground and in the country by August 1. And in the meantime, you know while we are going through the competition for that. The Dept. of Treasury has a number of specialists or consultants over there who are dealing with the economic issues at this point in time. But we expect to have a contractors' team in there by August 1.

(Diff speaker) As for the second part of your question about the timing vis-à-vis any World Bank team I think we are in—all of us—are in the standard situation in a post-conflict environment where there would that we could sequence everything perfectly. But the process of assessment and the process of deploying assets forward go on simultaneously. So we will follow the process that we followed earlier which is to try to design our response now with maximum flexibility so that as refinement occurs of what the actual needs are on the ground we'll have the staff there to meet those needs. So I don't think it's any particular problem that it's being done simultaneously with the potential deployment of World Bank teams. We'll take that into account in the design of the contract.

(1st speaker) And if I could add one other piece of information which I forgot to mention, we hope to release a scope of work for economic governance by Tuesday. And you can either look in the Federal Business Opportunities website in order to find out, or you could just go to our website, www.usaid.gov/iraq. And it will be posted there also, hopefully by Tuesday or Wednesday of next week.

- Q.** There are a lot of my organization's members curious to know the scope of the KBR, Kellogg, Brown Root, contract. There is talk in the streets that this is going to look after the entire oil recovery program with that enormous potential. Could you give us an idea of the specific scope of the contract related to your presentation?
- A.** Yes. Let me read off for you. This scope was made deliberately broad to address the kinds of things that were contemplated as potentially being necessary in the contingency planning. Because before hostilities commenced, nobody knew what the situation would be. So we didn't know if we would be putting out more than a thousand fires, we didn't know if we would have horrendous damage, or if we would get into the kind of activities we're into now relatively soon. The scope, therefore, includes everything from extinguishing oil fires, assessing the condition of oil-related infrastructure, cleaning up oil spills or other environmental damage at oil facilities, engineering design or repair and reconstruction of damaged infrastructure, assisting in making facilities operational, distribution of petroleum products, assisting Iraqis in resuming Iraqi oil company operations, and so on. For example, we had hoped there would not be a need for importation and distribution of fuel products. Unfortunately, we found that there were some serious shortages of propane for cooking, diesel fuel for running generators. Consequently that's something we had to arrange to support already. So it's a good thing it was included in the scope of this contract. But we'd hoped we wouldn't have to make use of that. Does that answer your question?

--Thank you, I'm happy with that. Obviously it's a moving situation, but that's good enough for today.

- Q.** We build containerized sacom, and other pumping modules designed for rapid replacement of infrastructure. I may have missed it, but I haven't heard a lot about replacement of the Telecom's infrastructure in view of the fact it incurred so much damage. I asked somebody at Bechtel this morning and they suggested you might have a particular policy. Could you explain that?
- A.** Frank Mermoud: I think we've got someone, Joe Richardson, no George Dragnich, from our office of Communications and information policy.
George Dragnich:
Thanks very much Frank. In fact, the communications were damaged. But you would know that in fact teledensity as it's referred to in Iraq, was at a very low level before the war. Only 3/100 people had access to a telephone, and those were only a select group. So in fact the difference between then and now is not that great. This is something that's going to be left primarily to the new government to develop. And on our part we are working with ORHA to try to set up a regulatory structure and a format that will encourage private investment.

Q. Will there be interim measures? Bear in mind that contractors particularly may well need rather more communications than was available before.

A. No that's certainly true but you would know that ORHA has led a contract to MCI for some thousands of phones, I think it's about 3 or 4 thousand mobile phones, for just that purpose. It is a temporary contract. It is for this interim period, and if that is your concern, that in fact is being addressed. And those phones are physically in Iraq now. They've been there for I think about a week and a half.

Frank Mermoud: Let me add that Vodaphone is working with the British military there. It's also a temporary engagement, but they're fully engaged there.

George Dragnich: Thanks for mentioning that because in fact Vodaphone has concluded a similar agreement with the British Ministry of Defense to that that MCI has with the U.S. Dept. of Defense. Naturally this is in the southern part of the country, primarily around Basra but I'm informed going up almost to the outskirts of Baghdad by now. And MCI and Vodaphone have worked together to ensure that their mobile phones operate on the same frequency. That's not a minor point. That has been addressed and they will be working on the same frequency.

Q&A Session 2

Q: What I wanted clarification on, I think it was omitted accidentally, was the question of eligibility to bid as primes on these upcoming contracts. There have been wavers in the past for the AID contracts and for the Corps of Engineer contracts, but normally, it is our understanding that U. S. companies only could act as prime.

A: There is certainly eligibility to partner with an American firm, the question of whether it would be limited to American firms only, or whether non-American firms can act as the prime, we promise to get back to the Embassy on that one. But there is absolutely nothing to prevent you from going in with an American firm and partnering with an American firm. That is the USAID position. Due to the nature of the U. S. government structure, different agencies are subject to different laws past by our Congress and the regulations that flow from those laws. So the Department of Defense is subject to different rules with regard to foreign participation in our procurements. When the Corps of Engineers issues the solicitation for the competitive procurement that I mentioned, that solicitation and the announcement at the federal business opportunities website will inform industry as to the ability of non-U.S. companies to compete at the prime level. And there is certainly no obstacle to non-U. S. companies competing at the subcontract level.

Q: How do we get qualified for Bechtel? How do we turn in our expression of interest?

A: As far as the construction contract goes, you need to contact Bechtel directly and you can do one of two ways, as I am sure the Bechtel person will tell you, they have their own website. We U.S.ed to provide, we were providing an actual way to register through our website, but we've now turned that over to the actual firms, so if you go into our website and you want to apply to any of the contractors as a subcontract, then you would see the link on our website which marries up to their website and you would apply at their website.

Q: We were strongly engaged in Iraq, definitely as all the companies we would like to be coming back. As we have learned Brown and Root, division of contract has got a British contract encompasses the full range of activities that might need to perform to restore or continue the operation of the Iraqi infrastructure. So as I have already mentioned we should like to be in, but the following questions are in front of U.S.. How do we get the forms to be pre-qualified because this is first step which is to be done? Secondly, who should we contact, this Brown and Root, and anybody else, in the oil industry? And what is the timing approximately? The third if I may enter to the details, what kind of bid bonds, and government bonds are required and certainly, total aggregated liabilities which are attempted to be prescribed and what kind of standards technically are expected, American or British? Are we need work permits to work in Iraq, because now the situation is not clear, certainly, taxation is also very important for U.S. to know?

A: One of the items of information that's available at the website is the following: information about subcontracting opportunities available with the current prime, KBR, can be obtained by contacting the e-mail address on the website. E-mail address to a point of contact in KBR : dwayne.bourque@halliburton.com. For a subcontract with KBR, you would get that information from KBR. With regard to the planned competition, which will result in competitively awarded contracts that will replace the current contract with KBR, all that information will be included in the solicitation when it is issued.

Q: Is there a possible way of buying Iraq crude oil? Is there a way to sell goods and services to the Iraq Oil sector, at the moment and after the economic sanctions end?

