

U.S. DEPARTMENT OF STATE
OVERSEAS BUILDINGS OPERATIONS

INDUSTRY ADVISORY PANEL

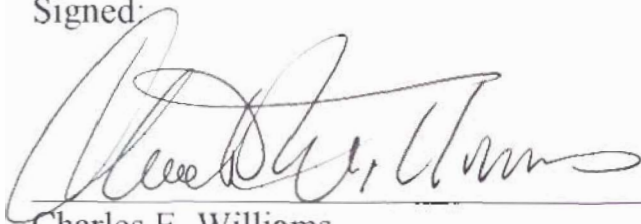


JULY 17, 2007



I, Charles E. Williams, certify that this is the true and correct version of the Minutes of the July 17, 2007 Meeting of the Industry Advisory Panel.

Signed:

A handwritten signature in black ink, appearing to read "Charles E. Williams", written over a horizontal line.

Charles E. Williams
Director/Chief Operating Officer
Overseas Buildings Operations

July 17, 2007

UNITED STATES DEPARTMENT OF STATE
OVERSEAS BUILDINGS OPERATIONS

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INDUSTRY ADVISORY PANEL

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July 17, 2007
9:30 a.m.

Department of State
2201 C Street, N.W.
Room 1107
Washington, D.C.

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Director/Chief Operating Officer
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1 P-R-O-C-E-E-D-I-N-G-S

2 (9:30 a.m.)

3 GENERAL WILLIAMS: Good morning. I'm going
4 to take a couple of minutes, actually. We're supposed
5 to start at 9:30, but we have a really compact agenda,
6 so it looks like everyone's anxious to get on with it,
7 so we're going to -- we're going to continue. First
8 of all, I would like to welcome everyone here today.
9 Some of you might be here for the first time, some
10 might be as a routine attendee. But whatever the
11 capacity is, I want to welcome you. This is the 14th
12 session that we've had as a panel. I think most of
13 you who've been following the panel know that this
14 panel has been rated as one of the best in Government.
15 It has performed its mission per the charter, and I
16 want to thank the panel for your assistance to me and
17 the senior staff. We have obviously worked through
18 every single approach that OBO has put forward during
19 these past six and a half years. You have worked
20 very, very hard with us to offer your advise and
21 counsel around issues that we have dealt with, and for
22 that I am deeply grateful, and I thank you on behalf
23 of the Department for your support.

24 I think, also, that we can all agree,
25 because you have witnessed, some of you, many of these

1 sessions. For my senior staff, it has been 14 of
2 these for us. One of the requirements we have is that
3 what we say and do, it is totally transparent to the
4 public. That's one of the reasons we invite and
5 encourage the public to come and listen. The panel
6 are the participants; the public will listen and
7 observe the process, and take away whatever you would
8 like to take away from the standpoint of knowledge,
9 understanding, or clarification. To that extent,
10 then, we have a court reporter who records what we do
11 here. So Tim Atkinson is back with us again -- hello,
12 Tim -- who will be performing that duty for us. The
13 minutes are finalized in a court reporter-type
14 arrangement, and they are filed for whatever use we
15 need them for.

16 I must also say that one of the issues that
17 we have constantly tried to put forth, not necessarily
18 an issue, but to be very, very clear about
19 transparency: Many of you who have been visitors have
20 said this to the person at the end of your -- at the
21 end of each session. You have concurred in the level
22 of transparency. In fact, you have been surprised
23 that we have been so transparent, and so we appreciate
24 that as well.

25 We put in place, as you know, and I'm kind

1 of talking as if all of you have been here for a long
2 time, and I see faces like Bill Brown and others
3 who've been a visitor, who I know has been here at
4 every -- 14 sessions as a visitor, so if no one else
5 understands what I'm talking about, he and maybe Joel
6 and some of the others understand this. But, we put
7 in place, together, new ways to think, new ways to
8 build. We'll talk a little bit more about that as the
9 shifts and the environment, the work environment,
10 changed. Now, I'm going to give a presentation this
11 morning, as I do at each session. This presentation
12 will get the panel up to date on where we are since
13 our last meeting, and give you, the public, an
14 opportunity to observe, as well, the progress that we
15 update, what we have done since we last met.

16 So, with that, I'll have more to say about
17 our panel members. I will make some formal
18 introductions after the presentation. We have some
19 outgoing members that we're going to recognize, and we
20 have also some new members that we are going to
21 welcome to our panel. And I'll do that after the
22 orientation presentation. So, with that, I'm going to
23 give you the update, and give you an opportunity to
24 see where we are at this moment. So, if you would
25 roll with the first slide. This is the mandate that

1 has been given. It was put in place in a precursory
2 way by Secretary Powell, and then, of course, it was
3 finalized by Secretary Rice, around the notion of
4 transformation diplomacy. We've found a very neat
5 place, then, for the Overseas Building Operation,
6 because we saw our role as the builder of the
7 platform. And understand that the Overseas Building
8 Operations handle only the design and construction;
9 other aspects of the business, such as contracting and
10 all the rest, is handled by other elements in the
11 Department. So we have to delicately put in place new
12 and improved diplomatic platforms to allow this
13 transformation diplomacy to take place.

14 This next slide gives you some quick facts,
15 so that you'll have traction. 2001, we were opening
16 one facility per year in United States Department of
17 State, and at the end of 2006, we were opening 14,
18 and, quite frankly, we have 16 or so forecast for this
19 year. And we'll give you some progress, and you can
20 be the judge as we give you the progress, as to how
21 you think that might turn out. Our OMB has rated the
22 capital security program -- that's the new
23 construction program -- at 97% effective. We've had
24 this rating for the last three or four years. It's
25 among one of the highest scores in government. We

1 decided, six and a half years ago, to flatten the
2 organization out, use a little dose of six-sigma for
3 our organizational structure, and make it a true
4 results-based operation. So, it did not operate like
5 a typical Government entity, and this is sometimes
6 confusing to someone who looks at us, because the
7 truth of the matter is, we operate with all private
8 sector rules, all of them. The only rules that are
9 not are those that are standard around global kind of
10 issues related to the Department, but our prosecution
11 of this program is all private sector. We --
12 performance, and that requires us to assort our
13 workforce with different skill sets, and to that
14 extent we employ a personal service contract arranging
15 to acquire a lot of our people, so that we can get the
16 right skill sets.

17 Accountability is big; managers manage, and
18 individual managers are held accountable for his or
19 her work, and I trust them. Discipline is another
20 aspect of this, and then, of course, credibility:
21 doing what you say, and saying what is correct.
22 Communication and transparency are the mantra.
23 Communication, as what we are attempting to do today;
24 transparency is also, you will see as well, but the
25 GAO and Inspector General and the OMB and others who

1 have sat through my monthly performance reviews, even
2 see a deeper level of transparency, because we hang it
3 all out so everyone can look at it. So, it should
4 never be a surprise to anyone about what OBO is about.
5 We have an acquisition process for acquiring an NEC.
6 It starts with a site selection. We buy a site from
7 the host country, or from some entity in the host
8 country, and this selection is done with anyone who
9 has an equity in a particular site, and a purchase is
10 made. We have certain rules around purchases. We
11 spend what we consider to be well within good business
12 levels. It's approved by the Congress, every single
13 purchase. Project planning and development is a
14 standard piece of work. We acquire a design-build
15 team, or, in some isolated cases, a designer and a
16 builder for a few of our projects. There's a
17 certification process. What does that mean? That
18 means that we have our design act together
19 sufficiently that we can certify to the Congress that
20 this particular building is going to perform as was
21 intended, per the funding. That goes through the
22 Department. That certification team is multi-
23 disciplined, and the Secretary releases that to the
24 Congress. So, the Congress has a certification on how
25 all of our work will be done.

1 On-site project supervision is next, and we
2 select a team depending on the type of job, and put
3 the skill sets in place. We just don't go and get
4 every GS-14 that we can find and park them; we put out
5 the people, out, with the appropriate skill-set.

6 Notice to proceed is given to the design
7 build team is next; that's a very orderly process, and
8 sometimes this is phased in, but nevertheless, it is a
9 notice to proceed.

10 Construction/substantial completion is an
11 event for the construction process. It has no bearing
12 on anyone else. It's a process between the execution
13 team, and that includes our contractor and inspectors.

14 And then, there's an accreditation process.
15 Look at the dots that are being connected:
16 Certification first, accreditation on the completed
17 end. This is a multi-discipline team comes out; no
18 people who have touched the project, who will accredit
19 that the building or buildings will function as we
20 certify.

21 After that accreditation process, then
22 there's an issuance of the certificate of occupancy,
23 and that is the same as you would get in the private
24 sector. Then, there is a formal turnover to the
25 customer; in our case, it would be a post, and that is

1 a very careful set of documents from the project
2 director -- That is the person on-site who has run
3 the job -- and the facilities manager, who also works
4 for OBO, but is assigned to post. It will say, "Here
5 is the state of play. Here is the punch list." And,
6 for 45 years, I've never seen anything that didn't
7 have a punch list about it. I recall my helicopter
8 days, when I was flying, that when any one of the
9 Hueys -- I'm talking Vietnam now, because we have to
10 center around the war -- had a problem, whether we
11 were changing an engine, or changing one of the
12 rotors, the first step in the process was to ensure
13 that the mechanic and the maintenance officer would
14 test-fly the helicopter. And, it would either have a
15 punch list, or not have a punch list. In many cases,
16 it did. They would come back, and make the necessary
17 repairs, and then another test would be done, and then
18 it was eventually released. I'm only saying this that
19 the process is similar to everything else that we do.
20 This facility manager, then, would have a list of
21 warranties that would be dealt with, as a relationship
22 with our contractor, and then, of course, any punch
23 list items would be cleared, and those would be
24 handled by our contractor.

25 Then, after that formal turnover and those

1 lists are in place, everybody signs up, then post
2 would, or could, move in the next day, or the next
3 month, or whenever they decided to move in. And then
4 there are some punch list warranties that are managed
5 external to that move-in, and then the contractor is
6 finally released. That is the process for every
7 single project OBO has touched. No deviation.

8 Okay, we've been fortunate to have lead
9 certification, very fortunate, because this group has
10 worked very hard with us to get into the environmental
11 and sustainability line, and I appreciate the good
12 effort, and it's paid off, because we now have a
13 green, or a lead-certified new piece of construction
14 in Sofia, Bulgaria. And we're looking at a lot of
15 different ways to move that forward.

16 Now, talk is cheap. I understand that. But
17 we have completed 47 new embassy compounds -- that's
18 not just one building, but multiple buildings -- over
19 the last six and a half years. Here are they; you may
20 go visit them and touch them. 47 are complete. We
21 have -- it's about taking people out of harm's way.
22 That's the whole purpose of this. And, to date, we
23 have taken 12,566 Americans out of harm's way. Well,
24 I would say, employees of the Embassy out of harm's
25 way. And also, at the end of this year, we are

1 forecasting that number to be close to 16,000. That's
2 what the resultant has been.

3 Now, this is what's on our plate. There's
4 another 34 new embassy compounds -- that's what NEC is
5 about -- and annexes under design and construction as
6 we speak. That's another \$3.2 billion worth of work,
7 versus the \$4.5 on the front end that I talked about.
8 So, if you do the quick math of a 34 and a 47, you can
9 see we're at 81 new Embassies and Consulates. The
10 rest of it, on the plate -- we do more than just new
11 compounds, and I think you know that, but the plate is
12 large. In our long-range plan, which is one of our
13 strategic documents, we have another 76 of these 81
14 types in the plan, to go for the next six years. Of
15 course, part of our other responsibility is to do
16 property management around the world, and we have
17 almost 18,000 properties that we must adjudicate
18 leases and other related matters, as far as project
19 management is concerned.

20 These are the new facilities that were
21 ordered in 2006. They are currently under
22 construction except one, and that is Djibouti, and
23 there are some legal issues ongoing with Djibouti --
24 and this happens, nothing unusual about it -- it
25 happens all the time. I would imagine we had one or

1 two on the Springfield interchange that most of you
2 can relate to, so nothing is unusual about that.

3 New facilities planned in FY '07 are listed
4 here. All are teed up to roll this fiscal year, with
5 the exception of Harare. And you read papers as well
6 as I do; we have some issues, our country has some
7 issues there, and we'll work through it, and that one
8 will roll soon, but it won't make it this fiscal year.
9 Everybody who needs to be informed on that has been
10 informed.

11 New ways to think, new ways to build. I
12 mentioned that we rolled this out after five years.
13 The panel members who have been here a year and a
14 half, and some of the early ones who are coming back,
15 know that we worked painlessly through this whole
16 process. You worked with me to help get this one
17 right, and we really think this is a model, in
18 particular if you touch in government and civil. It
19 was necessary, because of the shifts in the world,
20 that we change the way that we were doing business,
21 and all of this was about leveling the playing field.
22 I'm not going to go through all of these, but I know
23 many of you have them, or you can go on the web and
24 get them, or you can go to ENR's web and get them, you
25 can go to any number of places and get these, but

1 there's some 20 items here that we talked about. You
2 see a lot about risk allocation. You see things about
3 specialty contractors. Now, I understand that that's
4 a little bit of a red herring, because we're opening
5 the field, but our business has to be open to all
6 parts of the participating community, and that's the
7 reason for that. I knew it was sensitive in charge
8 when I put it in place, but we have to do this fair.
9 We got value engineering now on the front end of the
10 process, and et cetera, et cetera. And you can see
11 there, number 14, we increased emphasis on smart,
12 energy-efficient building. That's where the green
13 bill came out. And, of course, you see all the rest.

14 Now, I want to talk and show you now -- I've
15 talked about 47 complete, and 34 that are under
16 construction. Again, I want you to see what's
17 physically around the world. So this next one kind of
18 introduces what we're building. When we say an NEC,
19 we're not talking about one building. We're not
20 talking about an Embassy. We're talking about a
21 compound, generally on ten acres of property, and
22 generally property that has been used for any adverse
23 purpose. We build on no ammo dumps, or training
24 sites, or any of those types of things. They're
25 offered to us, obviously, but it causes us to go out

1 further, and that's a little red herring as well,
2 because we can't do stuff on main street and provide
3 the setback in security. We can't build next door at
4 the police station, although it's downtown, because
5 it's been used as a police station. So, we have to go
6 find property that's suitable to do what we need to
7 do. And sometimes, everybody doesn't quite understand
8 that, and they think that OBO is doing something
9 unique.

10 Okay. The menu on the left kind of tells
11 you what we put on this site, and some of it is --
12 I'll just leave it, you can read it. Now, starting
13 with this first one, is Dohar, in Qatar. You can see
14 the date. Our collage here of five buildings,
15 completed in 2002. This next one is another collage
16 of five completed in 2003. Situated on this chart is
17 another collage, completed in 2004.

18 On the next slide, starting with Abidjan, up
19 in the -- it's on the west coast of Africa, and in the
20 upper left-hand corner, in Cape Town, on the lower
21 right, completed in 2005.

22 Looking at the next one, Luanda, in the
23 west, little bit inward, middle part of Africa, and
24 Tbilisi, Georgia, down in the right hand corner, six
25 of them, 2005. There happened to be six in 2005.

1 And then Tirana, in Albania, 2006, and you
2 see some side photographs picking up things like some
3 office space, some of the features in the building, I
4 just want you to take note and kind of get a feel for
5 what you would see inside.

6 Kabul, in Afghanistan, you see there's a rec
7 center, a pool, and a kitchen, as well.

8 Then, in Conakry, Guinea, sort of a showcase
9 in Conakry to demonstrate the amount of light that we
10 allow in the buildings, and of course, you see some of
11 the interior. But more importantly, the exterior of
12 the building blends in nicely with the local
13 surroundings. It's a beautiful thing for us; it's a
14 wonderful thing for the host country.

15 This is Dushanbe in Tajikistan. Again, you
16 can see the building itself. The trees are beginning
17 to mature now; they've been after this now for about a
18 year. So, this is better.

19 Astana, in Kazakhstan, this is the second
20 Stans, as we refer to them. And you can see the
21 public diplomacy area with some 75 seats. This is
22 where the public would come in. It's outfitted with
23 all the latest and greatest. It has an interpreter
24 booth, just like Tim is sitting in now, to handle the
25 language situation, and of course, all of the

1 appropriate equipment for presentation.

2 Bamako, in western Africa, again, you can
3 take a look at that, and the structure down on the
4 lower right hand corner is to help with the elements,
5 whether they are wet or dry. They come on pretty hard
6 in Bamako.

7 This is Freetown, Sierra Leone, in a very
8 difficult place, but a beautiful facility.

9 This is in Belmopan, you would know it as
10 Belize, but it is 50 miles inward, where the ground is
11 a little higher, to take it out of the frequently
12 flooded area that results from the horrific weather
13 that happens there. But, the important thing is that
14 you see a lot of similarity in how we put the building
15 together.

16 There are no cookie cutters. The standard
17 design that we have, sometimes, debates about, has to
18 do with the Ambassador's office being the same size
19 everywhere, the political office being the same size
20 in Europe as it is in Africa. Elevator shafts,
21 mechanical rooms, et cetera, et cetera. It has little
22 or nothing to do with how the exterior will present
23 the building, another misunderstood matter.