A: There is a management team that has been place in the Iraqi oil ministry, and they are already engaged in evaluating the assessment information that is being provided, both by the Corps of Engineers and Iraqi managers and employees. So, there is already the initiation of an Iraqi controlled oil sector. I would expect that things would evolve, probably, quickly, but the future will reveal to all of U.S.. As

soon as they are in the business of issuing their own kinds of contracts or tenders. In the meantime our job is limited to supporting the repair and continuity of operations of the infrastructure. The mission the DOD has and that the Corps of Engineers is executing and that KBR as their contractor is supporting is limited to that. It does not include development of increased oil production or capacity, it does not include those kind of export contracts, that sort of thing.

Q: Who to contact about, contact about the health project. We were very active in Iraq before the war.

A: If you go to the USAID website and go the actual Iraq website, you'll see a link back to ABT associates and they are the health contractor. As a matter of fact we have an ABT representative who will be here concluding the U. S. government presentation.

Q: After a company succeeds in registering on the Bechtel website, do we need to do anything else to be qualified contractors, or not? We are facing the problem of getting in contact with Bechtel.

A: There is nothing else from a USAID standpoint. Bechtel will be giving a presentation in about 20 minutes.

Q: How can we enter Iraq?

A: Access is still being controlled by the military authorities and my recommendation to you is to contact the Office of Reconstruction and Humanitarian Assistance. They are in contact with U.S. Central Command, which is still making determinations on access by all personnel, including our own into the area because of the security situation on the ground.

Q: First of all U.S.ing the opportunity that we have here to be presented with the State Department, the Department of Commerce, DOD, an USAID, as well as DTI here. I'd like to register that Kazakhstan is for the stabilizing forces, considering supplying military engineers and your Ambassador to Kazakhstan is in contact with our people over there. Secondly, the government in considering supplying humanitarian assistance to Iraq, we are also ready to provide food products like wheat flour, construction materials, cement and other construction materials, as well as different experts in different areas, like civil engineers, medical works, teachers. I believe that psychologically, people from our region will be more acceptable for Iraqi people. And, finally, we are also ready to consider the prospect of establishing long term warehoU.S.es or humanitarian bases on our territory since the effort in Iraq as well as in Afghanistan is a long term effort under the United Nations and the coalition. My question would be: How can the humanitarian assistance of food stuff and construction materials be channeled to Iraq?

A: We are talking here primarily about reconstruction activities but naturally there are still substantial humanitarian needs in Iraq and a number of nations are stepping forward from the coalition and outside the coalition, so we very much appreciate that offer. I would answer it pretty much as I did the other though. Ambassador Bremmer at ORHA (the office of reconstruction and humanitarian assistance) would be the primary contact point, although if you would work through the embassy of contact the USAID directly we would be more than glad to pass along that information into the ORHA structure for you. Also, more generally on the question about establishing humanitarian warehoU.S.es we would also be pleased to receive that information, our office of foreign disaster assistance maintains warehoU.S.es at varioU.S. locations around the world. And I think they would be interested in hearing about the opportunity and I would be more than glad to pass along that to them. But the short answer is I would contact Ambassador Bremmer at ORHA.

Q: Our experience in post-war reconstruction is that a lot of effort is to be put into damage assessment and assessment studies. Do you envisage any framer contracts in this area, and if so, are these contracts available for firms like ours from the Netherlands, and have you any idea about the planning of these contracts, when they will be let?

A: We are constantly reevaluating what the needs are going to be as our people access more areas of Iraq. Assessments are being done within the context of each of the contracts that are already let. For example, the ABT contract in health care, we expect that the ABT personnel will be doing some assessment on the ground. I cannot say with certainty that there will be no more need for such assessment on the ground, but I can tell you we do not have anything planned at this point.

Q: We hear a lot about very large plan to build the new port of Um Qasr Garleria. We want to know how to go about participating in this big construction plan.

A: First of all, back to the point I made earlier, I don't want to raise expectations too high about the U.S. funded portion of the reconstruction effort. I think we envision this portion of the reconstruction effort to be the essential short-term tasks that need to be done to put things back in a basic functioning operational capacity. Now I know I've heard a lot of possibilities about further improvement in the capacity of Um Qasr, but also in other sectors of the Iraqi economy. It's my view that we are likely to limit the USAID portion of the reconstruction to the restoration of essential facilities, and that major renovations or improvements would be done by the Iraqi government, once a transitional administration and a regular administration is established. At this point if it's a question of participating in the short term restoration work, then the answer would be to contact ORHA and Bechtel on the ground, but in terms of a major improvement to the port facilities down the road, that decision will be made by the Iraqi authorities.

Q: I'd like to repeat a question about standards. What kind of standards have to be used? United States standards, or United Kingdom or Europe standards?

A: As a general rule the contracts did not go into those issues with great specificity. Bechtel will also address this from their perspective. I might add from a standards perspective going from medium to longer-term this is going to be up to the Iraqis.

Q: We have acted in Iraq for more than 20 years, successfully. My question concerns the contract with Bechtel. Is the contract with Bechtel the only prime contract which covers the reconstruction, or does USAID plan to award more contracts to another American company? I am interested only in construction, not in other things, just construction.

A: We have no plans to issue another major construction contract at this point.

Q: My understanding that the subject which we are covering here is limited to the USAID and the Defense Department funding, which is basically U.S. money, but my question is about the future, once the sanctions have been lifted, yes they have been lifted, actually yesterday. Are they saying who to apply to contracts for the reconstruction of Iraq in general?

A: Because the Security Council just passed the resolution those issues are exactly the ones that are going to be discussed in the coming days. I simply am not, no one is able to answer those questions right now. Other than increasingly the Iraqi authorities will have a voice in determination of future tenders, but right now I simply cannot answer the question. I expect in the next couple of days, the whole operationalization of the Security Council resolution will become clear, but I just can't answer those today.

Q: You mentioned two projects within the field of environment. One was restoration of the marsh lands in the southern part of Iraq and the other was remediation of the oil spills, could you provide any further information regarding these projects, as in how to tender for these projects?

A: With regard to the remediation activity that is happening at oil sites. The current prime contractor, KBR is engaged in that kind of work at some of the sites and continuing assessments at others. You should contact the KBR representative who deals with subcontracting opportunities and let them know your capabilities. They are already engaged in some projects, I do not know if they need additional

subcontract assistance for that function. Certainly, environmental remediation will be one of the many functions in the scope of the contract that will result from the competition I discussed.

As far as the marshlands go, the Tigris-Euphrates marshlands, I think, the issue of how to respond to the extensive drainage is a major concern of many donors and many international organizations, as well as the Iraqis. I believe the United Nations Environmental Program is holding a conference or a meeting on that this week. Our thinking was to jump-start our understanding, by doing a fairly limited evaluation and modeling of the marshlands, so that the international debate that is likely to take place in the coming weeks and months has some up-to-date data, so at this point our anticipation is you would do a fairly limited assessment/analysis of the status of the marsh lands and of the people who live there. To contribute to a follow on effort, I do not anticipate that USAID alone will undertake a major restoration, we think that's an appropriate issue for the Iraqi government and the international government to take on down the road. What I think we will do at this point is a fairly small assessment and evaluation contract.