24 This is Bridgetown, in Barbados. This is
25 Kingston, Jamaica. All of these opened just before

1 Christmas. This is Lomé, Togo, west Africa, opened
2 about four months ago. And, again, take a look at
3 what you would see as you enter the building to the
4 left. The paneling, the floor covering, et cetera.

5 Phnom Penh, in Cambodia, complete. Kampala,
6 Uganda, the -- part of the compound was completed a
7 few months after I arrived, and this is the annex
8 portion that we found funds and completed.

9 Conakry, Guinea, this is now an annex now
10 being overlaid there as well. You can see it, except
11 the same type of exterior.

12 Athens, Greece, a really beautiful site.
13 This Undersecretary for Political, Nick Burns, felt
14 strong enough to tell me personally how he felt about
15 this building. This is truly -- would make any
16 American feel proud, if you had an opportunity to
17 visit.

18 Accra, Ghana, again, is a crown jewel
19 sitting in western Africa. Everything is right on
20 this ten acres. It was built right, and I'll take a
21 point here to commend all of our contractors who work
22 hard for us, and we're proud of all of them. Our
23 contractor here has advanced the ball a bit, and they
24 have really, really put in place a class act, and to
25 that extent we are hoping to recognize the contractor

1 in a special way for some of their teamwork.

2 Kathmandu is next. This was just recently
3 opened a couple of days ago. This is also the annex
4 at Kathmandu. Again, look at the exterior. You'll
5 see none that will be the same.

6 Now, that's what's been completed. If you
7 were counting with me, that's 47. So, that connects
8 that dot. Now, the next dot: 34 under construction.
9 The list is here. All right? And what the cost,
10 here. That's the transparency. What you see is, our
11 business going in, there's no mystery about the money
12 that Congress appropriates for every one. Everyone
13 can get it, or knows it, so there's no issue there.
14 And we keep it transparent so everyone can see it.
15 So, if you want to know what Panama City's costing the
16 U.S. Government, it's \$100.6 million dollars. Port au
17 Prince, in Haiti, \$108.5 million dollars, and the beat
18 goes on, okay?

19 So this is Panama City, 99% complete, will
20 be open in 30 days. This is Algiers, 96%, about 45
21 days from the formal opening. Actually, the work will
22 be done in about 30. Rangoon, in Burma, very
23 difficult place. So restrictive, I don't even know
24 whether I'll be able to go out for the formal opening.
25 This is just how tough things are, but we have a

1 contractor that has performed absolutely superbly, and
2 a project director who has given it all to make this
3 happen. And that one will finish in about 45 days.
4 Managua in Nicaragua, much of the same, it's about 45
5 days from completing. Berlin, around April 1st of
6 next year. Very tough work there; we had to sandwich
7 this building in a very tight location. Any of you
8 have ever been to the Brandenburg gates understand
9 this as well as I do, that this was not the 10 acres
10 and having all the flexibility to do things.

11 Kigali, in Rwanda, deep down in mid to
12 eastern Africa, going to go before Christmas. Port au
13 Prince, early-late spring next year. And I don't have
14 to tell you how difficult it is in some of these
15 places. Quito, in Ecuador, toward the end of next
16 year. Ciudad Juarez, in Mexico City, early '09. Good
17 shot, might be the end of the year. Khartoum, Sudan,
18 where again, we have very difficult situation, but our
19 contractor has worked tirelessly with us on this, a
20 lot of puts and starts and so on, a little jerk around
21 by the host country, but they're hanging in there.
22 You can see they're all doing night work as we speak,
23 trying to do the best they can to help us with the
24 schedule, and we appreciate that. Skopje is about a
25 year or so away, not moving as fast as we would like,

1 but that's a management problem.

2 Mumbai, again, out in India, that was the
3 very large site, very wet site, and we're working hard
4 there. Baghdad is the last one, and the only reason
5 you don't see images here, and this has been standard
6 since we started, is because we've tried to not have
7 these images appear where they shouldn't go, and
8 unfortunately, in spite of not showing them, some
9 images ended up where they shouldn't be. But I want
10 to tell you about it. What you see here is some
11 bullets. There is a great management team, a hard,
12 tired management team. The first female, lady, who
13 has ever run a job of this magnitude for the State
14 Department is leading that effort. She volunteered
15 for the job, stepped up and said, "Send me." Has a
16 couple of cousins who are ambassadors, and she has run
17 an absolutely tight ship. Getting harassed, or
18 bombed, or not bombed, but rained upon with any number
19 of activities associated with war almost weekly, but
20 she's done well. I cannot say enough about she and
21 her team.

22 Back here, as we did for Moscow, as we have
23 for China, we have a special group that tends to the
24 management of the total project. That's run by James
25 Golden. He came out of the private sector with the

1 expertise we need. That's no different that we do for
2 any one of our other special projects, and he too has
3 done a superb job. We have a blended workforce there.
4 It's not all civil servants, as China is not, and as
5 Moscow was now, we have people who come back in, some
6 out of retirement. We're looking for expertise there
7 to make things happen.

8 There's a challenge every day in Baghdad,
9 but we're thankful that the project is at 95%
10 complete, and we have about a month and a half left on
11 a very touchy schedule. The schedule is touchy
12 because there are road closures. In fact, we're
13 undergoing one right now, where we're not able to get
14 the supplies and things that we need, and material
15 that we need, in. But, we'll have to deal with that.
16 We knew all of this before we got started, so there's
17 never any issues about crying or throwing up our hands
18 about it. It's been 24-7 since we got started, and it
19 is -- one accurate thing is that it is the largest
20 Embassy that we have encountered, but it is not a part
21 of a local man camp. A local man camp is a local man
22 camp. This compound is sitting on 65 acres, not 104,
23 and it is self-contained, just like you saw with the
24 rest of the 47. It has multiple structures that
25 allows an Embassy to operate. There is other acreage

1 that is adjacent to the compound, and on some of that
2 acreage, we currently have a camp, that was put in
3 place as a temporary camp, before we got started. I
4 would say that the government put in place, OBO had
5 nothing to do with it. And then on the other end, it
6 was suggested that maybe this camp should be moved to
7 the other end. We made certain that these projects
8 were not connected because, you know, people don't
9 quite understand all that we have just talked about.
10 So, we put a boulevard between, and planted some
11 trees, to make certain that it would be clear that
12 they were not connected.

13 So, the guard camp is a guard camp that is
14 being looked at. As you know, as a matter of course,
15 we don't specialize in guard camps. But those who
16 specialize in them have their arms around it, and
17 think they've done about 5,000 units here in Iraq, and
18 so they are dealing with that part. This particular
19 camp has 380 trailers at it, but in addition to being
20 a camp, our customer asked for some different things
21 than just a camp. They asked for a wall that matches
22 everything else that we have done. That's a little
23 different spin. They asked for a compound access
24 control mechanism; that's another apparatus. And,
25 asked for a dog kennel, as well, so these were some

1 shifts in the requirement.

2 And then, during that whole process, which
3 sort of gets after a two and a half month delay, was
4 71 days of no traffic, and you know that it takes one
5 truck to carry one trailer, or some portions of it.
6 So, getting trucks over the land was an issue.

7 Okay. You've gotten a little update on all
8 of that. I wanted you to know that this is a tough
9 road ahead. We've got Karachi, we go Addis Ababa, we
10 got Khartoum, we got Tripoli, and these are not garden
11 spots. But, I just want everyone to know that this is
12 where the work is, and there's nothing we can do about
13 it. The last time I checked, there's little activity
14 going on in and around Addis. Khartoum, you know, it
15 is not settled. Tripoli, anybody's guess, and et
16 cetera. So this makes this very difficult. So these
17 jobs, as well, are going to be -- these locations are
18 going to be problematic for us. But, we're in the
19 business to get it done, so we have to progress ahead
20 and get it done.

21 Are there any questions on the update? But
22 I wanted the panel, I've taken 40 minutes, because I
23 wanted you to have a complete update on the state of
24 play. Questions, anyone?

25 MS. SORG: General Williams, I have a --

1 GENERAL WILLIAMS: Yes.

2 MS. SORG: You mentioned that you had taken
3 out approximately 16,000 Americans out of harm's way,
4 and that's just great. Does that include the FSNs
5 that serve in these Embassies?

6 GENERAL WILLIAMS: Yes. Anyone who works --

7 MS. SORG: Or is it --

8 GENERAL WILLIAMS: Yeah, anyone who works in
9 the complex --

10 MS. SORG: I see. Thank you.

11 GENERAL WILLIAMS: -- is out of harm's way.

12 MS. SORG: Thank you.

13 GENERAL WILLIAMS: All right. Are there
14 other questions? And if there's any question you
15 have, because I really want you to sort of understand
16 our program and what we are doing. Are there any
17 questions about any of that? Yes, ma'am.

18 MS. WHITE: The budget numbers that you had
19 listed on the slides. Is that total construction?

20 GENERAL WILLIAMS: No, not construction.
21 That's total for getting the project to completion.
22 That includes management, and also construction.

23 MS. WHITE: So it's OBO's cost and on-site
24 cost?

25 GENERAL WILLIAMS: Yes.

1 MS. WHITE: Okay.

2 GENERAL WILLIAMS: Yes. Are there other
3 questions about this? You sure you're all right?
4 Okay. I'm begging like I do every month. Questions?
5 Questions? Clarification? Okay. I'm going to assume
6 that you got it. Okay. All right. Now let's switch
7 now, and go into today. We have an agenda today that
8 requires -- and for those who are here for the first
9 time, the panel members and my staff are given
10 homework. I don't know what happens in board
11 meetings, et cetera, but for this panel there is a
12 little work, and we'll be making presentations this
13 morning, and we'll have the panel view, and then we'll
14 have a Governmental view. Now, the team, they have
15 worked together. I don't think they will be -- their
16 presentations will be different, but I think the
17 ultimate goal will be the same, and that is helping us
18 have the best thought process around these issues that
19 we're dealing with.

20 I think what I would like to do now is to
21 just simply recognize the fact that we have four new
22 members that are joining us. First is Bill Flemming,
23 and I'd just like for you to raise your hand. Bill is
24 a Senior Vice President for pre-construction services
25 for the Skanska U.S. Building Company. He's

1 representing the Design-Build of America Association.
2 He has a tremendous amount of experience across the
3 board, including an MBA, trained in construction
4 management, et cetera, et cetera. You have his bio,
5 obviously, in your materials, so I won't go into it.
6 Bill, welcome to the panel.

7 Also, we have Nancy Goshow. Nancy is an AIA
8 member, but more importantly, she represents women
9 businesses. We've had women in small business as a
10 part of this throughout. Nancy comes to us very
11 qualified to sit on this panel; she holds a Master's
12 from Pratt, and a Bachelor's from Penn State. From
13 the standpoint of academics, she's a former member of
14 Skidmore, Owings & Merrill, and now she is doing her
15 own thing. So Nancy, welcome.

16 Also coming to us now for the first time,
17 and joining the panel, representing the National
18 Defense Industrial Association, is Darryl Horne.
19 Darryl is the President and CEO of Horne
20 International. Darryl is the founder of the Horne
21 Engineering Services. He's a VMI graduate, registered
22 engineer. He's been recognized as a top entrepreneur,
23 or close to it, by a lot of organizations. And
24 Darryl, we're delighted to have you on board.

25 The next member is Marvin Oey. Did I get it

1 right?

2 DR. OEY: Oey.

3 GENERAL WILLIAMS: Oey. He's a doctor type,
4 Ph.D., and prior to his current position as Director
5 of the Construction Institute, he's represented the
6 American Society of Civil Engineers. He served as an
7 analyst with the Independent Project Analysis, working
8 on a number of projects including work for oil
9 companies, chemical producers, pharmaceutical
10 companies, et cetera. The bottom line is, he is very
11 qualified to sit on this panel. So, I would like to
12 welcome the four new members, and before noon, we will
13 say goodbye to four other members and wish them well.

14 Okay. Now, what we will do now is tackle
15 the first topic. The first topic is new project
16 delivery. Now, why are we talking about this? Well,
17 we want to continually try to extract the best
18 thinking about the handling of a project when it is
19 complete. There's still some confusion among some, as
20 to what is done, and how it ought to be done in
21 respect to commissioning and all these things. So, we
22 want to have the absolute best thinking around this.
23 We have worked this very hard ourselves. Six years
24 ago, we added another C in our Construction Division,
25 and that was Commissioning, so we've been working and

1 thinking and trying to fine-tune this the best we
2 could over the last six and a half years, and we just
3 decided about six months ago, with the discussion with
4 this panel, that it was worthy of just taking time out
5 and doing some work about it. So what we have today
6 is the panel team, lead by Joel, Nancy, and John, and
7 then the OBO and Department team, led by Rob and James
8 White. So, I'm going to let them just explain to us
9 on how they want to go after it, and we'll all sit and
10 listen, ask questions. I encourage the panel members
11 to get into it. I want your absolute best thinking
12 around this, so that we can work through this.

13 I should say one thing before we get into
14 this. With your strong suggestion, about a year ago,
15 and it might have been Ed Denton or somebody that
16 helped us get this going, but we now have a preamble.
17 And this is confusing, because a lot of people don't
18 know what that is, and what is the preamble? The
19 preamble that we've put forth tells how OBO does
20 business. It is now integrated into future RFPs,
21 before you get into the RFP, you see about how OBO
22 operates. There should be a copy in each one of the
23 panel members' material. It is on our webpage, and so
24 all of this is available for anyone who wants to look
25 at it. It is very transparent. You saw the 14 steps

1 we put out this morning, and you got the Williams 20,
2 and et cetera. So, all I want to say is that we're
3 trying to be about process.

4 Okay. Rob, you're on.

5 MR. MCKINNIE: Good morning, everyone. My
6 name is Rob McKinnie, and I'm with the Construction
7 and Commissioning Division. And there are our team
8 members here Nancy on this side -- Nancy Goshaw, John
9 Pawulak, Joel Zingesser, and Jim White. There are two
10 parts. We're going to have a discussion, or a very
11 brief case study by John to show some of the lessons
12 learned from a very, very interesting facility out in
13 Ashburn, Virginia, and we'll also talk in terms of
14 process about the facility's role in the process, and
15 the Construction and Commissioning's role in that
16 process as well. So John, if you'd like to take the
17 lead and get us the whole review --

18 MR. PAWULAK: Thank you, Rob.

19 MR. MCKINNIE: -- of your case study.

20 MR. PAWULAK: Very short case study on the
21 commissioning out at the Janelia Farm Research Center
22 in Ashburn, Virginia. I have to give credit to the
23 corporate headquarters and to the Director of
24 Facilities at Howard Hughes Medical Institute, which
25 is the parent organization of the research campus, for

1 allowing us to use this as a case study. And it
2 represents a facility that, in many ways, is very
3 similar to an NEC, because it is multiple facilities.
4 It houses, it provides the administrative, the
5 laboratory facilities for the scientists that are
6 represented there. It's very different than an NEC
7 because it is not presented with the many problems of
8 construction, design, construction, and execution of
9 Embassy facilities in foreign countries, as well as
10 hostile areas, for sure.

11 It's an excellent facility, as you can see
12 from the information on the right. It's about a
13 million square foot of a very sophisticated
14 research -- active research biomedical facility, which
15 contains a hotel and residence for -- a long-term
16 residence for staff, for scientists that are working
17 there. It's self-sustaining; it contains state of the
18 art alternate power systems, high efficient boilers,
19 redundant chillers, multi-fuel capability with natural
20 gas and backup propane to support the facility, and
21 with multiple electrical feeds to ensure redundancy of
22 those systems. They consider it a green facility; it
23 has the second-largest green roof of any building in
24 the United States. It was built on a historical site,
25 which presented its own problems, such as building in

1 Berlin, for instance, and getting the authority to
2 build this structure so that it didn't obstruct any of
3 the view from the historical buildings around that
4 site. So, the designers had some challenges.

5 As you can see, it has some very high
6 efficiency boilers, chillers, and the generators with
7 their low emissions, and they all have catalytic
8 converters, and all of the air handlers pumps are
9 operating off the VFDs. A very efficient facility.

10 There's about \$60 million worth of
11 structural glass in the facility, which makes it one
12 of the highest use of that glass that was created
13 overseas, and then assembled here in the United
14 States. They consider this to be a very highly
15 successful commissioning project. And this was done
16 primarily by the corporate headquarters, where it
17 started out in each of the phases, and I'll touch upon
18 that in this case study. Next slide, please.

19 In their planning phase, which was primarily
20 at the Howard Hughes Medical Institute, Corporate
21 Headquarters, in Bethesda, they had their corporate
22 facility management group, which was made up of a team
23 of construction management, facility management, and
24 then commissioning agents, which were independent
25 commissioning agents. And they had the independent

1 commissioning agent focus on developing, early in the
2 planning stages, the scope, the schedule, and then
3 their preliminary evaluation approach, how they were
4 going to conduct this evaluation. I'm not going to
5 mention any names of agents or folks here. I'll keep
6 this just as generic as I possibly can.

7 That was the planning phase. A lot of work
8 went into forming the team. As very similar to the
9 OBO team, where they had construction and facility
10 management teaming together with this independent
11 commissioning agent, coming in early as they developed
12 the project in the planning phase, and even in the
13 conceptual phase.