Q: Concerning the power sector, based on your data there is a very high electricity shortage there. Do you have any plan for rehabilitation of power plants or a new power plant built in near future?

A: Under the Bechtel contract we will be doing some emergency work, and the U.S. military and the U.S. Army Corps of Engineers is involved in this as well. We will be doing some emergency restoration. In fact, substantial emergency restoration has already taken place to restore some essential services. I am looking at my Corps of Engineer colleagues to make sure they are in agreement and they are. I do not believe that under this U.S. government portion that we will undertake massive restoration of the power generation system.

Q: I would like to express our appreciation for this invitation and this opportunity to share this information and hear this information from here and from other side of the screen. Azerbaijan, we believe due to geographical proximity, and cultural, historical, religious and other affinities as well as other reasons, among the members of the coalition is placed uniquely to contribute to the restoration of Iraq and in general is one of the most interested parties in stability and security in the region. Thank you once again for the information provided we will pass this to our industries and private businesses. My question would have a broader scope. For starting activities in Iraq, envisage large volumes and traffic of cargoes and passengers and the issue of procurement and supplies in this sense of one of the crucial one. Is it envisaged to create or invest in countries surrounding Iraq who could develop or establish this kind of infrastructure to ensure a logistical back-up of all this operations in Iraq?

A: That's a good question, a broad question, and one we could have a long discussion on. Obviously, the international community in general, and the U.S. government specifically, is already investing in neighboring countries, we have a very substantial assistance program for example in Jordan, and I think we agree with the comments that were just made. We view the surrounding countries with which there are many affinities with Iraq as substantial. We try to look at this holistically and systematically, and we view that the countries adjoining Iraq and in the immediate vicinity have tremendous assets that could be brought to bear in Iraq. Also that because of the transportation networks and so forth they have to adjust and looked at holistically, analyzed holistically. I cannot tell you at this point that we have plans for a region wide economic recovery system or anything like that, but I can tell you I think we appreciate the points you're making and the importance of looking at the issues regionally.

Q: I have a brief question. You mentioned that the U.S. Government is envisaging the personnel support from the countries participating in the coalition. Our oil company has provided jet fuel to the U.S. aircrafts and now we are ready to support the coalition with our personnel. We have trained staff with knowledge of Arabic, and I would like to ask you what will be the procedure for personnel support? Our oil engineers participated in the construction of oil industry in Iraq during the soviet times and now we can provide you with the personnel to reconstruct the oil industry.

A: Those are the kinds of capabilities in which I am certain that the current prime contractor, KBR would be interested and companies who would be competing for the future prime contract would be interested

in. I would ask and recommend that you provide the information about your capabilities to that KBR contact for the purpose of any help you may be able to provide to them while the current contract is underway and that you monitor the federal business opportunities site so that you can work with other companies that will be competing for the follow on contracts.

Q: My question is basically concerning contracts for construction and primarily for procurement of building material. The question is will there be any public information about the companies which were awarded to have subcontracts, because we see ourselves as a possible supplier of building material.

A: Much of that information is already on the websites. Who the primes are and contact information is on our websites.

Frank Mermoud:

I'd like to thank all of you for your attendance and participation in this, especially our panelists, our speakers, both here in London, and our speakers Jim, Ann and Barbara in Washington, D.C. Again to re-emphasize, please stay up to date on the websites that have been provided to you in your briefing packets. I think it's important to maintain, if you're really interested, daily updates on that. I'd like to thank our U.S. Embassy here in London as well as the Trade Partners UK. And I would also wish to extend an invitation to you, I think it was mentioned earlier, it's in your packet and invitation to a reception at the U.S. Embassy, this evening following this session here. What we'll do is take a brief, 10 minute break, and then I'm going to ask the contractor panel to come up. We have Tom Elkins with Bechtel and Lisa Matt with ABT Associates. Unfortunately IRG could not attend today, but those two prime contractors will be here. A quick 10-minute break and thank you.

CONTRACTOR PANEL SESSION

Tom Elkins, Principal Vice President and Manager of Contracts, Bechtel Corporation

You've gone to such trouble to be here, I'd hate for you to lose an opportunity. I have a vested interest in you not doing that as well. I am the Bechtel secret agent ok that's me I am the person that many of you have asked questions about. My name is Tom Elkins, E-L-K-I-N-S, and I am the acquisition services manager for Bechtel National, Incorporated - that's the division of Bechtel that's executing its role in USAID's infrastructure program. The distinction is important. Bechtel National is a division of Bechtel Corporation that executes Bechtel's U.S. Government work. You can help me, and help maybe everybody by raising your hand if you were in the Bechtel session earlier this morning at the Novotel. How many people were there? Ok this looks to me about 2/3 of us. The 2/3 that were there, please, your indulgence, because many weren't there and I would like the opportunity to go over some things that I went over with you. And maybe it might help if I go over them a second time, one never knows.

To start off with I think it was clear, I hope it was, in the morning session that the emphasis we placed on a couple of things. At least one of them would have been self-sufficiency. And another would have been security and safety. If you take nothing else away from these sessions, which you have invested considerable effort in attending, you need to understand, if you're going to participate in Bechtel's part of this program. Those two items are non-negotiable. They're as absolute as black and white. There's no in between. So, each sub-contractor that takes a part in our program will be self-sufficient in providing its own security and understanding our safety requirements.

A couple of words that are difficult any country whether it's United States or whichever country we're from, from the audience. In fact the British tell me every time I come here. How can you dare, say that you do anything in English because you don't speak English yourself. And that might be true. A couple of words in English that are difficult for Americans to understand in this program is the word permissive. Permissive is related directly to safety in this context. It means that no one, including Bechtel forces work in Iraq in non-permissive areas.

So, that means that Central Command and ORHA go about in assuring that the area is permissible to work in from a construction standpoint. That still means that the area is hazardous. It means it's very hazardous in most cases. I think all of U.S. understand the hazards involved UEXO. Unidentified munitions, or unexploded munitions. And so, when we get an area cleared or identified of exploded ordnance that has to be removed, then the area moves into a permissive situation. But that doesn't mean it safe, and that doesn't mean that any of your obligations are any the lesser. It does mean that you except responsibility for moving into that area to do your work. That has to be fully understood. I would like in the questions section of this presentation for you to ask a follow up if you don't understand what I just tried to explain. And believe me you don't offend me you say it's not clear to me still.

I would like no one to leave this room today unless they have a very clear understanding of those two things. A subcontractors responsibility for safety and security and your responsibility to be self-sufficient. This is important, I think, for your understanding of how Bechtel will pursue and execute its work. These first three bullets are in quotation marks. They're exact quotes, the exact words in Bechtel's prime contract. The mission is fairly simple, it's not what a lot of the questions that arose from the earlier session this afternoon would tend to assume. It's not that. I think some of the answers given from the USAID and DOD folks, clarified things, but maybe not.