14 Next phase is the design phase. Here, they
15 used the commissioning agent to help develop the
16 temporary conditioning plan. That would be the plan
17 for operation of the facility in the different
18 seasons, before substantial completion, which meant
19 that they had to do a lot of operating and maintaining
20 these facilities without the full control systems that
21 were available in the design.

22 They also put together the preliminary
23 preventative maintenance plan, so that they could see
24 as they went through construction, and early start-up
25 of the systems, that they would have a way to maintain

1 these systems to ensure proper operations, continuance
2 of warranties, et cetera, during that construction
3 phase.

4 The commissioning agent also worked on
5 developing the Computerized Maintenance Management
6 System. And look at the annual work plan throughout
7 the design, incorporating that, and even loading the
8 data into their CMMS, working on identifying all the
9 various areas of the facility, relating that to the
10 data, and then putting together the annual work plan.
11 And they did an excellent job in integrating the
12 preventative maintenance work order inventory modules
13 into other documents, such as the operator's manuals
14 and other procedures, so that operators could go
15 immediately through the database to those documents,
16 if necessary, for the operations of these systems.
17 Next slide, please.

18 In the construction phase, this is where
19 Howard Hughes brought on board their construction
20 manager, facility manager, on-site. About six months
21 out of final completion, they brought the independent
22 commissioning agent on-site, and that's where he did
23 more detailed data collection and assimilation of
24 information to go into the annual working plan, as
25 well as observing and doing the performance

1 evaluations of all the systems.

2 About 12 months before substantial
3 completion, Howard Hughes brought on their operations
4 and maintenance staff to participate not only in the
5 commissioning process, but also to shadow and receive
6 orientation from the installers, as well as receive a
7 contract to perform the actual operations of those
8 systems during the temporary conditioning period prior
9 to substantial completion.

10 The O&M's on-site staff simply consisted of
11 operators, chief engineer-sort of folks who could come
12 in, understood the systems, that could operate the
13 systems, and perform detailed technical evaluation of
14 not only specifications to performance, but also with
15 an understanding of residents' expectations of systems
16 performance. And they brought that with them to the
17 operations, and to the evaluation, and they worked
18 hand-in-hand with the construction manager, with the
19 facility manager, as well as the independent
20 commissioning agent on the site. It worked extremely
21 well.

22 As the construction progressed, they got
23 closer to substantial completion, they ramped up the
24 staff to bringing on the 24-7 watch and operating
25 engineers that were required to operate the facility.

1 Next slide, please.

2 In the turnover phase, where they did the
3 actual formal commissioning of the facility, the O&M
4 team, construction, facility management, operators and
5 maintainers, participated in the commissioning. They
6 were participating in the document transfer of the O&M
7 manuals' plans' specifications, a very important part
8 of it. They received the on-site training from the
9 installers, the manufacturers. They even visited
10 manufacturers' plants in various parts of the United
11 States to learn how these unique boilers and burners
12 would operate, and overcame some of the problems.
13 They worked during that commissioning period. Of
14 course, during that period, it is very -- a finite
15 period, in which the commissioning process is done.
16 These folks were able to spend a longer period of
17 time, so that they could observe the operation of
18 these systems under other seasonal conditions, and
19 they could observe more of the systems operating and
20 integrating over an extended period of time. And
21 then, of course, the O&M operators took over full
22 operations after substantial completion.

23 That is the commissioning out at Janelia
24 Farms. Howard Hughes folks believe that they were
25 very successful in that. Their facility is now in

1 full operations. They're still phasing in some of the
2 scientific operations there, but the biovarium, which
3 is the animal laboratory, is up and running. All the
4 residences are open and running. A very successful
5 operation.

6 GENERAL WILLIAMS: Thank you, John. I have
7 two questions.

8 MR. PAWULAK: Sure.

9 GENERAL WILLIAMS: And others may have some
10 as well. What was the construction period?

11 MR. PAWULAK: The construction period was
12 approximately 24 months.

13 GENERAL WILLIAMS: Okay. Now, you
14 mentioned, and I may have heard it wrong, but you
15 indicated that the O&M team came on board for
16 familiarization on how to maintain the facility. And
17 then, there was a small temporary contract for them to
18 operate --

19 MR. PAWULAK: Yes, sir.

20 GENERAL WILLIAMS: -- while the rest of the
21 construction was being done.

22 MR. PAWULAK: That is correct.

23 GENERAL WILLIAMS: How did the warranty lash
24 up work?

25 MR. PAWULAK: We were the -- contractors to

1 go over the operations and maintenance of the
2 mechanical systems from the --

3 GENERAL WILLIAMS: But didn't you have an
4 existing warranty --

5 MR. PAWULAK: -- from the prime contractor.
6 The warranty responsibility shifted over to Howard
7 Hughes Medical Institute when we took over the
8 operations --

9 GENERAL WILLIAMS: To the owner?

10 MR. PAWULAK: Right. Of that facility.
11 When we took over the operation of it, versus the
12 mechanical installer, who was --

13 GENERAL WILLIAMS: Because I'm sure the
14 contractor that did the mechanical had a little bit of
15 an issue with the temporary operation before the
16 building was complete.

17 MR. PAWULAK: Yes, that was quite an issue
18 between the owner and the mechanical operator. The
19 owner was concerned that the installers were not
20 capable of operating and maintaining the system.
21 They're good installers, and they did a fine job on
22 making the completion of the installation. The
23 system, when we took it over, was not integrated with
24 all of the controls and the other systems that are as
25 part of that facility. So they allowed the installer

1 to contract that out to us to operate for the
2 facility, under this temporary conditioning period.

3 GENERAL WILLIAMS: Interesting. Go ahead.

4 MR. TOUSSAINT: I have a question.

5 MR. PAWULAK: Yes, sir.

6 MR. TOUSSAINT: Somewhat related. What sort
7 of contract vehicle was this? Was this design-bid-
8 build, design-build, construction management at risk,
9 what was the --

10 MR. PAWULAK: I do not believe, and I don't
11 know the actual answer to that. I do not believe it
12 was a design-build.

13 MR. TOUSSAINT: So that -- in that sense,
14 the owner was warranting the design, so they owned
15 these coordination issues that you're talking about?

16 MR. PAWULAK: Yes, I would assume so.

17 GENERAL WILLIAMS: Questions, panel? Yes,
18 Ed?

19 MR. DENTON: I'm listening to all the
20 metrics of the project, and quite honestly, I'm
21 amazed. You built a million square feet in 24 months?
22 Did they work -- how many days a week? Multiple
23 shifts?

24 MR. PAWULAK: I wasn't involved in shifts --

25 MR. DENTON: I mean, that's an incredible

1 amount of square footage to deliver in 24 months. In
2 particular, biomedical facilities are extremely
3 complex.

4 MR. PAWULAK: Yes, they are.

5 MR. DENTON: So I'm amazed. I wish I could
6 do it.

7 MR. PAWULAK: The main facility was slight
8 under 700,000 square feet, and the remainder of that
9 is the residences, the hotels, and the records
10 facilities.

11 MR. DENTON: Remarkable.

12 GENERAL WILLIAMS: John, after you built it,
13 sort of a related question, how long was it before it
14 was occupied?

15 MR. PAWULAK: The occupation of that
16 facility is still ramping up. They started the
17 occupation last fall, with small contingents, and as
18 the rest of the building came online with the
19 scientists -- especially on the scientific laboratory
20 facilities, that is still ramping up at that point in
21 time.

22 GENERAL WILLIAMS: But after the 24th month,
23 the owner could have utilized the building?

24 MR. PAWULAK: Yes.

25 GENERAL WILLIAMS: Okay. Other questions?

1 Yes, Bill.

2 MR. FLEMMING: I didn't hear you talk about
3 a mold mitigation strategy, and I'm just curious, from
4 a commissioning side, how does that fall into the
5 strategy today? Because mold in buildings has been
6 getting -- from my standpoint, is getting to be a big
7 issue. So, how would you have dealt with that, or was
8 it dealt with, particularly with the air exchange
9 rates in a building like that?

10 GENERAL WILLIAMS: Um-hmm. Good point.

11 MR. PAWULAK: We didn't deal with any mold
12 mitigation. Perhaps the commissioning agent did, with
13 the owners, so I couldn't really address that.

14 GENERAL WILLIAMS: That's a good point,
15 William, and we will flag that for further research on
16 our part. I really would like to hear a little bit
17 more from you before the day is out about that,
18 because I do think you have your finger on something.
19 Yes?

20 MR. DENTON: Although I would like to add
21 that biomedical facilities have a tremendous amount of
22 air changes, so that's, I think, differentiates it
23 from most projects.

24 GENERAL WILLIAMS: Okay. Other questions?
25 Other comments? John -- yes, yes, Paul?

1 MR. ROWE: Just for clarity, with regard to
2 the independent commissioning agent, to what
3 organization entity was the independent commission
4 agent accountable to?

5 MR. PAWULAK: He was accountable to the
6 Director of Facilities at the Howard Hughes Medical
7 Institute during the planning and design phases, and
8 then to the Director of Facilities at Janelia Farms
9 during the construction and the commissioning.

10 GENERAL WILLIAMS: Is the Director of
11 Facilities responsible for O&M?

12 MR. PAWULAK: The Director of Facilities is
13 responsible for O&M.

14 GENERAL WILLIAMS: Okay, thank you.

15 MR. PAWULAK: Um-hmm.

16 GENERAL WILLIAMS: Okay. Rob?

17 MR. MCKINNIE: I think that Jim has the next
18 part of this, to explain the facilities, right?

19 MR. WHITE: General Williams, ladies and
20 gentlemen, my name is Jim White. I'm with the
21 Operations and Maintenance office within OBO. To
22 revisit what John has illustrated in his presentation,
23 a definition of what commissioning is: Commissioning
24 will be a very, very useful tool in helping OBO meet
25 its very ambitious, high-paced schedule of bringing

1 facilities online.

2 As John has pointed out, very, very
3 importantly, commissioning needs to be involved from
4 the design phase through the construction phase.

5 GENERAL WILLIAMS: Um-hmm.

6 MR. WHITE: It culminates in what the
7 General was alluding to, as sort of a test-flight of
8 the facility.

9 GENERAL WILLIAMS: Um-hmm.

10 MR. WHITE: And the way it does that is, it
11 quantitatively measures the performance of the various
12 components of the facility, and determines whether or
13 not they meet the design specifications, both by
14 themselves and in unison with the other components.
15 Next slide, please.

16 Currently, OBO uses three modes, or methods
17 if you will, of building commissioning. Total
18 building commissioning, which is used to bring new
19 facilities online; that's the business of PE,
20 currently. System reliability and functional testing
21 is used when it's determined that a facility no longer
22 meets its performance specifications, for whatever
23 reason. The objective of this exercise is to bring
24 the facility back within those specifications. That's
25 management by O&M. And finally, recommissioning,

1 which is done in conjunction with building
2 renovations, also managed by OBO O&M. Next slide,
3 please.

4 The importance of commissioning: The bottom
5 line here is to bring a fully functional, new embassy
6 compound or consulate online or ready for use. And an
7 important part of that consideration is making sure
8 that the operators and maintainers have the training
9 and the tools from the get-go. And as John pointed
10 out in the commissioning exercise that he illustrated,
11 it's important that training of the operators and
12 maintainers be considered and be executed;
13 familiarization with all the building systems; that
14 we've got enough maintainers and operators to do the
15 job; that the reference materials be provided: as-
16 built drawings, O&M manuals. Also, a basic load of
17 spare parts, and any special tools that are needed to
18 operate the facility. Next slide, please.

19 This slide gives a graphic comparison of the
20 responsibilities of the constructors, and the
21 responsibilities of the operators and maintainers.
22 The pie chart represents the total cost of the
23 building throughout its entire lifespan.
24 Proportionately, the construction costs are going to
25 be small than the operations and maintenance costs

1 over what we hope is going to be more than a 50-year
2 lifespan. Now, this particular model, it's 10 to 90%.
3 That's going to be different depending on the model, and
4 depending on the specific facility, but the
5 proportions are going to remain the same.

6 The chart in the lower portion of the graph
7 gives a depiction of the time focus. The constructors
8 are very, very necessarily focused on that
9 construction period of two to three years, depending
10 on the facility. The operators and maintainers start
11 their interest in the facility during the construction
12 phase. They're anticipating what they're going to
13 need to do, what training they're going to have to do,
14 what skills they're going to need to acquire. And
15 their time horizon is much, much farther out. It's
16 going to be the entire lifetime of the facility. Next
17 slide, please.

18 Another comparison: The highest priority
19 for the constructors is going to be bringing that
20 project in on time and under budget, with a minimum of
21 changes and a minimum of cost increases -- none, if
22 possible. The operators and maintainers are focused
23 on bringing a fully functional, efficient, and
24 effective facility online. The constructors want the
25 facility to be successful, they want it to be

1 effective, but that needs to be a secondary role for
2 them. They're focused on meeting schedules, on
3 providing a facility as scheduled to the users.

4 The primary goal for the operators and
5 maintainers is more long-range. And as I think most
6 of us in this room have experienced, any problems not
7 solved during the construction phase have to be solved
8 during the occupancy phase, and then the State
9 Department may be paid for from the operating expenses
10 at the particular post. Next slide, please.

11 My final slide: Commissioning needs to be a
12 team effort. Along with these three offices within
13 OBO, sometimes in the past, the functionality of that
14 team has relied on -- has been a factor of the
15 personalities of the team members. It's important
16 that we institutionalize this relationship, so that it
17 is optimal for each and every project that we do. The
18 second bullet: OBO has already recognized that having
19 the contractor manage the commissioning effort is not
20 that way to go. It doesn't meet OBO's needs, it
21 doesn't meet State's needs. The final bullet: For
22 the reasons that we've given in the previous slides,
23 O&M is perhaps the best suited to manage the
24 commissioning process. It's the office with the most
25 at stake, and it has that long-term horizon, that far

1 horizon, that is looking at the entire lifespan of the
2 building. Now I'd like to turn it over for your
3 questions and comments.

4 GENERAL WILLIAMS: Questions and comments
5 for -- around the presentation? How do you propose to
6 manage the "we" and the "they"? Or, "I think it
7 should have been left, when you went right?"

8 MR. WHITE: I'm sorry, General?

9 GENERAL WILLIAMS: I know it's a tough
10 question, but how do you propose to manage opinions?

11 MR. WHITE: Manage the opinions of -- are we
12 talking the commissioning team?

13 GENERAL WILLIAMS: Yes.

14 MR. WHITE: I think by institutionalizing
15 the roles that the players are going to play, gets the
16 players access along the process, and makes them part
17 of the process. If the process says that the various
18 players are going to be part of the planning process,
19 then the various offices will be pulled in. There
20 won't be issues on-site. The on-site personnel will
21 expect that the other officers will be participating
22 in the on-site reviews. So, that's what we mean by
23 institutionalizing those relationships.

24 GENERAL WILLIAMS: Yes, Ed?

25 MR. DENTON: I think your question is really

1 right on, and I think what it does is, it addresses
2 the issue of when do you bring commissioning on board?
3 If you bring on them early enough, the left and right
4 are resolved at the very beginning, because everyone's
5 in agreement, which direction it is, and if anything,
6 you underscore the need and the emphasis on
7 commissioning to begin at the earliest possible
8 moment.

9 GENERAL WILLIAMS: Um-hmm. That's exactly
10 my point, but I wanted it to be put out on the table.
11 I'm going to go to Joel, and then I'm going to come
12 back to Nancy.

13 MR. ZINGESER: Thank you, General. I guess
14 I need to start by saying, why am I here? Some of you
15 are probably saying, "We thought we got rid of this
16 guy."

17 GENERAL WILLIAMS: That's right.

18 MR. ZINGESER: And he's back. John Barotti
19 is not able to attend for the AGC, and I'm here
20 sitting in his place today, and it's a great pleasure
21 just to be here again --

22 GENERAL WILLIAMS: Thank you.

23 MR. ZINGESER: -- and see all the friendly
24 places, and have a chance to use this microphone and
25 talk some more.

1 GENERAL WILLIAMS: Thank you.

2 MR. ZINGESER: The thing about this that
3 strikes me is sort of basic. I don't see
4 commissioning as this big, difficult problem that it
5 has become. And it's only become this problem
6 because, the fact that we have more sophisticated
7 systems, we have more sophisticated requirements, and
8 in fact, in order to get the benefit of the systems
9 that we put in the buildings, we really do need to
10 understand how they work. There are experiences that
11 we've had, that you've had, where at the end of the
12 day, the people left with the facility don't even know
13 how to turn the fan on, so to speak, and that's a real
14 problem.

15 To me, the key points that I heard from the
16 case study, and that I'm hearing here, that are
17 paramount, goes back to the concept of performance-
18 based procurement, and the need, the critical need, to
19 have buy-in at the top. You heard about corporate
20 buy-in, transitioning to a facilities role, in the
21 first case study. The key is having those who are
22 going to evaluate and determine compliance, and the
23 fact that system is properly performing, involved in
24 the beginning, setting the criteria, and making it
25 clear what the evaluation processes will be. And if

1 those people wear an O&M hat, or a Facilities
2 Management hat, it's not important. What's important
3 is that there's a clear understanding, what is
4 expected at the end. Ultimately, the O&M people are
5 left with the building to run and maintain. There's a
6 lot of issues with different organizations in that
7 regard. For example, in some of our government
8 institutions such as the military, we could train
9 people very well, and on day 1 they can run this
10 place, and then guess what happens in a few months?
11 They get moved. So other people have to run that same
12 facility. So, the process has to be really clear for
13 keeping the staff up to date.

14 But to me, the key issue here is not whether
15 the contractor holds the contract, or whether the
16 Facilities Management people hold the contract, or
17 where it sits. It's this teamwork, it's the
18 commitment at the top, it's clarity of purpose and
19 performance, and then bringing it in throughout the
20 process, having it work throughout the process. I
21 thought that was a very key part of the case study,
22 that it wasn't something that started well down the
23 road. So basically, I think the issue of who holds
24 the contract to do it is less important than the
25 clarity of how the process is going to run, and the

1 buy-in at the top.

2 GENERAL WILLIAMS: Thanks, Joel. A
3 different take on this. Nancy?

4 MS. GOSHOW: I believe that you should think
5 of commissioning as a strategy. It's just as
6 important as a site plan, and I think we need to ask
7 ourselves the question, "Who best represents the
8 building owner?" And according to the chart that was
9 shown, 90% of the time, O&M is responsible for the
10 building. Thirty years. So, that's why that I
11 believe that O&M needs to be at the table very early
12 on in the process, and it has to be a strategy, not
13 just a plan or a schedule or tasks. It has to be
14 thought out wholly, as an equal part to everything
15 else that's going on in the very beginning of the
16 project.

17 GENERAL WILLIAMS: That's very good. Thank
18 you. Yes, Bill?

19 MR. FLEMMING: I do a lot of pharmaceutical
20 work, so I'll make an analogy to commissioning and
21 pharmaceutical work. And for those who are not
22 familiar with it, there's input qualifications, output
23 qualifications, and performance qualifications with
24 validating a facility. And oftentimes, the strategy
25 is to make the contractor responsible for proving that

1 the output qualifications actually meet the building
2 design, and letting the owner take it from there and
3 so-called "tweak" the system. And the strategy you
4 might want to think about is, although you want to
5 divorce yourself from the contractor doing the
6 commissioning, is having the contractor do a pre-
7 commissioning report. In other words, bringing it to
8 a certain point in commissioning, and then allowing a
9 commissioning agent to actually verify that and take
10 it to final completion and tweak it.

11 The reason for that is, it saves time.
12 Under the scenario where a commissioning agent comes
13 in, oftentimes what we see as contractors is the
14 following: Don't touch the equipment unless you're
15 going to accept it. And that does not bode well to
16 the speed of construction. You have to get the
17 commissioning going as you're building the building,
18 so how do you do that without this pointing fingers,
19 as you said, General.

20 GENERAL WILLIAMS: Uh-huh.

21 MR. FLEMMING: So, a strategy of requiring a
22 contractor to do this pre-commissioning may actually
23 be a strategy you want to think about.

24 GENERAL WILLIAMS: Uh-huh. Excellent. And
25 you -- back again, sort of at my earlier concern.

1 MR. FLEMMING: Um-hmm.

2 GENERAL WILLIAMS: Are there any other
3 questions or comments?

4 MR. McKINNIE: I -- just one comment,
5 Director Williams. We didn't actually complete our
6 presentation. What I wanted to emphasize is the fact
7 that our Construction & Commissioning Division has the
8 lead for commissioning, and what we've more recently
9 done is to bring online an independent commissioning
10 agent as a part of the FY '07 projects. We're
11 thinking outside of the box, and taking a new approach
12 to commissioning our facilities. Some of you have
13 already submitted tenders, submitted bids for
14 participating for the FY '07, and we do have that
15 coming online more recently. The other thing that I
16 wanted to emphasize is the fact that we have a project
17 team, Washington based, and we have the other part of
18 the team that is locally based, the project team
19 that's on the construction site. Those are design
20 professionals, those are design engineers,
21 construction engineers, who have been involved in the
22 project from as early as the pre-design phase. Right
23 now, we're taking these sites ready to build. Our
24 construction engineers are involved at that point, and
25 assisting the planners, making decisions about what

1 types of systems are going to be implemented or
2 executed for the specific projects that they have.
3 So, our construction engineers in the project
4 execution family, what was referred to as PE, are
5 involved as early as pre-design, so we know what's
6 happening. And from that point, we stay until the
7 facility is turned over to the Facilities Management
8 person. So, our office is quite involved in the
9 commissioning process as well. I just wanted to
10 emphasize that fact.

11 GENERAL WILLIAMS: Yes, Joel.

12 MR. ZINGESER: One other role that I think
13 can be very helpful in this process. We tend to focus
14 on mechanical and electrical systems and so on. We've
15 found that on-site, in, let's say, more traditional
16 buildings, the quality manager and/or the
17 coordinators, mechanical and electrical coordinators
18 that are working on the GC side, can be very, very
19 helpful in assisting and managing the coordination
20 with the commissioning agents and the owner's people
21 involved, and playing a role that's a little bit
22 unusual, or not historically defined in their roles.
23 Because, again, there is this point that you made, Mr.
24 White, in your presentation, about keeping the eye on
25 the ball, and I would -- obviously, representing the

1 organization that I do, I would beg to differ in terms
2 of our concerns about leaving a quality product that
3 will work well on into the future. But the reality is
4 that we do have people on-site who have that
5 responsibility, so it helps to integrate them more,
6 also, in the process. So that's another way of
7 looking at the roles of the GC, or in this case, the
8 design-builder's construction team on-site. Quality
9 management and the coordinator's roles.

10 MR. MCKINNIE: The genesis of the
11 independent authority, for us, was that we wanted to
12 be able to get it right. Part of the difficulty that
13 we found, being construction people on the site,
14 having on the contractor's side, is that the agent, or
15 the representative on the contractor's, very often had
16 other duties and responsibilities, so they were not
17 fully committed or dedicated to commissioning. And
18 very often, they were only in one discipline. They
19 were either mechanicals or they were only focused on
20 electricals. We are looking for bodies that are
21 multi-disciplinary. So that's part of the genesis of
22 modifying our new contracts to include an independent
23 contracting -- commissioning authority, or agent.

24 GENERAL WILLIAMS: Okay. Let me try Suman
25 and come back later.

1 MS. SORG: One comment I had is, now that
2 we've built and designed a number of these SED NECs
3 is, how much the commissioning agent and O&M would get
4 involved during the design of the standard Embassy
5 itself? Because, you know, a lot of complaints we
6 hear from the builder, actually, and then when the
7 building's turned over, is there's not enough ceiling
8 height, not enough planning space, to even get to the
9 parts that had to be replaced and are maintained. And
10 when you look at the window height, you know, it's
11 right there, so I think it would be good to get a real
12 review of even the SED by either O&M or a
13 commissioning agent, from that point of view. And
14 also, the spare parts, in the specs themselves, in the
15 SED specs, are very sort of blanket. I mean, I don't
16 know why the warehouse has to be full of tile that we
17 bought locally, you know? I mean, maybe it should be
18 full of things that we actually had to import in, and
19 need spare parts for. So, I think maybe a little
20 tweaking of the SED specs and drawings might be
21 helpful.

22 MR. McKINNIE: In response to your first
23 question, Suman, the authority coming online, for the
24 FY '07s, we will have the commissioning agents, the
25 contracts executed at the end of July. That's prior

1 to the FY '07 awards, so we are ahead of the game on
2 that.

3 GENERAL WILLIAMS: Yes, Nancy?

4 MS. GOSHOW: I'd like us to consider
5 thinking about commissioning, actually, in four parts.
6 Obviously, new buildings are commissioned. That's a
7 commissioning strategy.

8 Then, there's continuous commissioning,
9 because once the building is up and running, there's
10 always ways to improve the systems in their energy
11 efficiency and operations. And in addition, you now
12 have your operations and maintenance staff able to
13 report back and give problems and obstacles and
14 challenges they're facing, so that that continuous
15 commissioning should go on.

16 Then, there's re-commissioning, which is yet
17 another aspect of commissioning, and then retro-
18 commissioning, where you go back to existing buildings
19 and take a look at that. So it would be interesting
20 to think about it in four ways, instead of just
21 commissioning.

22 GENERAL WILLIAMS: Comments on that
23 proposal? On that suggestion, or that comment?

24 MR. TOUSSAINT: Actually, I think that leads
25 into a comment I'd like to make. I've been around a

1 little bit in the program, so I remember when we
2 started with constructability, maintainability
3 reviews, which is a very exciting and new idea. That
4 was about 20 years ago. But it was the first time
5 that we had -- actually, it was before we had an O&M
6 section. It took an outside consultant to lead us
7 into that, to see that actually, that chart that you
8 showed, the 10% - 90% chart was indeed where an owner
9 really had to place their emphasis, to make sure that
10 what we were building was maintainable. And that was
11 basically the genesis of our colleague's O&M and FAQ.
12 We've worked closely with them in PE throughout these
13 years, to stay focused on what we were building was
14 maintainable. They've grown to take the
15 responsibility of maintaining the facilities we turn
16 over to them, but what we have now is, we have a new
17 program. We have a new wave now. We have -- our
18 mission is to move people as quickly as we can, out of
19 harm's way.

20 GENERAL WILLIAMS: Um-hmm.

21 MR. TOUSSAINT: The vehicle we're using is
22 design-build. With that comes some complexities.
23 We're doing this overseas. With that comes
24 complexities. So, while we've talked about keeping
25 our eye on the ball, that ball is -- we're getting

1 better, but incrementally we're getting better. I
2 think that the effort that Rob has made to bring the
3 commissioning agent in, so it works for the
4 Government, is going to help us better inform what it
5 is that we need to get into our SED, as Suman has
6 pointed out, to improve the operability-
7 maintainability. But perhaps equally important is to
8 show that the skill sets to maintain these facilities
9 has to also kick up. Now that's not my problem in PE,
10 that's my colleague's problem, over here, when he gets
11 it turned over to him. What we do now, if we're
12 lucky, is Rob has some local engineers who want to
13 live in Abuja who will stay on and work for Paul's
14 people. Work for the Embassy. We import, and I call
15 our buildings being lunar landings, we import 300, 400
16 workers, skilled workers, from outside to go and build
17 a building. There are 50 Americans, sometimes, on
18 these job sites, with skills, that will soon depart.
19 We turn it over to a workforce to maintain that, and
20 that's where the rub is, as much as this commissioning
21 agent, you know, who it works for. As Joel says,
22 that's really irrelevant, I think. What we're going
23 to get is a far more precise identification of what
24 these problems are, and what kinds of efforts and
25 changes the Government -- the owner may have to make,

1 in terms of receiving that building, operating that
2 building for the life of it. So, I think -- General,
3 I don't think it's one quick step.

4 GENERAL WILLIAMS: Right.

5 MR. TOUSSAINT: You may just end the
6 commissioning, that's our job for now, we'll carry the
7 ball, and whenever and if ever it changes, it will
8 change, but this commissioning agent that all parties
9 around the table can use, I think, to better define
10 what our next step should be. If I'm on a soapbox,
11 excuse me, but I --

12 GENERAL WILLIAMS: No, I think it's
13 important, and I know the panel members understand
14 this, and I hope visitors who observe it as well, the
15 first consideration before you jump in any direction,
16 you really have to look at the particular operation
17 that you're involved in. And we don't want to
18 overplay this, but I don't know of any more difficult
19 situation, having been doing this for about 45 years,
20 that anyone could work in. And for me, whether this
21 was building schools in New York City, or doing the
22 Dulles Greenway, or building tank ranges in Europe, I
23 have seen nothing that has been as complicated and as
24 confusing and with so many variables attached to it,
25 than to build overseas in a country that is struggling

1 with its own traction in terms of how it's going to
2 settle out. This is a very difficult business, and
3 what we're trying to do is to borrow as many bright
4 ideas as possible, and try to come up with the
5 absolute best construct of where we are. And I think
6 the first step is already in place, and that is to
7 move the commissioning involvement on the front end of
8 the process, into the early stages of the process.
9 But we've got to be careful with locking in on a
10 precise roadmap at this point, because there are just
11 so many moving parts. Yes, Joel?

12 MR. ZINGESER: I apologize for the question,
13 but it's a simple one. Is there a debate within OBO
14 about whether to go with third-party commissioning?
15 Because if that is a question -- no, ok, so there's a
16 commitment to go to a third-party commissioning?

17 GENERAL WILLIAMS: Oh, yeah, yeah, yeah.

18 MR. ZINGESER: Okay, because that's clearly,
19 as I would say, an imperative for where we are.

20 GENERAL WILLIAMS: You'll never find a
21 debate in OBO on a fundamental issue.

22 MR. ZINGESER: Uh, why would that be?

23 (Laughter.)

24 GENERAL WILLIAMS: I don't know.

25 (Laughter.)

1 GENERAL WILLIAMS: You may find out though,
2 through one of the debaters, but --

3 (Laughter.)

4 MR. ZINGESER: Okay, thank you.

5 GENERAL WILLIAMS: Right, um-hmm. Are there
6 any other questions, concerns? Bob?

7 MR. CASTRO: General, there's one other
8 thing that Joel pointed to, that Joe sort of lifted,
9 and I just wanted to lay it out here, because these
10 business folks may have a perspective on it. The
11 further complication is not just overseas, but the
12 foreign service structure, which doesn't always match
13 up the project length. Rob tries his best to get a
14 project director identified early; we've talked about
15 that at previous quarterly panels. Paul tries to get
16 the facility manager as early as possible, just onto
17 the site, which is not always easy. And then there
18 are empanelling for our foreign service officers, and
19 all these kinds of things. Something you mentioned,
20 something Mr. White mentioned, about the institutions
21 that exist, and then the personalities, and I was
22 wondering if any of the panel members had some golden
23 nuggets for us on, how do we divorce it from
24 personality in the instances where there is not a
25 single facility manager. It's actually the foreign

1 service nationals and these folks who we're able to
2 hire who will probably be the 20-year continuity of
3 managing that facility, where as the FM will rotate,
4 along with the foreign service cycle, every couple of
5 years. What have you all learned in the private
6 sector that can maybe help us smooth those transitions
7 and handoffs?

8 MS. GOSHOW: One thing I've learned is that
9 if you set forward procedures and protocols, you
10 manage the procedures and the protocols, not the
11 people.

12 GENERAL WILLIAMS: Um-hmm. That's good.
13 Thank, you Nancy. Bill?

14 MR. FLEMMING: One simple thing, I've
15 noticed, is one of the biggest hurdles in
16 commissioning, and I'm back on complex facilities
17 again, is just the information flow. And just think
18 about somebody out in the field, trying to commission
19 something. He has to look up where the part is, he
20 has to look up information, he goes back to a trailer,
21 he's got to get the contractor. I mean, there's a lot
22 of time spent moving information around. So, one of
23 the things that I've seen that is fairly simple is
24 just bar-coding every piece of equipment on the job,
25 tying that bar-coding into the building information

1 model, and allowing the facilities people, when they
2 go out to the field, to have the information at their
3 fingertips. Not only does that speed the
4 commissioning, but as you start changing out
5 personnel, you don't have to find all this information
6 again. So it's a way of gathering a computer model
7 with everything you have, and that's a fairly
8 inexpensive thing to do, to just ask for the VAB boxes
9 to be bar-coded. It's a simple thing to do. It
10 doesn't really cost a lot, and you can tie it back to
11 your BIM model, if you move in that direction. So,
12 that's just a simple thing that I've learned, Bob,
13 that speeds those kind of things.

14 GENERAL WILLIAMS: Um-hmm.

15 MR. PAWULAK: A couple of things that we've
16 experienced in the transition, and we have the same
17 difficulty in starting up new projects, is identifying
18 a transition team, operators that are capable of
19 operating a multitude of systems within a new or an
20 older facility, that could go in and help out with
21 that transition, and to help move from the
22 construction over to the facility's operations and
23 maintenance.

24 Another very important part is the training
25 of incoming operators and maintainers who are coming

1 in there. Many of them cannot be there during the
2 initial start-up, or the commissioning, of the
3 systems. They can't shadow the installers --

4 GENERAL WILLIAMS: Right.

5 MR. PAWULAK: -- during this initial start-
6 up. So, it's very essential, and if at all possible,
7 to take electronic videos of the start-up, the
8 operations, catalogue that as best you possibly can,
9 as well as providing the hard documents, the O&M
10 manuals, and the plans and specifications. That will
11 go a long way in training the new FMs that come into
12 those facilities for years to come.

13 GENERAL WILLIAMS: Very good. Are there any
14 other nuggets, comments, on how you may help us?

15 MS. GOSHOW: I have a question. Every
16 building needs to have a keeper of corporate memory
17 for that building. You had mentioned public schools,
18 New York City public schools. I work on New York City
19 public schools also, and of course, one of the most
20 important people that you meet with first, when you're
21 doing anything with the public school, is the
22 maintenance -- the name is escaping me, you know who I
23 mean -- the custodian.