Consider the mandate. That's the charter. What's USAID's charter? Rebuild the infrastructure and public facilities, and services in a post war Iraq. Rebuild them, not construct from new. We will not be building any new grass root power plants under Bechtel's subcontract or Bechtel's contract with USAID. That's not going to happen. What we're going to be doing is getting the existing systems operational. We will not be improving their efficiency greatly. We will be getting the existing facilities operational. Replace maybe a piece of old equipment with a like piece of equipment. That doesn't mean replace it with the newest version of a turbine generator. It means replace it with a like piece of equipment. That's a much

lesser scope than most of the world-wide contracting community has assumed. But it's a much significantly reduced scope.

The goal is pretty simple also. The goal supports the mission, or the mandate. Provide some tangibles, some real evidence to the people of Iraq, that the people in the country have the opportunity to prosper. That second bullet ties directly to the last bullet on the screen, which is there's some curious English words there. What exactly do you mean when you say institutional strengthening and how does that relate to self-sufficiency? It means this, the basic institutions in Iraq have to be improved in some cases, put into operation themselves. So the water department, the power department. Get them to a state to where the Iraqis can take it over. And get it to that state as soon as practicable.

Let's be very clear. This project is not about Americans, about UK, about any other country around the world rebuilding Iraq. This project about Iraqis doing that. Our role in the global contracting community is to assist them in that. And the USAID contract is simply to get the existing infrastructure up to some semblance of operation as quickly as possible. That's it. Bechtel's contract has been widely reported in the media, and that part of it is accurate, as far as a not to exceed amount, and that's 680 million dollars. The amount that's been released up to this point is considerably lower. It's a mere, minor fraction of that. Increased releases will be done over time, but you would have heard some of the speakers in the preceding section talking about job orders and task orders. A lot of the language has a curious meaning, but that has real meaning. That's the way the work is released. There has not been \$680 million dollars of scope released under the Bechtel contract, it's a minor fraction of that. The way work is released is discrete work orders, job orders. In this presentation they've been called task orders. Those would be released and sequenced to support the mission, which is delivery of humanitarian assistance. Bechtel's scope for the contract are the exact words from the third bullet on the slide. You can read those for yourself, and I won't try to insult anybody's intelligence, but I'm going to tell you what the six mini-projects are for Bechtel. So, you can focus and decide whether you want to participate in our role going forward. The six mini-projects for U.S. are:

- Power, and power and its distribution system
- The port, the sea port
- The airports, 5 airports
- Selected government buildings, schools, similar public buildings
- Water and waste systems
- Civil, civil includes things bridges, roads and the rail systems

People often ask about the sequence of work - is everything equally important? I would respond that everything's important. Everything's a priority. If you were in Iraq today, you would see Bechtel people doing fact finding, damage assessments in all six of those very urgently required mini-projects. But you would find that the order we are going most on would go through the port.

This is another graphic that shows, I think, some clarity as to how ORHA has decided to execute its responsibilities in Iraq. ORHA, again is the Office of Reconstruction and Humanitarian Assistance, it's a division of the U.S. Government, of Central Command. They divided Iraq into four administration zones. They are mostly geographic, so from the north to the south. In the middle here in purple there is something called the heartland. Most of you I've heard already in your comments, know probably a lot more about Iraq than Bechtel people do, and you know that that purple area has great cultural significance. That's where Babylon is. That's really the cradle of civilization.

Something has happened in the last 30 years that has everything to do with why we are focused at the port, and it has very little to do with the latest conflict, or any of the previous conflicts. And that's the port at Um Qasr. If it had been properly maintained, Um Qasr port is a world class facility. It's deep water, it's a great facility for off-loading large ocean going vessels, but today it is not. It has something to do with the conflict, but it has more to do with 30 years of neglect. The Tigris and the Euphrates have drained into the Um Qasr basin, and a channel that should be best design by 14 meters in depth, is currently in some places 2 meters in depth. The key to delivering the mission, which is the delivery of humanitarian assistance, is to be able to get a channel cleared to where the ocean going food relief shipments can get into Um Qasr and unload their cargo. Today they are limited to maybe 10 or possibly 20,000 metric ton vessels. And our

dredging operation is designed to increase that to a 75,000 metric ton vessel. That is the most urgently required operation. We're focused on that with almost laser precision.

As a result, most of our subcontracts that we've issued to date, and there have been 14 of them, that have been issued to 9 separate companies from 4 different countries. Those 4 countries up to this point are the U.S., the UK, Kuwait, and Saudi Arabia. In the coming week, there will be additional releases, there will be additional contracts awarded. How do we go about doing that? Most of you I hope that were in this morning's session have a pretty good understanding that Bechtel's process is no different than a normal process that you would have observed anywhere around the world, for any company that you would have worked with.

If there is a difference, it's the speed. This project has been described as a fast track project. I think that's wrong. This is an ultra fast track project and if you want to know why some of the companies that got the first few awards, got the awards, it was because they're there in the theater and they could respond in 24 hours with firm fixed pricing for the services that we were offered. So, that's going to be a key to our operation. As far as anything else involved in tendering, it simply is standard information. Standard documents you've seen anywhere else. If you have a question about how do you contact Bechtel, hopefully, if you were the session this morning you know now and there is no question. For those that weren't, there is a wealth of information on the website. The website has been constantly improved, but it has a lot of traffic on it. So let me show you that next and then we'll go back to this slide.

Take a look at that statistic in draw your own conclusion. Look at it for 15 seconds or so. Along here the x-axis is timed in weeks. There are five bars. The last one is the week of 4/19, the last bar is a month later, the week of 5/19. Along the y-axis is numbers of hits on the websites. 4/19 is significant because the contract was awarded to Bechtel on 4/17. That was a Friday, over Saturday and Sunday the website got five thousand inquiries. Normally the website would have gotten two hundred or three hundred inquiries. An order of magnitude plus that first weekend. The next week, after it was widely reported in the media, widely reported incorrectly, by the way, the interest went up to 26 thousand hits. We thought in Bechtel it was going to go down. Over time it should diminish. It really has not. The interest has been maintained at a pretty consistent 15-20 thousand level every week.

You should say, "so what, what does that mean?" This is what this means to you. Take a look at this and draw your own conclusion from this as well. It's a pie chart. It shows the number of companies that have successfully registered, expressing an interest in Bechtel's role in this program. The biggest segment is U.S. That doesn't mean anything other than there are more U.S. companies that have registered. It's an open portal. Anybody, anybody, from any country can express interest on that portal and go about the registration process. That number translates into 2/3 of them happen to be coincidentally U.S. companies. The next largest segment is UK and it's the same thing. There's no preference for UK companies, there is no preference for U.S. companies. They happen to be the companies from the countries that have registered the most frequently up to this point. After that, just in numerical order, there is Turkey, Italy, India, Australia, Spain, Canada and Poland. If we aggregated the remaining 63 companies, the total for those 63 is they average more than 10 a piece, at 645.