24 GENERAL WILLIAMS: Sure.

25 MS. GOSHOW: He's a key person in that

1 building, because he's spent most of his life at that
2 building, and knows where every valve is. He knows
3 where every piece of equipment is, what its failures
4 are, what its strengths are, when it needs to be
5 refurbished or replaced seasonally. How does OBO take
6 that into consideration with your maintenance O&M
7 moving around from location to location?

8 GENERAL WILLIAMS: Paul?

9 MR. ROWE: What I would say is that the
10 institutional memory at a particular Embassy site lies
11 both in the documentation that is, in fact, there, and
12 should remain there, and that everyone would have
13 access to. And also, with the local O&M staff,
14 because the moving around is normally done by the FM.
15 But the local engineers, the local technicians, et
16 cetera, once they have been trained and so forth, then
17 that's -- they're there for life. And, so, both in
18 the documentation and in the local staff who -- that
19 does not, in fact, get transferred around the way that
20 the FMs do.

21 GENERAL WILLIAMS: Any additional comments?
22 From the panel or staff? Okay, thank you very much.
23 This has been very useful. I just want to mention a
24 couple of things, I heard them being introduced again.
25 As many of the panel know, we spent almost a half day

1 on them, building information modeling, last time.
2 Thank you, Mr. White. Sorry to have kept you
3 standing, but the conversation was so juiced, I
4 thought we'd just let you be.

5 Also, I think we've talked about a lot of
6 things this morning, but I'm just surprised that no
7 one has spoken about funding, and what this would
8 cost. And what's been your experience, John, and
9 others who have made the suggestions, or even my own
10 staff. What sort of shifts, what sort of changes? Do
11 we expect to do this out of existing resources, or
12 will there be something different, or are we talking
13 now about another slice of funding that we need to
14 speak to the Government providers about?

15 MR. ROWE: I'll take an initial stab at
16 this. Part of any construction job, of course, is the
17 commissioning; when a project is, in fact, approved
18 for construction, then there is within this
19 construction budget the commissioning aspect. And
20 what we have been talking -- what has been, in fact,
21 conveyed so far is that where once, the general
22 contractor with regard to the construction of NECs had
23 the responsibility for doing the commission as well,
24 but what is happening now is that an independent
25 contractor is being -- an independent commission agent

1 is being contracted by the Government to do the
2 commissioning. All this is still using the funds that
3 are, in fact, available in the project fund for the
4 construction of the buildings. So, with regard to
5 O&M, with regard to what we were talking about, and
6 what Jim White's presentation indicated, was that the
7 responsibility for oversight of that process rests
8 with O&M, and the funding that currently exists in
9 contracts for that purpose would be the same funding
10 that we would be talking about utilizing in carrying
11 out that responsibility, were it shifted to O&M.

12 GENERAL WILLIAMS: Okay. Nobody wants to
13 jump on the cost on, do you?

14 MR. DENTON: For those that don't know, I'm
15 at a public university, and cost as a resource for me
16 very often is constrained. And so, it's actually a
17 big deal. And, commissioning, when we said, "We must
18 do this, we can no longer survive without it," really
19 meant that all of a sudden, I was adding a significant
20 increase to the soft costs on my projects. And
21 surprisingly enough, the most resistance I got were
22 from my staff, who I hold accountable to deliver the
23 projects for the budget they have, and they've set.
24 And all of sudden I'm saying, "Timeout. We need to
25 add a component to your project that's called

1 commissioning." And I found it took me a while to get
2 them convinced to the validity of it, because they
3 always felt, "Well, you know, I got a contractor who's
4 very talented. I have a series of sub-contractors
5 that are even more talented. Why do I need to do
6 this?"

7 Well, slowly, they began to realize that
8 when it came time to close the project, when everyone
9 else thinks they're done, my poor project manager is
10 still there, bringing everyone back to fix these
11 issues about coordination and all these things that
12 commissioning actually deals with. So pretty soon,
13 they became convinced, and they had to start, now,
14 adding to soft costs the cost of commissioning, which
15 in most cases is no small issue. It is actually real
16 money.

17 GENERAL WILLIAMS: Right.

18 MR. DENTON: And to make it a little more
19 complicated for me, I actually have a limit on my soft
20 costs, imposed by the State of California.

21 GENERAL WILLIAMS: Um-hmm.

22 MR. DENTON: So now, all of a sudden, I find
23 myself saying, "Gee, what am I not going to do for
24 commissioning?" Or, "How am I going to deal with the
25 added cost of commissioning" if, for instance, I have

1 a cap on my project. And it's been a significant
2 challenge on my folks to be able to do this, but I
3 must say, they're convinced now, and we're doing it,
4 and they realize that we must do it.

5 Now, the next big issue I'm going to deal
6 with, and it was brought up before, is BIM. You know,
7 in the private sector, there isn't really one program
8 that works for everybody right now. There's not an
9 AutoCAD for building information modeling. And so, I
10 have consultants who say, "Yes, we're doing it," but I
11 happen to know that they're spending an enormous
12 amount of time on it. And I need to link that up with
13 commissioning as well, so there's a lot of challenges
14 ahead for us. And I think if anything, and I really
15 liked what Joe said, and that is what is constant
16 today is not going to be that way tomorrow, and we've
17 got to be able to move with that, and we've got to be
18 able to change, and I think that's probably the
19 biggest key for us, is to continue changing and
20 adapting to all these different influences that we
21 have to deal with. And I think BIM and commissioning
22 is a connection that's extremely important, and in the
23 long run, it's going to make a big difference for us.

24 GENERAL WILLIAMS: Terrific. Thank you,
25 very much, for the input, and I'm really pleased that

1 you illuminated the whole notion of funding, because
2 being a Government entity, it's not a simple process.
3 We are looked at from the standpoint of where the
4 money is, and where it's going to go, from an approved
5 amount. And you really just can't push this away,
6 because it's going to have some impact, and we have to
7 recognize that up front. If were handed a
8 recommendation today, or a construct on "this is how
9 you should do commissioning," well, as a companion to
10 that, should be, "and here is some additional
11 funding."

12 MR. TOUSSAINT: Could I --

13 GENERAL WILLIAMS: Yeah.

14 MR. TOUSSAINT: -- enhance the question and
15 turn it a little bit, General?

16 GENERAL WILLIAMS: Uh-huh.

17 MR. TOUSSAINT: We have taken the cost for
18 commissioning out of, I think, Kathy, your folks
19 decided it was cost-neutral, or it might cost a little
20 bit more, so we loaded the contracts with that.

21 MS. BETHANY: It's not cost-neutral.

22 (Laughter.)

23 MR. TOUSSAINT: Yeah.

24 MS. BETHANY: We haven't even resolved what
25 and how some of the other soft costs --

1 (Laughter.)

2 MR. TOUSSAINT: And I think we volunteered
3 out of Rob's budget.

4 MS. BETHANY: Well, not all of it. We were
5 in negotiations --

6 (Laughter.)

7 GENERAL WILLIAMS: Now, this is the internal
8 OBO issue.

9 MR. TOUSSAINT: Yeah.

10 MS. BETHANY: Yeah, yeah, yeah.

11 MR. TOUSSAINT: But we didn't increase the
12 project budget. So, we kept that. And that, I'm
13 wondering, and I'll put this out as a question, once
14 we have, now, a commissioning agent working for us,
15 the Government, OBO, I would envision the
16 commissioning agent giving us some very good ideas
17 about what it's going to cost us, that 90% cost --
18 what is that going to lead us to in terms of a budget
19 definition, to maintain, operate and maintain these
20 facilities, for the life cycle? For the 50 years?
21 Probably more so than we have had in the past, because
22 now we're going to take it at the front end, we're
23 going to be following this project through. We're
24 going to know from the third party exactly what we
25 have there, and if we don't follow through on the

1 post-commissioning activities, we're going to pay a
2 cost downstream. How do you -- how have you used, or
3 is there any validity to that in your business? Have
4 you used the third parties as helping buttress up your
5 downstream costs, that chart that was just shown, you
6 know, the 10% - 90%?

7 GENERAL WILLIAMS: Okay. Well, as you can
8 see, we're wrestling a tough one here, and I sort of
9 like the way Ed and Joe have sort of put this, and
10 this is the way we're viewing it. We know we're not
11 at the end of the discussion, but we know that this
12 is, in fact, an issue, and we'll put it on the front
13 part of our plate. We're trying to work it as best we
14 can, and as carefully as we can, as we move forward,
15 because clearly we don't want any immediate train
16 wrecks around this. But, I just think that we have to
17 give attention to commissioning, as we have given
18 attention to BIM, and connectivity, and how we can use
19 both of these as new ways to do business.

20 But I think what we are sort of toying with
21 right, and I like one of the words that Nancy used,
22 and that is "have a strategy," the strategy would
23 be -- and in fact, we've passed that, that we are --
24 we know commissioning has be looked at differently,
25 and it has to begin on the front end, and sort of how

1 it shakes out at the end of the day, for us, is a
2 construct yet to be finalized. And that's about the
3 best way we can put it. We value all of the input
4 that we have gotten today, and this will be very
5 helpful as we continue to deliberate, and Rob and
6 Kathy take a look at this thing from the standpoint of
7 all the implications that we would have.

8 So, are there any other questions, comments,
9 about this before we try to move forward?

10 Well, thank you very much. We're going to
11 introduce the next topic, and that's about all we'll
12 get to do before lunch, because we do have to take a
13 few minutes and make some recognitions, but we do want
14 to launch into it because it's a very important one.

15 Best practices, in and for a design and
16 construction business. Now I sort of mentioned up
17 front that what we are trying to do with our results-
18 based operation is to use as many private sector
19 business best practices as we can. So once again,
20 we're looking at best practices for
21 design/construction business. Again, reaching out for
22 that one thing, those things that you feel might work
23 for us. So with that, we have Champions Suman Sorg,
24 Darryl Horne, Will Colston, and Joe Toussaint, and I
25 leave it up to Joe to lunch.

1 MR. TOUSSAINT: General, if I may. First
2 off, it's nice to meet you, Darryl. I feel that I
3 know you, because of your very able assistant, Renee
4 Bird, has been carrying the water for you, and I know
5 you've been in contact with you, but we had a virtual
6 team, General, with Darryl's travels. He will be our
7 star presenter. (Laughter.) So, just-in-time
8 delivery. What we did is, we're stepping back. Will
9 and I have an awful lot of opinions about this, and
10 we're going to restrain ourselves. Suman -- Sorg and
11 Associates has been working on many of our projects,
12 so Suman is very close to our issues. But we thought
13 that what we'd do is, we would have fresh eyes placed
14 upon this very good question, best practice for
15 design-build. So Darryl will present, do a
16 presentation. Depending upon our time, maybe we'll
17 pick it up after lunch --

18 GENERAL WILLIAMS: Uh-huh.

19 MR. TOUSSAINT: -- if you would allow us.
20 We did send out the preamble --

21 GENERAL WILLIAMS: Uh-huh.

22 MR. TOUSSAINT: -- so we made sure that we
23 all saw the preamble. We noticed in the Williams 20,
24 there are four, at least four, that target design
25 build, so we sent that material out. And then, of

1 course, just to make sure we sent out a copy of the
2 ALDAC (ph.), which is still in draft. So the process
3 of working, we wanted Darryl and Suman to be familiar
4 with our internal workings.

5 Now, I must say that while we were talking
6 about this, and we looked at Darryl's presentation, we
7 said, "Hey, we're doing this," or, "We could construe
8 that," so I'm going to leave that to Will to highlight
9 any of these things that come up, that may have some
10 focus on the way that OBO is doing business. Suman is
11 going to take her experience and I leave it to you and
12 Darryl to work out how you want to do this, but if
13 it's all right with you Darryl, would you like to
14 carry us through your presentation?

15 MR. HORNE: Joe, with that kind of
16 introduction, I guess I just have to say, "Yes, let's
17 just get right at it." (Laughter.) General Williams,
18 I really appreciate the opportunity to be with you
19 guys today. It's a very austere group. Being in the
20 industry, and seeing this type of energy and this type
21 of learning, putting it into a process to get to the
22 rigor that you need to get results that you're
23 getting, it's just heartwarming to be a part of that
24 this morning.

25 GENERAL WILLIAMS: Thank you.

1 MR. HORNE: Our challenge this morning was
2 to look at product delivery, and we'll get right into
3 the next slide, here. What are some of the best
4 practices in design-build process for overseas
5 construction when dealing with cultural, institutional
6 differences, and separate agendas between the parties?
7 That is one heck of a question when you deal with
8 OBO's mission across the globe.

9 GENERAL WILLIAMS: I commend you for
10 captioning my problem. (Laughter.) And I hope that
11 everybody else understands here, this is not a snap-
12 finger operation.

13 MR. HORNE: This is not one of those types
14 of things. This is a thesis for our college
15 professors here --

16 GENERAL WILLIAMS: Right.

17 (Laughter.)

18 MR. HORNE: -- to get at. But clearly,
19 you're doing it here at OBO, we're doing it across the
20 globe. We're only trying to rebuild the world right
21 now, as I look at it, from an infrastructure
22 standpoint. But it starts with strategic
23 relationships and partnerships, something that, you
24 know, I'm on a fast learning curve here, but I've
25 clearly got the indication here today that the team

1 here is a big team, focused on the commonality of
2 purpose, and that purpose is presented through
3 strategic relationships and partnerships. We've got
4 quite a bit of education and training for our foreign
5 partners. I must say that working with the Department
6 of Defense, I know this is one of Secretary Rumsfeld's
7 biggest learnings, as we got into Iraq, was that the
8 U.S.'s mission, globally, has changed quite
9 dynamically. We have quite a bit of learning to do in
10 this regard. We cannot make the promises we've made
11 historically. So what we're getting at here right now
12 is that understanding that all deals are done locally,
13 and understanding and being able to educate and train
14 what we know how to do as a nation to other countries,
15 is a significant training. It is preeminent here.
16 Creating the win-win, clearly we do that here. Really
17 getting an understanding of the local economy, really
18 understanding those non-governmental organizations,
19 the civic involvement and support, sharing technology.
20 I know lots of what I've just heard here is all about,
21 "What does technology bring to us, that brings these
22 million points of light together?" Sharing that
23 technology is very, very important today, and really
24 getting an understanding of these cultural
25 sensitivities, and that's where we'll start with this

1 dialogue about this particular topic. And I'll just
2 move on, we'll get to ask questions as we move
3 forward. Next one, please.

4 What best practices are implemented to speed
5 up and further streamline the design-build process?
6 This is something I know that you guys get at quite
7 significantly, so I'll just go through a number of the
8 ones that we're finding in the industry. Paralleling
9 quality insurance, the key of course is the adequate
10 scope definition, the all-elusive scope definitions,
11 we'll work through that. The early identification,
12 I've been hearing quite a bit of that, right now, as
13 we're talking. Commissioning, as an example. Leaving
14 the design guidelines loose, with performance criteria
15 designed to drive the creativity of the design-build
16 team. We've got lots to talk about there, but we
17 won't have the time to get a lot of that, but I know
18 one of the things that's happening, one of the big
19 waves that's happening right now in the industry is
20 contract assurance.

21 GENERAL WILLIAMS: Uh-huh.

22 MR. HORNE: Contract assurance, we're
23 beginning to see it come out in contracts. We're
24 seeing it in DOE right now, we're seeing it into the
25 Army contracts, whereas you've got an agency, and

1 you've got a contractor. And we have historically
2 been doing contracts for years. What Congress has --
3 I think a lot of this is the, is the pendulum swing on
4 Sarbanes-Oxley for public companies. We're basically
5 saying the processes and the rigor that we're putting
6 these processes and procedures, still leads sometimes
7 to failure. How do we identify and eliminate
8 liability-creating behavior in contracts? And I think
9 the Congress right now is looking for the institutions
10 and the contractors to really get at being able to
11 identify and eliminate these liabilities. And so,
12 when you're looking at this money question, the
13 Congress is going to ask you, "How can you, from a
14 contract's perspective, give us contract assurance?"

15 GENERAL WILLIAMS: Um-hmm.

16 MR. HORNE: "That you're going to be able to
17 do what you say you're going to do?" And so, that's a
18 big part of -- one of the major things that are coming
19 out of Congress right now.

20 GENERAL WILLIAMS: Um-hmm.

21 MR. HORNE: The qualified contractor pull,
22 clearly, that problem is one that is magnified with
23 OBO's mission. The procurement and construction
24 simultaneously, I've heard some talk about that
25 already. Getting the environmental approvals and

1 permits up front. And I just heard a little bit about
2 the warranty, and the RFP, so we're going to talk
3 about getting those warranties and reps right up front
4 in the RFPs. And including the draft contract, the
5 RFP information, and we'll move forward with a lot of
6 the incentives for schedule and cost savings.

7 So those are some of the things we're
8 looking at for implementing and speeding up and
9 streamlining design. Okay? Next one, please.

10 The next topic we thought we'd look at, very
11 briefly, is what are some of the best practices in
12 design-build process for commissioning the facility to
13 the operator, and how our residual issues resolve
14 There's already been a lot of discussion about that
15 today. So I have a couple of others here. Clearly
16 defining, up front, within the contract, as best we
17 can, and then the responsibility for turnover, in some
18 cases, the construction managers or project manager,
19 et cetera, et cetera. I think we've sort of gone
20 through that one this morning already, getting those
21 things done up front.