Here are some of the conclusions I draw from this. It is an open competition. There is an unparalleled, unprecedented interest in this program. This cut-off date was 5/16, so a week ago this data was collected. I called this morning, they told me that the number is now over five thousand and, therefore, not diminishing again significantly. I'm going to predict, I'm going to tell you that there's going to eventually go to be over 10 thousand companies that are going to register and want to do work on this program. For a contract that at maximum is \$680 million, and today is significantly less than that and we will take from those 10 thousand registered companies, and shorten in down to a smaller number, but the smaller number is still going to be in four figures. Maybe it's one thousand, maybe it's two thousand. I just want to clearly communicate to you what you are up against just basic competition. That's what it is. And I am being as candid as I can be about our contract. Our contract is strictly a not-to-exceed 680 million, it's strictly to help rebuild the existing infrastructure.

Let's go back. Some of the activities that we are undertaking early on are intended to be depicted in these photographs. Up at the top in the north section, we have identified in our initial assessment some of the civil infrastructure that will get attention in the early stages in the next 30-60 days. Take a look at that bridge. It may not be the best photograph. One thing from looking at that photograph. That's not the Westminster Bridge. There's nothing of the size, but that right there is Masoul is probably as damaged as any of them. There are about six of these bridges that will get attention early. Some of them will only get attention at one part of one lane. The entire bridge hasn't been damaged. That was a result of the precision of the weapons that have been U.S.ed. They only took out a small part of the structure. Our engineers are doing a study and they're going to determine whether the entire structure needs to be demolished, or just the one segment of it. This in Masoul is one of the few bridges that will have to be replaced in totality. The rest of them it's just going to be replacing a lane in some cases just part of a lane. This is indicative of a lot of the damage assessments that have been completed so far. It's not significant damage to much of the infrastructure.

At the ports, other than the negligence and the lack of maintenance for 30 years of dredging, the port facilities themselves aren't that badly damaged. It wasn't war damage. It was simple neglect. Think about the sequencing and how Bechtel would go about executing its work, because we are serious about supporting our mission, which is delivery of the humanitarian assistance. It flows through the seaport. Once the vessels can dock at the berth. They have to unload their cargo and it has to be stored somewhere. It's going to be stored in the grain silos. Any of the storage facilities near the port will get attention from Bechtel quicker than many of the other facilities, and then it's distribution. How do you take that urgently needed humanitarian assistance and deliver it to where the people are?

This is true about Iraq. Iraq is almost a city-state, and this is not unusual for many countries. It's that most things occur at the capital, and that's going to be true about Iraq as Iraq is rebuilding. Much of the effort will be to support where the population bases are. That happens to be at Basra and at Baghdad. Bechtel is putting pioneer camps at all these places that are noted on the map. We have some very preliminary facilities that are being constructed now. They are literally tents and metal building structures that none of us would want to live in, any longer than we can avoid. The same thing in Basra, and there is another one going up in Baghdad as we'll have camps in all those facilities. Those camps will not be able to accommodate any additional personnel.

All subcontractors will have to be self-sufficient. Any subcontractor that works in this theater has to get himself into Iraq. There is no assistance provided from Bechtel to do that, and there will be no accommodations from Bechtel. We will not furnish with any subcontractor with space in our facilities, because there is no space in our facilities. To date, we do not have facilities. I'm trying to again be candid. I want to candidly tell you that to get awards from us you have to be there, and you have to be there at the same level we are, which is get yourself up and running, because there is no support infrastructure. A little bit of what we are doing as far as on the ground security and self-sufficiency, I think I've said that maybe too many times, but I hope it's clearly understood.

Our scope of work is simply to rebuild the existing infrastructure, and that scope is not released as a quantum, it's released piece meal, part by part by discrete task orders. That's a reason we can't predict what the upcoming tender load is going to be. We can't schedule it, because today we don't know. But I will predict this: Is that there will be some bridge work, it'll be some work to rehabilitate the high voltage transmission line because all the power in Iraq is generated in the south, there's some that's generated in the north, but most of it's generated in the south and then it's delivered through those transmission high voltage lines to Baghdad, so that has a high priority. That would be a large tender. A large tender for this program, as far as we can see, if gets to \$30 million that's going to be huge, everything else is going to be minor. If you subtract the dredging contract value from those fourteen contract we've awarded today the remaining thirteen average less than \$500 thousand a piece. That's not going to be unusual. It's early days, but that's probably going to be the norm. The average contract we award will be under one million dollars.

Our subcontracting approach is pretty simple. We don't intend to do any direct hire work, any work that we don't have to do. That translates into, we will be subcontracting out 90% of this work. The 10% that we don't, it's because there is no alternative, or there's a subcontractor that failed. You heard the

USAID people say it's Bechtel's responsibility to do the subcontracting, and they implied that it is Bechtel's obligation to do it correctly and they are right. There is no right of contract between USAID and you, if we award you a subcontract. You are our responsibility and we are going to take that seriously.

Taking that seriously means that all the requirements that Bechtel is obligated to live under in its prime contract will apply to you. That means all the insurance requirements, that means all the compliance with the U.S. government's regulations. Since I went over a lot of that this morning, I'm not going to repeat it, but if there is anybody here that wasn't there this morning and you have a question about U.S. government rules, entry into Iraq, and what else can Bechtel do, then raise it in the upcoming question and answer session and I will try to answer it then.

This last bullet on this slide is intended to convey what we at Bechtel consider our overall role. That's as integrator and so we would say that we would help the other prime contractors, we would help Stevedoring, we would help the medical services provider, we would help them to get their services and be able to deliver it. Our scopes don't co-mingle but they get close to each other. For example, Stevedoring, Inc. has a contract to operate the port. Today we share Iraqi labor, each of us using pretty much the same group of labor to do our separable tasks. You could go to Um Qasr today, it would be difficult for you to distinguish a Stevedoring, Inc. representative from a Bechtel representative, it's that seamless. But they are separate contracts.

I'll close my part, summarizing on these four bullets. These are the four things that I hope you take away. By the way, on the website today is the entire presentation that was made this morning. You can go into www.bechtel.com and get a complete copy of the slides that were used this morning. This was one of them. This is the most important one to me, in attempting to communicate to you what's important here. Again it's the mission, reconstructing the existing infrastructure and getting the Iraqi people up to where they can take that on as soon as practical. The sequence, there is urgency in every area, but particularly through the port, because that's key to delivery of humanitarian assistance.

I don't know any other way to say this. Worldwide response is unparalleled. I was involved in Bechtel's role in the Kuwait project, this is orders of magnitude, higher response. We hosted a session like we did this morning at the Novotel in Kuwait three years ago and there were about 350 people. There wasn't a separate session anywhere else. So far on this tour that we are doing, there were two thousand in Washington, D.C. This morning there were twelve hundred at the Novotel, there's an additional a couple of hundred here in two different sessions. There's going to be six to eight hundred in Kuwait. My math is bad, but it's at least 3,500 companies coming to the conferences, 10 times higher response rate than in Kuwait for a contract that is one-quarter the size in Kuwait. The numbers are skewed, you're getting the actual numbers. This is a check for you to make sure that you understand your position and what you are up against if you continue to compete in this program.

Our evaluation criteria, a question came up from the session earlier this morning. Where can we go get this stuff? I hope the question wasn't from somebody that was there at the Novotel this morning, because that means I failed. Just to be clear, it's nothing different than the standard Bechtel tendering document. The process is laid out on the website. This next week will place the exact tendering document samples on the website to make it clearer still. We will, to the extent we can, predict the upcoming major tenders and post those on the website. Qualified companies will have an opportunity to go look at it, and if you are serious about pursuing the work and let me say it one last time. If you are serious about pursuing the work you'll be in Iraq to put this tender together for the high voltage transmission line. Because you are probably not going to be invited if you don't have resources that are on the ground in Iraq by now. Because you will be given seven days or less to put together your pricing, and your pricing will be fixed price. That is the environment you're in.

Congratulations, you've gotten to the right program, it's going to be a great project. We're all excited about it, about Bechtel. We hope that everyone here continues to express an interest. You're up against, you're one of ten thousand others. So that's it for me. I invite my colleague here from ABT to talk about medical.

Lisa Matt, Deputy Director, International Health, Abt Associates

Good Afternoon, I'm Lisa Matt. I'm the Deputy Director of the international health area of Abt Associates. We're located in the Washington, D.C. area in Bethesda. We were awarded the Iraq Health Systems Strengthening contract just about two and a half weeks ago. Since two and half weeks things have been going fast and furious and the situation has changed what seems like a gazillion times.

Our scope of work is very, very broad at this point in time. The objective of our contract is to facilitate rapid universal health service delivery to the Iraqi population and strengthen the overall health sector to ensure medium to long term viability. Kind of a large job. Our contract is a much smaller contract than the Bechtel contract, as well. We have less time, we have twelve months, and we have a ceiling of \$43 million dollars. We also do not yet have anyone on the ground in Iraq. Our team is doing some training for security, training to make sure that everyone is safe, before they go out there. We have an advance team out there right now.

What we are going to be doing in the near future is probably very different than we thought we might be doing. We've had three task orders so far, one of them is to train medical personnel including nurses. Another is to provide assistance to millers, to put in equipment to put additives into flour. I think that we're probably going to be pretty surprised as time goes on. USAID is telling us everyday different things they want us to do, and that's what we will do. Task orders will come out and if it's a surprise and we don't have the talent, we certainly will go out and look for people elsewhere to do those jobs. I think the watchword for this contract is flexibility in an ever-changing situation. Think everyday, well what I thought yesterday doesn't apply today, concerning this contract.

All of our information, again, is on our website. We have an e-mail address for subcontractors to communicate with. We would be happy to hear from any of you. Our preference will be to use in-house capability, if we can. Now there is very specialized capability that we don't have, and so that's the type of capability that we would be looking for. A couple of pieces of this work that we will be doing for this is the procurement of drugs, procurement of medical equipment, because some of the work will be refurbishing clinics and hospitals. I've already talked to a number of people about ways in which some outside vendors may be able to help us with some of that. I'd be very happy to talk to anyone afterwards. I think it would probably be best if we had questions now, and then I can find out what you really want to know.

Q&A Session 1

- Q:** Will there be any pressure on subcontractors to buy U.S. equipment? If it's open to subcontractors to sort their equipment from wherever they want, should manufacturers be looking to go through distributors in the Gulf or the Middle East or Turkey or should they be approaching the subcontractors direct selling from the UK?
- A:** No, yes, and whatever you do in the normal course of your business. (laughter) No, there isn't a requirement that it be U.S. equipment. Yes, I would go through and find out where the local equipment is, just because of economics and other than that, it's nothing specific. So, it can come from wherever.
- Q:** Question for Tom if I may. I would like to clarify the situation vis-à-vis the Um Qasr Port. Our expertise and interest is particularly in the operational and technical management of the terminal, facilities, and/or equipment in the port. You briefly mention that there's a separate contract for that. What is Bechtel's role in that? Should we inspect them or are they already in touch with other contractors such as SSA for example?
- A:** What I would do is I would contact both, because the division of responsibility is probably unclear in many areas. Before I mentioned Bechtel, we consider ourselves an integrator of the USAID services. So we'd help you do that. There are lots of boundaries that cross back and forth. In fact, today we're out there again, sharing Iraqi labor. So it's almost indistinguishable who's doing it. So that's another reason. I'd just contact both companies.
- Q:** Question for ABT associates. We've been particularly active during the Oil-for-Food Program providing a range of medical supplies and services. I wonder if you can make a comment about what type of equipping subcontracts you might envisage. And how do you envisage working with some of the other NGOs, such as the World Health Organization, UNESCO, UNICEF, and so on who also claim to be delivering humanitarian support to the health infrastructure.
- A:** I think it's been made very clear to us that one of our primary roles as a coordinator of organizations who are working on the rehabilitation of the health system in Iraq. And so we are collaborating and talking to just about everyone who's out there, which is a whole lot of people as you know. In terms of the types of medical equipment, we're not totally sure yet. We have just put together a team who will go out and do assessments of first hospitals to see specifically what types of equipment are required for those hospitals. We have got a program in Jordan that does very similar thing. We've done a lot of re-equipping and assessment of medical supplies and hospitals and health centers. But as you know we certainly can use help in terms of supplying these types of equipment.
- Q:** My question is not regarding Motorola because we already established a link with Bechtel specifically, but it is regarding the Iraqi work force. You emphasized the need and intention to utilize the Iraqi workers. Does that extend to Iraqi private companies? If yes, how would they bid? I'm not too sure there is a company that is specialized in medical equipment but there is a sort of Iraqi private sector that concerns civil work.
- A:** If I were running a construction company, what I'd be doing is teaming up with the best Iraqi construction company I could find and making sure you had an agreement to where they would help you find the labor. That's just me. Some of the reasons why Iraqi companies have been avoided up to this point have to do with the sanctions. And as you heard, the sanction removal is real time. That's going away as we speak. As far as I can tell, the UN voted to remove some sanctions today.
- Q:** So is the bidding open to Iraqi small firms and private sectors or do they have to bid for the subcontractor?

A. That's not the same question you asked. You asked is it all open today, and the answer is "no." There hasn't been a release of all the sanctions yet. As far as I know, the UN voted to do it. For Iraqi companies today, there are still some individuals within those companies that possibly will run restricted parties lists. And you have to go through a voting process to determine if any of those people are involved in that company. The website addresses are places that you can go for help. One of them is BIS, or the Bureau of Investigation and Security, on the U.S. government's web pages. You have to do that.

Q. As a shipping company, I'm very concerned and keen to know when if any date have been given from Um Qasar to be an operational port to accept shipping.

A. I think it's going to be operational in the next 30-60 days. There wasn't a lot of war damage and repair of a lot of the damage that has been done is underway right now. We expect to tender out the piece of work for the grain silos and there may be similar type work coming out in the next 30 days or so. But the port is not that heavily damaged. One other thing that may affect its opening and operation has to do with all the conflicts that preceded this one and explosive ordinances and its key to open up a safe transit channel. That again is our focus with great lengths. I heard again one of our subcontractors out here helping us identify the UXO and then dispose of it, including that—you probably don't want to know this but I want to fully disclose this—there may be as many as 19 wrecks in the path of the shipping channel and the dredge. So we have to decide what we're going to do with that too.