22 What best practices are implemented to speed
23 up obtaining security certificates within the design-
24 build process? And here we just want to highlight the
25 prior planning -- you know, it's all about

1 communication, and the communication in this
2 perspective we're talking about, multi-countries,
3 multi-different dialects, just speeding up that
4 planning with the local governments. Next one,
5 please.

6 Here it sort of capsulizes what
7 communication and teamwork process really is, those
8 lines of communication. You can see it for yourself.
9 But what I've heard, on this fast learning curve that
10 I'm on this morning, I've pretty much heard this is
11 what you're focused on. You're focused on getting
12 performances about this particular key factors. And
13 the last one?

14 I think we all know what the benefits are.
15 I think OBO is basically seeing the results of what
16 it's been putting in place thus far, the performance,
17 but streamlining the acquisition process, therefore
18 decreasing the cost and time to completion, allowing
19 for flexibility and innovativeness in design, and
20 ensure that the quality product is constructed. Those
21 are basically the tenets that we wanted to focus on
22 this morning to get the dialogue started around design
23 best practices.

24 GENERAL WILLIAMS: So -- before we move
25 ahead on Darryl's -- from Darryl, did anyone have any

1 particular, specific questions for him before we pick
2 up the rest of it? Because we'll open this up later
3 on, too, because I have many questions here, but I
4 think we need to hear the rest of it as we move
5 forward. Unless someone has a burning question now --
6 okay?

7 MR. HORNE: Thank you.

8 GENERAL WILLIAMS: Thank you, Darryl.
9 Suman?

10 MS. SORG: Good morning, Darryl and everyone
11 else in OBO again, it's a pleasure to be here. I
12 actually focused on something slightly differently,
13 which Joe and Will and I talked about, which is the
14 word, "businesses." Best practices for design and
15 construction businesses. And what I did was, it was a
16 very interesting exercise in looking at how businesses
17 that you interact with really function, and how their
18 practices work in the best way.

19 You know, we've learned a lot from your
20 great program. It's a -- you've ironed out many, many
21 kinks. You've got a well-oiled machine, and we're
22 marching in the same direction, more or less. And the
23 message is very clear, and the progress is very easy
24 to measure, as you've shown in your slides, and the
25 number of Embassies, and that's really how we also

1 have modeled our own firm. It's very interesting.
2 And all the other partners that we have, engineering
3 partners, construction partners, are looking at your
4 model to see what the best practices for their
5 businesses are.

6 And so, starting with ourselves, we
7 understand you have a hybrid design-build process; in
8 other words, it's not just a program where you set out
9 and try to find the lowest bidder, or the best
10 qualified bidder, but that you have an SED and all the
11 other complications that are discussed here today
12 about overseas building in war zones, et cetera. Next
13 slide, please.

14 But standardization is the foundation of the
15 OBO program, and it's what leads to the expeditious
16 way that it's executed, and so that's a practice that
17 all our partners are looking at also. But as you
18 said, not all parts of the Embassy are standardized,
19 nor should they be. So we quickly figured out what,
20 in our shop, should be standardized, and what should
21 not. And whereas the room for making the building
22 truly green, for example, when it's sitting in a very
23 different climate with, you know, 115 degree days, so
24 that's one thing that's a practice that we have.

25 And another practice that we have, it's the

1 next slide, is to look at what are the critical, you
2 know, not -- like milestones that we have to reach
3 quickly with our building partner. And so, we have
4 figured out what is it that is required to get to the
5 certification in a fast-track way, and how to make
6 partners at OBO for certification. It's still a
7 little bit of a mystery as to exactly when that piece
8 of paper gets signed, but we've learned how to partner
9 with DS, have them come over, bring our engineering
10 partners, go over -- you know, before we submit
11 anything, to make sure it's going to meet -- so
12 certification became sort of a pivotal point in any
13 project, for all our engineering partners and
14 ourselves.

15 And the next thing that we did for practice,
16 best practices for the businesses that work for you
17 is, next slide, is to really think about not just
18 ourselves as designers, as people -- and this is from
19 a business standpoint, because, you know, we may come
20 to this dance with different partners, but the only
21 real constant is OBO. So when and how to act as the
22 owner's role, when you're actually working for a
23 different boss, is a big training that we go through
24 in our company, as to keeping the eye on the prize,
25 which is a good building for an owner that's going to

1 occupy this for the next 30 years, and someone we want
2 to continue working for. So that road, although not
3 that clear in design-build, is something that we keep
4 in mind all the time.

5 In terms of -- next slide -- it's all of our
6 people, process, and product. That's really what it's
7 about. So, people usually means selecting the right
8 people. It usually means training them. It usually
9 means giving them the right message, the tools, and
10 then to really streamline the process, much like you
11 have, for example, in our businesses, and I've talked
12 to our engineering partners, and other AIA members, we
13 have uber experts, just like you have. We have an
14 expert who knows how the antennas all work, and she is
15 the one who educates everybody else on how the
16 antennas are working, for example, in a drawing.

17 And then we have experts on tacks, there's a
18 tack expert, and she keeps track of all the RFP
19 changes that you put out through every year, and all
20 the, you know, attachments and sub-attachments, and in
21 the code, so the process is more standardized, and
22 sort of specialized, is how we look at it, much like
23 yours.

24 And then it's a question of the product.
25 And, you know, everybody's reputation depends on the

1 product. It depends on what we leave behind, what
2 will be a mark that we've made, so with that being the
3 goal, as to having a product that you can be proud of,
4 that can be replicated, is important for our
5 businesses as well. So, when we talk about it a
6 little more, I can roll that into what Darryl said.
7 But I have one other comment. I went to a conference
8 on courthouses, and the keynote speaker was Stephen
9 Breyer, the Justice on the Supreme Court, and some
10 things he said that really struck me, that I thought I
11 would bring to this conference -- I don't know if they
12 really fit in here, but he really talked to the hard,
13 the touchy-feely aspects of what you are really doing.
14 And there's a real customer, and there's a real user,
15 and there's a real person -- people who actually
16 experience these buildings. And he talked about the
17 Boston courthouse that he helped build when he wasn't
18 the Supreme Court Justice that he is, and I was struck
19 by how much he owned that building, how much he felt a
20 part of the -- he was involved in the interviews, he
21 was even involved in picking the paintings that were
22 going to be hung on the walls. And guiding the
23 courthouse through Boston's difficult community
24 process.

25 So, I thought, there is a very important

1 message here, but I think we need more champions. We
2 need more people really talking about this, and
3 talking about, you know, I would like to see some
4 Ambassador on some PBS show, talking about what the
5 experience has been, and what a feat this is, and I
6 don't know exactly how to get that out there, but
7 somehow, that needs to happen.

8 GENERAL WILLIAMS: Suman, thank you very
9 much for your presentation. We will come back for
10 some discussion, but I do want to say three or four
11 things. First of all, your capturing of sort of where
12 we are, you know, we spent a year and a half in this
13 room, many of you hammering through design-build. We
14 talked about it, we raised it up, we left it for a
15 panel or two, we came back, worked it for another two.
16 You have just defined where we are. It's a hybrid
17 design-build. We tried to make that as close to the
18 clear construct as possible, but in the environment
19 and the situation we have to work in, with that
20 certification process that you just spoke to, it's
21 almost impossible to do anything but hybrid. So,
22 that's a good lift.

23 The other one deals with standardization.
24 It is useful to know the overarching platform from
25 which all of our projection comes from, it's about

1 trying to get things standardized. I talked about the
2 size of the ambassador's office, et cetera, et cetera,
3 or having somewhat of a standard design to help the
4 team start from, so that you have something generic to
5 begin your adaptation to our arrangement.

6 And I was really struck your lifting of the
7 fast-track certification type-thing. Because I don't
8 know what the private sector experience, probably on
9 the medical side, and Ed may have something on the
10 academic side, but clearly the certification process
11 for our business is very robust. You go no place
12 unless the certification is done. And this is what is
13 missed in a lot of what we do, because we're really
14 not out there just sort of doing things. Everything
15 is done by a process. It must pass through very
16 heavily-scrutinized windows. That is before we start
17 and after we finish. So, I think that's a very good
18 one. And all of this has to be fast-tracked, because
19 we're on a clock that is pushed by a notion, and the
20 real requirement, of getting people out of harm's way.

21 Right now, I must tell you that the biggest
22 problem I have today is that everybody in the green
23 zone wants to move into the new compound tomorrow.
24 They're beating and beating and beating and beating,
25 "I want to get in," including some of our military.

1 So, these are tremendous pressures, and they cross
2 current kind of pressures that we have. But that's
3 what we're in the business for, to try to do that.
4 So, this is very difficult. So, we're on a fast
5 track, not because Williams would like to have it,
6 it's because this is what the business is about.

7 The other one, which I thought was
8 important, is the role of all of those who work for
9 us, as this panel has been so helpful. And that is to
10 try to understand the dilemma we have, and Darryl
11 Horne probably put it as well as I have ever seen, and
12 that is dealing with a cultural, institutional
13 differences, and people with separate agendas, and
14 whatever. There are piles of agendas when we start
15 dealing with putting an Embassy up. And I don't even
16 want to get into all of them, that we really have to
17 deal with. And there is no country the same. Every
18 country has a little tweak on how they deal with
19 customs, and so -- and this makes it makes it very
20 complicated and difficult for our contractors to do
21 business. So, I am personally pleased to see these
22 two private sector presenters really get it, because
23 that's the real issue. The real issue is around how
24 different, and the fact that, how do we advance the
25 ball in this very crowded set of parties? Okay. I

1 think what we ought to do now, we're going to have a
2 lot of discussion when we come back. Will will make a
3 presentation, and we'll try to remember your notes
4 from Darryl and Suman, but you can see that it sort of
5 struck my passion vein, so we'll pick up from there.
6 But what we want to do now is, we've been after this a
7 while, we want to do something that I really enjoy
8 doing, and that is, quite frankly, recognizing people
9 who've been very helpful. I brag about this panel all
10 the time, because you have been very, very helpful,
11 Joel and some of the others who started with us, I
12 think he served three years or so with us, he's back,
13 feels close enough to us to come back and participate
14 and sit in for the AGC, as a substitute member. Of
15 course, John called me and told me he wouldn't be able
16 to be here, and that he had asked Joel to do that for
17 him. So, we're just pleased to have the opportunity
18 to do a couple of things.

19 First of all, in absentia for John, I'm
20 going to ask Joel to come up and accept a couple of
21 gifts for him.

22 (Laughter.)

23 Well, I know, yeah. So that we can properly
24 recognize John. Let me just tell what you what we do.
25 This is a collage of -- it's not 47, because we, you

1 know, we move with this. It has about 45 of our
2 Embassies and Consulates that we've built, so John can
3 say he was part of this historical piece of work for
4 the United States of America, because it has never
5 been done before. There are several people who got
6 something like this. Congressman Wolf and other
7 people, to try to remind you that this was very
8 difficult work, and it covers the scope of the globe.
9 So, with this --

10 UNIDENTIFIED FEMALE SPEAKER: I think
11 Barotti's in the mail.

12 GENERAL WILLIAMS: In the mail. Okay, you
13 put it in the mail. Okay. So, would you like to make
14 a speech for John?

15 (Laughter.)

16 MR. ZINGESER: No.

17 GENERAL WILLIAMS: Okay. Now, I have to
18 figure out how I'm going to get out of this.

19 (Laughter.) So, staff, do you want to make a speech?
20 Well, why don't we just take a photograph? Okay. Did
21 you send his book as well? You sent everything?

22 MR. ZINGESER: So, is this to go to John,
23 any of this?

24 GENERAL WILLIAMS: No, John's is already in
25 the mail. I just wanted to have a photograph with

1 you.

2 MR. ZINGESER: Okay.

3 (Laughter.)

4 GENERAL WILLIAMS: Okay. All right. You
5 know, there's something in the military called charm
6 school, and -- so -- when you're a brand new
7 Brigadier, you have to go to this school, and you get
8 squared away and all, so one of the things is that
9 sometimes, you get put into a little awkward
10 situation, and you can always get out of it if there's
11 a camera, because you can take a photograph.

12 (Laughter.) It also, it just tells you that I'm human
13 too.

14 All right. The real John, will you come
15 forward? The one that's hear today. You've heard
16 John's presentation this morning. John has added a
17 dimension to our panel that is very, very helpful. We
18 started our O&M thrust and thirst for information a
19 few years ago, and John has come in and really given
20 us a real boost. So John, I want to you to accept
21 this collage of photographs --

22 MR. PAWULAK: Thank you, General.

23 GENERAL WILLIAMS: -- with our deepest
24 appreciation for a job well done.

25 (Applause.)

1 And also together with the photograph and
2 collage, we're also going to give John a book,
3 "Building Diplomacy," this is a sort of an
4 architectural presentation of our Embassies and work
5 around the world, but I think it will work well in
6 your library. Thank you.

7 MR. PAWULAK: Thank you, General. Thank you
8 very much.

9 (Applause.)

10 GENERAL WILLIAMS: Now, will Ed Denton come
11 up? I know he's here today. Okay. You've probably
12 gathered from Ed's comments that Ed has a very, very
13 tough job in the academia world. He's a Vice
14 Chancellor for Facilities, and for someone who has
15 done a lot of academic facilities in a large town, I
16 know what Ed's job is about. He understands, as well
17 as anyone sitting around the table, what sort of job
18 we have here. Because obviously, we're dealing with
19 public funds, there's a lot of give and take about all
20 of that, and we have to try to get it right every day.
21 Ed has been very, very helpful, insightful. He has
22 been here for us, and given us his all, and Ed, I
23 really want to personally thank you for your help that
24 you have provided to your Department. Thank you very
25 much.

1 MR. DENTON: Thank you very much.

2 (Applause.)

3 GENERAL WILLIAMS: Okay. Matt Wallace.

4 Okay, I want to say a couple of special things about
5 Matt. When Matt came on the panel, he was supported
6 and nominated by the organization that he represents,
7 which is the Society of American Military Engineers.
8 When Matt was first introduced, a lot of the panel
9 members looked and said, "Well, are you sure?" I
10 mean, this is what they were saying with their eyes.
11 Matt is a young man, but Matt is a professional. He
12 really knows his business. He has been very
13 supportive and helpful, and I really wanted to have a
14 sort of a fresh look. Matt takes a very fresh look at
15 everything. He does his homework well. He's very
16 helpful and supportive, and Matt, I just want you, as
17 well, to take a copy of this collage, and use it as
18 appropriate, and think about us as you go about your
19 duties. Thank you very much.

20 MR. WALLACE: Thank you very much.

21 (Applause.)

22 GENERAL WILLIAMS: And with that, here's
23 your book as well.

24 MR. WALLACE: Thank you. Can I take a
25 moment? We did our awards ceremony with the SAME

1 folks at Fort Belvoir this past month, and I wanted to
2 personally deliver the Membership Chair of the Post
3 our certificate of appreciation to Overseas Building
4 Operations for being a member of the Society of
5 American Military Engineers.

6 GENERAL WILLIAMS: Thank you. Thank you
7 very much.

8 (Applause.)

9 GENERAL WILLIAMS: I want to tell you
10 something. He said Overseas Building Operations, not
11 to Charles E. Williams. So, this will be displayed in
12 our appropriate trophy case. If you've not been on
13 our first floor in our building, we have little
14 mementos there, so this one will go among those, and
15 please tell the Chapter that we appreciate their
16 thinking of us very much.

17 MR. WALLACE: Thank you, sir.

18 (Applause.)

19 GENERAL WILLIAMS: Now, somebody's going to
20 tell us what we're going to do next.

21 MR. SPRAGUE: The panel members and the
22 Managing Directors will be going upstairs for lunch in
23 the Executive Dining Room, and for all the other
24 visitors, we ask that you find an OBO staff member,
25 and we're identified with the red tags, and we'll

1 gladly escort you to and from the cafeteria. If any
2 of you need to leave, make sure that your turn in your
3 visitor badge at the desk where you came in.

4 GENERAL WILLIAMS: Well, now, don't -- don't
5 say that. We don't want anyone to leave, because
6 later on during the day, for those who have not been
7 here before, we like to recognize our visitors, and
8 let you introduce yourself, tell us a little bit about
9 your business, and so, if you don't have to go, please
10 stay. We really want you to be a part of the rest of
11 this. We have some excitement in terms of discussion
12 that's coming, so please try and stay with us.

13 MR. SPRAGUE: General, when do you want to
14 reconvene?

15 GENERAL WILLIAMS: Let's do it at 1:00.

16 MR. SPRAGUE: 1:00. Okay.

17 (Whereupon, a lunch recess was taken.)

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A F T E R N O O N S E S S I O N

(1:00 p.m.)

GENERAL WILLIAMS: All right, my friends.

Okay, we're going to try and get started. Okay, we ended up this morning just before lunchtime with a -- on a real high edge, because we had just been the recipients of two wonderful presentations by our panel members. And so we have the OBO side of this, now, that Will Colston is going to present, and after that, hopefully we can get into some dialogue.