--As the port is nearly operational, have you any specific routes or points of entry into Iraq at the moment for commodities to flow through?

A. No, we haven't specified any specific route. Most companies are going through Kuwait today.

--Has the route through Jordan been looked at as well?

A. Yes, we are exploring routes through Jordan.

Q. After your presentation this morning the question was asked whether the customs duty was payable. You quite honestly indicated that it wasn't payable at present but you saw that it would be introduced in the future. How will that issue be addressed and any subsequent solicitation by Bechtel?

A. We're issuing the current tenders with no tax, no customs duties because in fact that's the current situation. When it changes, and whenever this interim government gets in place, I'm sure they're going to be seeking financing sources and sources of cash. They'll probably instill some form of customs duties. Any existing contract will be treated as a variation and we'll go negotiate a variation order within the existing contracts. Any subsequent tenders would have that in there. But today it doesn't exist, and that's about the best we can do.

Q. You said earlier on that your goal is self-sufficiency for the Iraqi people. You also mentioned subcontractors using local contractors who have to check them out first. In part of your fact-finding for Bechtel, will you be actually looking at the capabilities and resources of contractors, designers, and technical people?

A. Yes. We're going through and doing the similar thing that all contractors have been encouraged to do and find where there's an existing infrastructure, an intellectual capacity. I think it makes sense for us to share that. We just haven't come to grips with one, completing the process and secondly, figuring out how to disseminate that. Generally, we intend to disclose everything we learn about this, because all the contractors are doing all the work. It just makes sense to me that if you're going to lower the total costs, that you would give out that information. The mechanics of how that's disseminated are probably effective too and that's going to go on the web. It's just a matter of time before we figure out the formal structure of that. So we'll be putting things on the web like who holds a significant contract so everybody else can go and inquire directly to them. Why go through Bechtel as a middle ground. That is our intent.

Q. Did you say the value of your contract was \$42 million?

--The limit of ABT associates contract is \$43 million.

As I understand on the last phase of the Oil-for-Food program the budget for the Ministry of Health was \$450 million or thereabouts. Do you intend to cover the shortfall between the two amounts? Or is there going to be a shortage? How is the balance going to be funded? Do you intend to go to the Iraq Development Fund and have money allocated somehow through to ABT from there?

A. Our scope of work abroad is being directed by USAID. And everyday USAID gives us directions on what specifically they want us to be doing. It's sort of plugging in the holes of what other people are not doing. Right now we do not have the whole picture as to where those funds will come from.

Q. I'd like to ask a question about specialist consulting services. The sort of services where you might be interested in doing asset studies and assessments before going out to subcontractors. Is there a suggested route that you could make for how we might use UK specialists in any sort of way?

A. What we're doing is we are going out to selected companies and we're basing on who went out in the short term based on who's there right now. There is an English company that we've awarded one of those initial 14 contracts to help us do assessments of bridges. We might do something similar in power. If you're interested in power, my advice is you contact our project manager for power systems. His name is Mike Robinson. He's in Baghdad. He might need that type of service. I just don't know today.

Q. We're particularly interested in watering, sewage, and pumping stations. I'm interested in how Bechtel is going to refurbish the existing stations that are damaged. Will it be done as a single contract or will it be split up?

A. At this early stage, I'm almost certain it's going to be split up. The damage is so widespread. When you combine that with the segmentation of the country into four areas and the lack of permissive working environments in all the areas, it just makes sense to us to segmentize the contracts.

Q. Do you as Bechtel have plans to bring on capacity which over the last 12-13 years of the generation level has been idle or which hasn't operated because spare parts weren't available? Are you going to be looking to bring in qualified, ONM power plant operators such as ourselves once you've decided how much of the existing in-store capacity you think is appropriate for sustainable development before you even start thinking of a new power plant?

A. Forgive the crudeness of this, but we're going for the bang for the buck. So we identify the power-producing units that with the minimal amount of money can produce the most power. We are investing in that first. That's part of a study going on now. If, for example, in Basra a turbine generator would produce 800 megawatts—would that be the best play for your money? For the second part, we're not looking at ONM operators right now. We don't think that's excluded from our scope but it's not as clearly in the scope as the rebuilding of the power plants. It might happen but it's not something that's a high priority for us.

Q. I just want to get some feeling of the time that your scope will take. You've said how it's going to happen but for the moment I haven't heard over what period of time these contracts relative to it will be given.

A. I see a lot of things happening in a 90-day window that are directly related to the issuing of delivery of humanitarian assistance. And then I see dampening while everyone figures out if there's going to be an interim government and how the country will be run. And after that low period I see another spike and activity picks up. To me it's more about defining the scope than anything. We're in real time as

some of the speakers have commented on, and so we're adjusting. Every hour of our program is different. The overall term of our contract is 18 months.

Q&A Session 2

Q: The group brought in the expression of interest. Who should we give this to?

A: It needs to be electronic, I want you to keep in mind how we are mobilizing so quickly, and so that needs to be submitted firstly through the website. One of the reasons, there were other problems with our website, but one of them was folks tried to submit color brochures, which are large, large images and it just crashed our website. And we spent a significant amount of time beefing that up, and it's taking that now.

But, think to yourself now, what value does that bring, do they really look at that? I myself read through it, but it doesn't stay with me. What I need any company to do is give me some basic information that sets you apart as a company from the competition. Because I have to evaluate you today as one of five thousand, and soon as one of ten thousand. That's not my job, that's all of your jobs to make sure that you can come up with a compelling case that sets you apart from the competition. So in addition to the website, direct it to me, to Tom Elkins in the Kuwait Office. Today our Kuwait office is the Sheraton Hotel.

Q: If we succeed in registering on your website, do we assume that we are already qualified, or do we have to other things to become a qualified contractor?

A: That's a good question. You do not assume you are qualified. I'm not going to embarrass anybody, but the intent on the slide that I tried to show this morning in the Novotel was the sequence you go from registration to the pre-qualification stage, which some of you are in now, to a qualification stage for the program. So far we haven't qualified anybody for the program overall. It's things that you've seen on any of the program master bidding list. And that was what I referred to earlier this afternoon about reducing a number of ten thousand down to four figures still, so it's going to be one or two thousand, and that doesn't mean that if you are not on the initial master bidder's list you will never have a chance to come back and get on it again, because the bidder's list will continue to be refreshed. But that fact is, roughly 9 out of 10 people that are going to register, won't be included on the bidder's list. There's way too many companies chasing way to small of work. \$680 million is not, this is going to be hard to do without appearing arrogant, a big Bechtel project. Normally on a major Bechtel project, it's a billion dollars or so, and on a billion-dollar project we'll get expressions of interest from about 250 companies, so there's something wrong here. 250 companies chasing a billion dollars, and there's 10 thousand of us chasing this one that's way under a billion dollars. This is a reality check. I intend this not to be crude, I intend it not to be harsh. I am trying to help many of you. To help you not chase up a blind alley. We have a lot of other work, but we'd like to hear about you and maybe it's some work that you would prefer to do, but if you choose to continue to participate in this you're welcome, it's just you're competing against 10 thousand other companies.