MR. COLSTON: Thank you, General. Good afternoon, everybody. I hope you had a great lunch. Ready to dive into our topic, which is best practices for design-build construction businesses. What I wanted to do is kind of reflect back on some of what the Director presented this morning, specifically the results. As you know, OBO is a results-based organization, but it's one thing to kind of talk the talk and walk the walk. And what you see is, you see those 47 buildings, or 47 facilities, to be more exact, that we've been able to complete over the last few years, and what's exciting about it is that every time we come here and meet at the Industry Advisory Panel, the number continues to tick up.

We have, as the Director pointed out, 34

1 facilities that are underway. We have 12 that are
2 sitting on the plate, ready to go, and so we're ready
3 to keep that thing going, keep it growing, keep it
4 moving forward. But as you look, you hear one
5 singular focus, of OBO as a whole, and that being that
6 we put people into facilities that are safer, securer,
7 and of course, functional. Now, how do we do that?
8 You know, that's where the rubber really hits the
9 road. And if you look back and you reflect on the
10 best practices that the Director highlighted, we have
11 those -- those kind of baseline best practices that
12 we've incorporated within our business. Many of them
13 are attributable to members of the Industry Advisory
14 Panel, as well as other forums that we participate in.
15 Things like employing design-build to expedite those
16 schedules, to deliver those facilities as quickly as
17 possible, using integrated design reviews.

18 One of the things that we've done, and I
19 know in speaking with my counterparts on the industry
20 panel, is the fact that we've gone from your
21 traditional design/review process, where you have
22 multiple design/reviews by the Government, and then we
23 pitch a bunch of comments back over to the contractors
24 to try to resolve, we've come up with integrated
25 design reviews that we do twice during twice during

1 the design process. So, we do that as design
2 development, and then also at construction documents,
3 which is essentially like a 30-35%, and then like a
4 90%, give or take. Keeping in mind, of course, and
5 I'll touch on this a little bit later, because to me,
6 this is one of the areas I want to drill down, is the
7 fact that it's design-build, and so certain elements
8 of that design package are going to advance at a
9 faster rate than others, so that construction can
10 begin as quickly as possible. But we have to
11 recognize the environment within which OBO is
12 operating, within the Department of State, for
13 security requirements.

14 But before I go there, let me highlight a
15 few other items that I believe are extremely important
16 to recognize. Not being happy with the progress, the
17 results, is something that we do, and this Industry
18 Advisory Panel really epitomizes it. Looking for
19 those opportunities, to continue to improve, to
20 enhance those processes. We have those baseline ones,
21 program performance reviews, design-build, long-range
22 overseas building plans, things you'll see in the
23 preamble when you read it. But then, additionally, we
24 have kind of the next level, further refinements.
25 Things like the Williams 20, or at the door you can

1 get your glossy that you can slip into your pocket and
2 carry with you wherever you go. But, there's also the
3 risk allocation. And the Director hit on something
4 that, to me, is vitally important, is transparency,
5 and the fact that we want to remain transparent. We
6 want to focus on those relationships, because we want
7 to further that development of the projects, and the
8 only way we can do it is as a team. So, if you look
9 at the Williams 20, you look at the risk allocation,
10 those are focused very strongly, very heavily on those
11 relationships, and how the projects proceed.

12 Now, the Director highlighted a few of the
13 comments after my industry counterparts spoke.
14 Certification, there were four areas. And that's the
15 area where I really want to drill down, where we look
16 at the design-build process, and the fact that we
17 really need to address this certification requirement.
18 And I'll speak very candidly: One of the challenges
19 we have is quality assurance. If you look at the
20 certification process, and I'll try to be very brief
21 in my comment, but basically, certification occurs at
22 35%. Now, 35% doesn't come in until four to six
23 months into the process. Now, that happens on a 24
24 months schedule, you can do the math, you back it out,
25 you're at 18 to 20 months to actually construct this

1 facility. And having said that, there are a few
2 minor, local construction things, setting up sites,
3 and doing some grading that you can do ahead of time,
4 but that really puts the brunt of the construction at
5 the back end. And so, when we have problems with
6 quality assurance, or recurring issues, even though we
7 have qualified partners, or partners that have worked
8 with us before, this puts them, as well as us, at a
9 real challenge.

10 So, that's why I found it particularly
11 interesting and particularly helpful to look at things
12 like the uber team that Suman mentioned, where we want
13 to take a look at, as we move through the design
14 process, a continuous experience, continuous knowledge
15 with regard to the projects we're working on, so we
16 can try to speed these up. The other thing is, as the
17 Director highlighted, the hybrid design-build
18 approach. There's always that challenge between --
19 within the Government, particularly, where there are
20 special requirements, of performance-based versus
21 prescriptive specifications, and how do you find that
22 fine balance. In those areas where we have security,
23 prescriptive specifications oftentimes become very
24 important.

25 And so, those are things where I would ask

1 you, is, number one, ways that maybe you, like for
2 example in the Defense industry, have gates that you
3 have to go through, and how do you expedite moving
4 through those gates, as well as possibly advancing
5 those, and starting that construction as quickly as
6 possible to meet those schedules.

7 GENERAL WILLIAMS: Thank you, Will. I
8 couldn't have said it any better, so -- now, let's
9 dive into this a bit. I know we didn't have an
10 opportunity to interact very much, to react very much
11 to the presentation and Will's comments. Panel, what
12 do you think? We're talking best practices, we're
13 looking at the reality of the tasks that we have, and
14 we've sort of laid out -- outside of this, which is
15 focused around some good processes, we think, and a
16 lot of clarity up front with transparency and the
17 preamble that we've left you with, a copy of, and so
18 that you can sort of digest with us, and see how we do
19 business. So, what are your thoughts about these two
20 presentations?

21 MS. SORG: I just have a comment on Will's
22 question, which is certification. You know, in the
23 private sector, when we're doing, say, a condominium
24 building here in Washington, we issue drawings to the
25 bidder, and oftentimes invited, or negotiated, a

1 general contractor, and what we do is we issue the
2 drawings that aren't complete to him, and he gives you
3 a guaranteed maximum price. It's not a fixed bid,
4 it's a guaranteed maximum price, and he's talking
5 about, you know, what he's going to -- and Joel, you
6 might, you know this pretty well -- and I'm just
7 wondering, if there is a little bit of time between
8 when the test fit drawings going out, and you know,
9 the development of those drawings stopped the minute
10 you select a bidder based on the test fit drawing, and
11 I was just wondering, when we work in the private
12 sector, those drawings don't stop. They keep going,
13 and then when he's given his GMP, and then you give
14 him his final drawings, then he really gives the real
15 price. And I'm not sure if there's any lesson, Joel,
16 in any of this for -- can the test fit drawings be
17 continued to be developed until you're actually ready
18 to -- you know, closer to certification. I'm not sure
19 if there's something in there that could be useful.
20 What do you think?

21 MR. ZINGESER: Well, again, I guess we're,
22 in general, we have the good fortune in our industry
23 of having traditional design-bid-build methods of
24 procurement, and then in the last several years, the
25 coming of age of design-build as a method of

1 procurement, and now there's a great -- in the public
2 sector, it seems to be everyone in the agencies are
3 very enamored with the idea of construction manager at
4 risk, which is really the process that the private
5 sector has generally tended to use, which is bringing
6 a contractor on board early to work with the architect
7 and engineers through the design phase, and help meet
8 the owner's needs in terms of scope and quality, and
9 bring the knowledge of constructability and cost into
10 play at the same time. This hybrid design-build
11 process that OBO operates under, in many ways it's
12 amazing that you're able to do what you're able to do,
13 because as I understand it, you still are required to
14 award to the low bidder. Is that still correct?

15 GENERAL WILLIAMS: Uh-huh.

16 MR. ZINGESER: Yes?

17 GENERAL WILLIAMS: Um-hmm.

18 MR. ZINGESER: Okay. A true design-build
19 process would be more of a best value type of
20 procurement, and these are all discussions that we've
21 had before about what is, is, and let's move on. But
22 in the design-build process that you're working under,
23 the contractor, the design-builder is required to give
24 you a price, and that's it. Let's go.

25 So it's very imperative that as the process

1 proceeds from award on, that all those involved keep
2 their eye on the ball, which is on the one hand the
3 product that's going to be delivered, and on the other
4 hand, from a contractor's point of view, the price.
5 My preaching in the past will remain the same today,
6 and that is that it's much more difficult for an owner
7 than they generally recognize at first to operate
8 under a design-build process, because the onus is on
9 the owner to really understand and state clearly A)
10 what they want, and B) how they're going to measure
11 that they get it. And those two things, if they're
12 not made clear up front, you will get apples, oranges,
13 bananas, and pears when what you wanted was a
14 watermelon, and so on.

15 Now, as far as how you fast-track, one --
16 again, one of the benefits of CM at risk or design-
17 build is that you can fast-track the process. In the
18 private sector, a great story that, you know, sticks
19 in my mind goes back a long time ago, and that was
20 when Abe Pollin was awarded the franchise for the
21 Washington Capitals. He had already negotiated a
22 situation with Prince George's County on a piece of
23 land. The day he was awarded the contract, or the
24 franchise, as I understand it, he started digging.
25 There wasn't a design yet of the facility, but he knew

1 how big a hockey rink was. He had some idea of where
2 he was going, so he could expedite. Those kinds of
3 opportunities don't fall upon you with this
4 certification process. So, I don't know how you
5 expedite it exactly, under this situation.

6 MS. SORG: But -- you know, I don't know
7 where the 6 to 8 months are coming from, that you're
8 talking about. The certification that we, the
9 builders that we're working with, they go in at 35%.
10 And sometimes -- but their test fit is a little bit
11 less than 35%, but sometimes, you know, there have
12 been actually other agencies that actually issue the
13 35% as a bridging document that could come with a, you
14 know, closer to certification than just a test fit. I
15 don't know if that's been discussed at OBO, or --

16 MR. ZINGESER: In this case, you have the
17 standard design, which is not a set of bridging
18 documents, but certainly an element, you know, that's
19 put on the table. Maybe I'm missing your point here.
20 Bill, I don't know if you've got anything --

21 MR. DENTON: Yes, may I ask you, just
22 briefly, for you to define certification? What
23 actually happens at this milestone?

24 GENERAL WILLIAMS: Will?

25 MR. COLSTON: In its very essence, what it

1 is is, we have a legal requirement. There's a law
2 that requires us to certify that the facility meets a
3 standard. What that means is, is goes through a
4 review by our diplomatic security and other
5 stakeholders, to review the design, and assure
6 themselves that the appropriate security measures are
7 in place.

8 Now, some of the things we've done to try to
9 help speed that process, and expedite that process, is
10 to create a checklist that details each and every one
11 of those critical items, so that as these designers go
12 into their design process, they are able to then
13 verify for themselves and assure themselves that those
14 security requirements are incorporated into the
15 documents themselves. However, we find that
16 oftentimes, we get into the design reviews and there
17 are certain critical elements that have been either
18 left out or overlooked by accident.

19 But that's essentially -- the process ties
20 in, as the Director pointed out, two-fold. One is, is
21 during the design review, about 35%, it's somewhere, I
22 think, around four months, sometimes as much as six,
23 they'll go through that design review. And then we'll
24 certify to Congress, or there will be a certification
25 to Congress, but the Department of State that says,

1 "Yes, this design meets the standards," the security
2 standards.

3 As the end of the job, there's
4 accreditation, and that verifies that it was, in fact,
5 constructed to those standards.

6 GENERAL WILLIAMS: And, let me just add to
7 what Will said, because this is a very useful
8 discussion, and sometimes this is where clarity and
9 interpretation of what our awesome task is, because
10 the going-in position for the Overseas Building
11 Operation, in its current construct, was that -- to
12 build facilities overseas, diplomatic facilities, that
13 are secure, number one, and safe. And obviously,
14 function around those two matters. So, it's very
15 clear what we must be focusing on. That's the reason
16 we have a biochem system that costs millions of
17 dollars on every one of our buildings. And I can go
18 on and on. So, that's kind of what we are up against.

19 Let me say a couple of things, because it's been
20 very interesting from Joel, and also Suman's,
21 standpoint. No, we do not have a classic set of
22 bridging documents. We have a generic design, which
23 helps the design-build team understand exactly what we
24 want. We only build diplomatic facilities. We don't
25 build other facilities. Occasionally we'll do some

1 housing, or something of that nature, but we know that
2 we are not Toll Brothers, or any one of the other
3 housing companies. But, what we do try to have is
4 considerable knowledge about diplomatic facilities
5 around the two overarching requirements that we have.
6 So in order to move into construction, we have to
7 satisfy the providers of funds that what we are
8 building does in fact capture the components that
9 relate to security, and safe, and the building is
10 built -- is designed to be functional. And then, that
11 is checked, if you will, once the construction
12 completes, is complete, against the accreditation
13 process. So we meet ourselves again, doing
14 accreditation, with this multi-discipline team,
15 persons who do not normally work every day on that
16 particular project. We come back with a set of coal
17 eyes and look at the end result in a different way.

18 And of course, the ultimate is, we have
19 something you can go out and touch, is the way it
20 works. So we are in a little different lane, and
21 that's why we try as much as we can to offer this
22 transparency, so everyone understands that this is
23 what we are doing. Now, someone like myself, people
24 who may build post offices or correctional
25 institutions, and in my case, I built a lot of schools

1 and a lot of roads and this type of thing. If you're
2 doing just the one particular type of construction,
3 then you can do some things to try to aid your
4 partners to get there. I think the Standard Embassy
5 Design offers that opportunity, because it sort of
6 takes the mystery out of "What do you want?" It kind
7 of gets you there, and I think Suman would agree to
8 that. It doesn't meet the full construct of a
9 bridging document, and quite frankly that was never
10 the exact intent, but we -- and then, what we've done
11 of late, around the RFP, with a lot of good help here,
12 because a lot of your colleagues, and some of you
13 here, helped us clean up and really lean down, if you
14 will, this whole RFP process. And also, gave rise to
15 the preamble, and all of this helps with clarity. So,
16 I think today, as we said, I don't think it's much to
17 be said about, "What do they want?" Because, if you
18 connect to the overarching mission, and couple that
19 with the two other dots, that is, the amount of money
20 that we are advanced from the Congress is clear and
21 open, and that's a one-shot operation. Now, a lot of
22 people might say, "Well, all you got to do is go
23 back," well, I haven't seen that work. And if someone
24 knows you could go back, I would say, "I will implore
25 you today, and you be the go-back person."

1 (Laughter.) And if you can get it, that's good.
2 So -- but I haven't seen that work. What I've seen is
3 that we are expected to be vigilant about cost,
4 because it is our taxpayers' dollars, and he have to
5 do the best we can with what we come out. And this
6 sort of channels us down some different roads, but
7 this is the reason for this panel, because we're
8 trying to get every idea that's out there to try to
9 help us deal with it. And that's why we lay it all
10 out, and we've had some very, very frank discussions
11 in this room, as we're having today. What we're
12 bringing to you are real issues that we need help,
13 we're serious about commissioning, and we know we have
14 to deal with it. And we want to employ a best
15 practice that makes sense. We think, for us, clarity
16 around what we want is important. We think it's
17 absolutely to state to you what the big nuggets in our
18 bag's about, and that's secure, and safety, and
19 obviously, the place should work. And of course, with
20 that, we get standardization, because we've had some
21 internal issues with something different in one part
22 of the world, and then to use William Flemming as an
23 example, he'd get assigned to west Africa, and said,
24 "Well, gee, I don't have the same type facilities."
25 So you get away from that by having standardization,

1 from that standpoint. And then you know that we have
2 other equity partners, as well, that we have to
3 contend with. Joe?

4 MR. TOUSSAINT: I was listening to this, and
5 Will's focused on the certification, and that was one
6 of your steps on the 14 steps. When we talked about
7 the term that Darryl used, of parallel QA, that struck
8 a -- that resonated with what Suman was kind of
9 talking about, when she talked about getting a fast-
10 track certification. So here's -- here is a business
11 partner that's figured out how to skin the cat. I'm
12 going to have to look at -- because this certification
13 is the long hole in the tent, and I got to lick that
14 one, because there's nothing that says that I can't do
15 it faster than the four or the six months. I can do
16 it in a week. If I can produce the documentation
17 that's going to allow the stakeholders to certify it
18 -- remember, the stakeholders are coming from a
19 design-bid-build mentality. What they want to see is
20 a complete design, so they can see how every door
21 operates, how every window -- where every window is.
22 Imagine a complete facility where every conduit goes.
23 That's the culture, the mindset, we're working
24 against, or working with, I should say. And we've
25 made a lot of good traction in that area; the

1 checklists that Will refers to. That de-mystified.
2 Here's what we're looking for. Here's what you have
3 to show us.

4 And we've gone the next step, and this is a
5 step where I'm out on a limb, and I'm not too
6 comfortable being here in this position. It's where I
7 will get the feedback from the certification
8 authority, saying, "Here is your punch list," again,
9 the punch list. Now this is on the design punch list.
10 I will get back from the design-builder, scout's
11 honor, "I will comply with all the terms under that
12 punch list," and then I can basically certify that we
13 will give you what you need for certification. Based
14 upon that, we can move forward.