Q: Once you register, how do you go about being in the process of pre-qualification? I guess that's the piece that we were missing so far.

A: We'll contact companies by commodity and say you've successfully registered. We have this amount of work coming up in your area of expertise and we'd like to contact you about the ability to qualify you. The difference between pre-qualification and qualification, we'd go and do things like office visit, shop visits, we might not do that in all cases, but it's a much greater evaluation, much more detailed investigation.

Q: If we register, we stay put until we hear from you then?

A: I didn't say that. To me, this is common sense, you're all business people. I know you understand this. I would be persistent. If I'm you. I would go, I mean, I don't rely on some website, I go contact the people. The message I've been trying to convey all day today, this morning, the first afternoon session, and right now is that you have to be in the theater. You have to be there. You cannot compete in this

program with me requiring you to turn around your prices in 24 hours by being anywhere, but in Kuwait or Baghdad.

Q: You mentioned that one of the areas you have are selected buildings, have the buildings been selected already? I understand that most of them would probably be subcontracted as construction work, would that mean that we would be subcontractor to your subcontractor, or would you look at that in a different way?

A: Maybe and yes. The maybe part is there has been some identification of certain buildings in Baghdad. The maybe yes, is that we're not sure whether we'll tender that in one lump of say one hundred miscellaneous buildings in Baghdad, or individually. So you could compete directly, or you could team up with another company, before you make the decision for anybody, think about this. What our scope translates to, it goes something like this: we'll go into a building. If the door's missing we'd go through the door. If there's holes in the wallboard we'd take a look at that, and we go further through the building and there is some antiquated equipment that looks like it should be replaced, but it might work. Do you know what our scope would be? I'll tell you. Our scope is to replace the door, to maybe patch up the holes in the wall, but not necessarily, and probably not to touch that equipment, other than to turn it on and if it worked, leave it alone. That's it. It's not a major refurbishment job. It's not like any building job any of us have ever been on anywhere else. It's very minor, incidental work. Now in that, there may be some large significant work in a building, but that hasn't been identified yet.

Q: You may also go to the hospital part, where you need some elevators to get the hospital in operation?

A: ABT: Yes, our contract does not call for major renovations and refurbishment of hospitals, I assumed that was in Bechtel's contract. Bechtel: Our scope would be different in that we'd be responsible for the capital construction and ABT would be operators.

Q: Regarding the transmission lines that you mentioned, it's your idea to issue a tendering for the whole package of the transmission line, or to divide into a smaller package?

A: That's indeterminate yet, it's likely to be separate packages. We want to encourage participation, so our tendency would be to divide them up, but that's not a certainty. There's both the 400kv lines and there's several 132kv lines.

Q: And these going to include substations or just the transmission lines?

A: Today it's just the transmission lines. It's a good point, what we would tend to do, is one company do the transmission lines and another company do the substation. And, again, it's to encourage participation, particularly by local Iraqi companies.

Q: We are involved in the manufacturing of medical diagnostic equipment, and it's specially focused for central laboratories and intensive care units. You mentioned that your contract is involved in refurbished hospitals, I would like to know if these contracts is going to focus on refurbishment of full hospitals, or departments within the hospitals. How many hospitals are you going to refurbish and are they going to be located throughout Iraq. And my third question is your procurement, is going to be placed with single vendors for specific equipment, medical equipment or is it going to be a combined basket procurement containing various equipment?

A: We don't have a lot of specifics yet. We are committed to get 21 hospitals up and running, one of the first we have a team that is going to go out and do a hospital assessment in a couple of weeks. We don't really know what state the hospitals are in other than the fact that we are hearing that we are very bad. The real question is also, what is the standard that people want them brought up to? So, what does that mean in terms of the type of equipment, what do they have in terms of personnel who can run this equipment, so these are all, we have more questions than we have answers. It will be hospitals throughout the country we have committed to work in hospitals first in the most permissive areas. Which will be Basra, as far as we understand that area. We will also have an office in the north at the

same time, and one in Baghdad. I think we will have answers to these questions very soon once we get the majority of our team on the ground and I would encourage you to keep in touch with me. We do not have a plan yet for the procurement. We have done this sort of procurement in the past, and been able to do it by ourselves, but it's a question of really, whether it's going to be the same type as we have done in the past.

Q: Considering that we pass Bechtel's simple procedure of qualifying as a contractor, and we get a contract awarded. You mentioned fixed price and self-sufficiency. What is going to happen in the case that the new government changes taxes, customs, duties and so on, is it Bechtel will renegotiate the contracts?

A: It's not a re-negotiation. It's pretty standard. Let's say that there's a change in a law in any country, that is, under most contracts, the basis for a variation order. So there'd be a negotiation about the impact of that change. So it would be construed to be a change, so we'd just get together and work an adjustment, normal stuff I think.

Q: The Ugandan companies would be interested in supplying, say, fresh water, which I suppose would be important in the area of delivering clean, clean health services and other factors. Two we have experience of getting skilled personnel in the areas of post trauma management. I would like to know, in this case, how we would feature in this project and if there is any specific approaches we would have to take in order that we advise the interested parties and getting linked into this project.

A: First of all, keep in mind we are not, we usually don't do humanitarian work, our work is to build systems that will keep working, so we would not just be bringing a commodity in. I don't know if your people are working in terms of water systems, or you're talking about actually bringing in water, but we do not do temporary solutions. In terms of becoming involved with what we are doing in Iraq, you need to get in touch with me or our subcontractor e-mail address that you should write to, I think you have it on your information packet there. I would say exactly what Tom says here. You need to tell us what you can offer that someone else can't.

Q: Mr. Elkins was saying that we need to differentiate ourselves from the rest of the people and we should be in the theater. This is exactly what happens with my company. We have delivered something very unique to Iraq under the Oil for Food Program. We have established there containerized units for water purification, but we don't really know where they were delivered over five years and the government put them wherever they wanted. This is a unique project because it has been specifically designed for the Tigris and Euphrates waters and they are already there, and we know the theater and we have partners there but what's next? Should we wait for Bechtel to find those plans and to establish an appropriate project to which we should tender, or should we go there, or should we find where these water systems are or should deliver more plans, or should we rebuild the water plans which are containerized and can be immediately producing potable water?

A: I can't answer that question, I can't give you advice on what you should do. It sounds though, what we need to hear from you, if you'd please tell us more about this. Our project manager for water is John Cuisinar. Come up and I'll give you that name, but all of our project managers for the six mini-projects they are the folks that tell U.S. and acquisition groups that we need to go get this. And I think he'd be interested in hearing about that.

Q: You talk about some subcontractors' names. I represent the company that make recruitment from Latin America, specifically Colombia. We work in some Middle East countries with our employees. The point is to list subcontractors where you could try to contact them in order to arrange any presentation. You will publish it, or how can I arrange it?

A: Once we get approval from USAID and also that subcontractor, because there is a clause in the contract about publicity, then our intent is to post the major subcontractors on the website, because again we need to get the information out to you the contracting community so that you can offer your

services to them. But, again, we're at the very early stage, there's only one significant contract and that's Great Lakes Dock and Dredging Company.