15 Now, I'm wondering if we might -- if there's
16 some examples you can think of where we carry this
17 through the life of the project. Because, while at the
18 front end we have a concentrated team effort, once the
19 certification is reached, then we start to go off into
20 the various different groups. So, Bill Miner the
21 security engineers go out, and they look at embeds,
22 and Steve Klein's technical security engineers go out
23 and they look at other components, VS does other
24 things like that. Maybe we need to, if there's some
25 best practice models in the industry that we could

1 use, where you have some sort of a rolling, following
2 certification team, because all accreditation is, is
3 validating the certification.

4 GENERAL WILLIAMS: Uh-huh. Right.

5 MR. TOUSSAINT: It's the same thing.

6 GENERAL WILLIAMS: Right. Yep. Yes, Joel?

7 MR. ZINGESER: This is interesting, because
8 the one thing I didn't throw out, when we were talking
9 about commissioning this morning, and I mentioned it
10 to General Williams at lunch, is sort of the big
11 elephant in the room, and that is, that commissioning
12 process needs to recognize that there's out-of-
13 contract systems that need to be commissioned and
14 integrated, so whoever the commissioning agent is,
15 ought to be certified, if you want to use that term,
16 to be able to walk both sides of the road and make
17 sure that that's happening. When you introduce the
18 concept that Joe is suggesting, it once again goes
19 back to the beginning of the process, and the idea of
20 buy-in and understanding making not only transparent,
21 but in this case making clear to those who are going
22 to have to do and be accredited with their work being
23 accredited at the end, make clear what the metrics
24 will be to do that accreditation. Because when you
25 know, on a performance base, what the criteria are,

1 you really only know half. You have to know what the
2 test is, what the measure is. I'm asked to provide so
3 many BTUs, or anything -- air change, whatever it is,
4 I want to know, okay, how are you going to measure it?
5 Well, in the case of air change, that's easy, but some
6 of these others, you need to know clearly how the
7 measure's going to be made. If that package sort of
8 can come together early on, then I think you can start
9 to drive more quickly towards incremental resolution
10 or definition of, you know, where we are in that
11 process, and begin to maybe accelerate it somewhat, a
12 little bit, and advance the -- or at least have more
13 flexibility in driving a schedule to the end. Does
14 that make sense?

15 GENERAL WILLIAMS: Yes, we got that. Other
16 comments? Yes, William.

17 MR. FLEMMING: I'll make another analogy to
18 the pharmaceutical industry, and I'm not pitching the
19 FDA here or anything, but if you look at the way the
20 FDA works, you as a drug company are responsible to
21 produce a drug that they say is acceptable to the
22 standards that you present to the FDA. They don't
23 give a certification, they don't have to give
24 anything. They, at the end of the day, come in and
25 validate -- they look at the validation paperwork,

1 they say, "You designed it, you constructed it the way
2 you said you were going to, you should produce the
3 drug." That's basically what they do. They don't
4 give you a piece of paper that says yep, you did it.
5 But along the way, they do various steps. They'll
6 meet with you to review your master plan, which you
7 present your process paperwork, and this is how we're
8 going to do it, this is the end product, these are the
9 input requirements, and so forth. And it appears to
10 me, from what I hear, you're somewhat constraining
11 this process, because you want to stop, review
12 everything, and then this accreditation, where in the
13 end, the responsibility is going to be on the design
14 builder anyway, if you've laid out the criteria
15 correctly. So if you've given this checklist, why are
16 you going through the certification process, if the
17 design-build team really knows what they're supposed
18 to do at the end of the day? You're slowing the
19 process up.

20 GENERAL WILLIAMS: Wow. I just wish you
21 could talk to a few more people about that.
22 (Laughter.) Because, you have to understand, I didn't
23 invent certification, I didn't invent accreditation.
24 (Laughter.) I know at the end of the day that the
25 design-build team takes, and has, the responsibility

1 for making certain that the end product is correct.
2 But these are requirements, and that's where I would
3 leave that. But you can speak for us anytime.

4 (Laughter.)

5 UNIDENTIFIED SPEAKER: Well, that's a
6 helpful analogy.

7 GENERAL WILLIAMS: Yes, it is.

8 UNIDENTIFIED SPEAKER: The FDA and so forth.

9 MR. FLEMMING: If anybody is going to be
10 more stringent than you guys, or as stringent, it's
11 the FDA. And they're more lackadaisical in their
12 process -- not more lackadaisical, they're more
13 lenient in allowing the manufacturer and the EPC
14 company in that case, the Engineer, Procure, Construct
15 company, to meet the requirements of what they say
16 they're going to do.

17 GENERAL WILLIAMS: Yeah. That's -- I'm with
18 you, 100%. Okay. Yes?

19 DR. OEY: Please forgive my naivety in all
20 of this. It's kind of a learning curve. I come from
21 kind of a different background in academia, but one of
22 the things that I had a question about, the
23 certification, I do understand it's a requirement to
24 have the 35%. I've been faced in situations where I
25 was thrown into an organization that did things the

1 old way, and so I -- instead of trying to change
2 things, I kind of gave up on that. I tried to modify
3 the way things worked, or I tried to include things
4 into their process that would help me do my job
5 better.

6 But one question I had was, as homework
7 before coming to this, I surveyed several different
8 contractor companies, one of which was H.B. Zachry,
9 which I'm sure all of your familiar with, and some of
10 the things that they mentioned to me where this SED,
11 the Standard Embassy Design. Now, in the
12 certification process, is it focused on just the
13 design aspects of the Embassy, or does it also start
14 include -- or start talking about how it's going to be
15 built? Because I've heard some comments on, "The
16 design is there, you've got 3 6-foot thick concrete
17 walls that have to be built by American imports." Am
18 I overstepping, or --

19 GENERAL WILLIAMS: No, just talk about
20 something else, okay?

21 (Laughter.)

22 DR. OEY: So that was kind of -- was that
23 included in that certification process, or --

24 MR. COLSTON: I think the answer is yes.
25 The -- basically, what you have, the primary -- the

1 main emphasis of the design, or the certification, is
2 to assure ourselves that the design itself meets
3 specific security requirements. One of the nice
4 things is, there is -- the legal requirement says you
5 have to have a certification. It doesn't say when it
6 has to happen, and in fact, if you go back in time,
7 having it at the 35% stage doesn't necessarily mean
8 that those security elements are at 35%; they have to
9 actually be at 100%. So that gets to some of my
10 earlier comments about speeding things up. In the
11 past, I believe, it was actually 100%. So that's been
12 a compromise in and of itself, I think, working with
13 diplomatic security, like you said, trying to modify
14 it to adapt it to the process that we're working
15 within.

16 The measures you're talking about, then,
17 there's also security measures with regard to how it's
18 constructed, and that's contained in the contract
19 specifications. But typically, those are reviewed
20 throughout the process as part of the accreditation
21 processes.

22 GENERAL WILLIAMS: Yes?

23 MR. DENTON: Normally, I am loath to support
24 bureaucracy, but if I'm on the design-build site, I
25 would like to know, before I'm out in the field, that

1 what I'm going to do will be appropriate and
2 successful. And so, I can understand the
3 certification need, as early as I can get it, because
4 from then on, I don't need to do anything else for
5 those fields, and if I do what I say, it's successful.
6 And so, I can kind of understand the value of it, and
7 the value of doing it as soon as is appropriate, so it
8 is another step, but I think it's a step, if I were a
9 design-builder, is going to give me some comfort at
10 night knowing that if I do what I said I was going to
11 do, it's going to be successful.

12 GENERAL WILLIAMS: Well, Ed, you're right.
13 There is a pro and a con in all of this, and that's
14 one of the reasons we've sort of looked at it as a
15 given, because quite frankly, it does help with
16 discipline. For an example, if a design has been
17 certified, that is what is expected at the end. So,
18 if someone comes up with some other requirement, that
19 allows us to have short conversations about that,
20 because quite frankly, we expected to deliver what was
21 certified. So, there is a, you know, a pro in this as
22 well, and it's a process that we allow in our
23 schedule. I think when we build our schedule, we
24 allow some time in for this. We have to manage it
25 very tightly, and our partners who work with us know

1 that we are on the clock, and that is very
2 significant, but it's not all a con.

3 MR. COLSTON: Absolutely. Absolutely. I
4 know many a time where you can go back to the genesis
5 of the program, where the funding comes from is, this
6 is a security capital program. So, security plays a
7 very major role in this, and so it is a critical
8 element, it's just -- I guess, taking a step back,
9 looking at projects you've done, a million square
10 feet, those types of things. One of the areas where I
11 see that we continue to flounder is that quality
12 assurance, or that quality control, where we'll have
13 problems that come up, where an issue was not address,
14 and even though we may have it in a checklist, we also
15 have a checklist for the accreditation. We have lots
16 of checklists, very structured. But we continue to
17 encounter that, so maybe if there's something in the
18 quality assurance -- and that doesn't necessarily have
19 to revolve strictly around certification. That could
20 be any design element, whether it be mechanical
21 systems or electrical systems, if there's something
22 that, with regard to quality assurance and quality
23 control on the contractor's part that you've seen as a
24 best practice, we would certainly love to be able to
25 leverage that to assure ourselves that what we're

1 being delivered as a project meets those contract
2 specifications.

3 GENERAL WILLIAMS: Yes, William?

4 MR. FLEMMING: One thing that we've done to
5 try to assure ourselves in the design-build process,
6 to help quality -- and people often think of quality
7 as, you go out in the field, and it's not right,
8 therefore the guys putting it in did something wrong.
9 And you find that a lot of quality issues relate to
10 the wrong specifications, the wrong material, the
11 wrong process, the shop drawings weren't right, so on
12 and so forth. So, you have to focus in the beginning.

13 But, what we've found successful is to do
14 independent peer reviews by an independent firm of
15 certain design elements. Not the whole design,
16 certain items, to make sure that the quality is
17 reviewed, and that the technical coordination is
18 looked at from a third party. And that's usually a
19 fairly inexpensive way of getting a quick alternate
20 opinion on a certain item, and you may want to think
21 about that in various aspects. Somebody that has
22 nothing to do with the design-build team, it's just a
23 third-party that comes in and does that.

24 GENERAL WILLIAMS: Okay. Sounds good. All
25 right. We've had some time to dive into this one. Is

1 there any other burning point? We do have another big
2 topic we want to talk about. Are there any other real
3 pressing points that any of the panel members would
4 like to make, or staff? Yes?

5 DR. OEY: Just real quick, I don't want to
6 put my foot in my mouth again or anything, but --
7 there was a lot of practice about best practices, and
8 my background is going back to my roots at the
9 university, what I was working on my graduate degree
10 was benchmarking. I haven't heard too much about any
11 benchmarking practices, although this
12 accreditation/certification could fall underneath
13 that. And again, as Ed was loath to bureaucracy, you
14 know, having a benchmarking process, I've seen in the
15 past, helps to identify certain gaps within in
16 organization, management-wise, as well as even, you
17 know, on the hard side as well. So I wanted to put
18 that on the table to consider.

19 GENERAL WILLIAMS: Well, we went through,
20 about a year ago, a pretty hefty dose of benchmarking.
21 I know that our O&M people are looking, and have a
22 pretty good arrangement around benchmarking for O&M
23 type things, but you can never, you know, talk about
24 these issues enough, so I value your comment.
25 However, we've already run this one out around the

1 panel once before, so -- okay, are there other
2 comments? Okay, thank you all for your input, both
3 teams -- I mean both sides. Let's move now to the
4 third one, on cost estimation, which I'm sure could
5 take us the rest of the day and the rest of the week
6 to talk about. But --

7 MS. BETHANY: And more some.

8 (Laughter.)

9 GENERAL WILLIAMS: It's all about whether or
10 not we are postured right, to get this done right. I
11 know all of our partners on the private sector are
12 interested in it, and how we do it, et cetera, and
13 we're fortunate that we just have a new Divisional
14 Director, Kathy Bethany, who is -- just took over that
15 responsibility, and Kathy comes out of a rich
16 background and experience at OBO. She had previously
17 run our Value Engineering side of the house. So, she
18 knows a little bit about this, so Kathy will lead will
19 lead our side, and her partners, Ed Denton and Dr.
20 Oey, and William Flemming, and Matt Wallace. Okay?

21 MS. BETHANY: Yes, sir. I'm going to start
22 off -- I think what we're going to do is, we're going
23 to go through how we do our cost estimating, what our
24 process is, and then I'm going throw it over to our
25 partners. Will has a presentation that he will give,

1 kind of like a case study of how they see it, and to
2 get suggestions for how we can possibly improve this.

3 GENERAL WILLIAMS: And markers.

4 MS. BETHANY: And markers, yes.

5 GENERAL WILLIAMS: I intentionally wanted to
6 put that in at this point, interrupt you and put that
7 in.

8 MS. BETHANY: And markers. Well, I should
9 also mention that Value Engineering is also now part
10 of the Cost Management Division, so it truly is a cost
11 management, not just cost estimating. Also, I would
12 change this first slide to "cost estimating is
13 critical to any project," not just a firm fixed price
14 project. I've heard some talk about best value
15 awards; that also has a strong cost element. I've
16 been listening all day, and I don't think we've gone
17 more than five minutes without the word "cost" or
18 "money" or "budget" coming up in some way or shape.
19 So, it is a very crucial part of how we do business.
20 Next slide, please.

21 Our process flowchart -- this is a
22 simplistic showcase of how we do business within OBO
23 on the cost management side. There are several steps
24 along the way. We start, as you saw earlier, with the
25 process the General laid out, site selection.

1 Obviously, cost gets involved in that, and I'll go
2 through those steps a little bit in more detail, but
3 this just lays out during planning, between initial
4 and detailed planning, there are cost models
5 developed. We also engage our partners, some AEs, to
6 do independent cost estimates to sort of help us make
7 sure that we're on the right track. And then, when we
8 get into detailed planning, and going into the final
9 request for proposal, we firm up the cost estimates a
10 little bit more with more information, so it's a
11 continuous process, and even though this only shows
12 like four cost models being developed, that's not
13 true. We're developing them; they just get better
14 every time. There's several iterations within each of
15 these. Next slide.

16 During the site selection, this is the
17 information that we gain to help influence our cost
18 estimate. We're doing due diligence, making sure that
19 it can be done, and maybe analyzing, "Well, this site
20 will be a little less expensive than this other site
21 for these reasons," developing site maintenance and
22 development plans. We're coming up with some of the
23 building massing, you know, how much -- are you going
24 have to have a lot of foundation work, a little bit of
25 foundation work -- just gathering a lot of

1 information, and then drafting the site utilization
2 diagram.

3 The next slide shows the initial planning
4 survey, some of the information that we gather during
5 this stage. And this is very critical information,
6 especially parts 2 and 3. That's not to say that part
7 1 isn't critical, but for the cost estimators, knowing
8 more details on the site development, what kind of
9 customs regulations are we going to have, are there
10 going to be a lot of Value Added Taxes that we're
11 going to have to absorb, and then maybe get back
12 later? What's the political climate? Is a war going
13 on? That's going to impact what the cost and the risk
14 are of the estimate.

15 We're also doing the architectural and the
16 engineering assessments. What's the local
17 construction environment like? Is concrete cheap or
18 expensive there? Can you get concrete, or are we
19 going to have to ship everything in? What kind of
20 rates do we have for local labor? All of those things
21 are very critical. Utility -- I know that has come up
22 on many of our sites, where we found out that we think
23 we have utilities at the site, but when you really
24 start delving into it, you're going to have to run
25 power for five miles to get to the nearest substation.

1 Well, that becomes an expense that we have to bear.

2 Next slide.

3 For the budget estimate, and I should point
4 out that there are several different budget estimates.
5 This is the true budget estimate that's going to the
6 Hill, but before we even start on some of these, we
7 have a long-range Overseas Building Plan that is also
8 being estimated. So, we're constantly building up
9 from there, and trying to keep to the budget because I
10 know we don't like to waste taxpayers' dollars. We
11 want to try to keep the Embassies as close to \$100
12 million or less as possible; sometimes, that just
13 doesn't work. But this is the information we gather
14 for the budget estimate, or try to have it ready,
15 before we go to Congress. And this includes more
16 details on the geotechnical information, a little more
17 detail on the labor schedule. Are we going to need
18 more cleared Americans or less cleared Americans to
19 build in this country, or based on the project threat
20 levels? You'll get the space requirements program
21 more defined. How many desks are going in, and what
22 kinds of desks are there? We'll also get the security
23 management information, and construction and
24 commissioning estimates. How much is it going to take
25 to manage the project? I get these from our

1 colleagues in PE, Project Execution, working very
2 closely with everybody that's going to have a stake on
3 project costs. Foreign post telephones -- you know,
4 is there going to be a markup on that? And,
5 obviously, we'll be doing independent cost estimates
6 for the AE. What is the design cost going to be,
7 original planning costs? Next slide.

8 So, to prepare the budget estimate, we get
9 all that supporting data, and then we use a cost
10 estimating model called Success, it's a product out of
11 U.S. Cost, and that helps us -- that's a model that we
12 continually update every year with our information.
13 And then we will develop independent cost estimates
14 for the different contracts that would be awarded
15 underneath the project. Next slide.

16 During detailed planning, we look at the IPS
17 again. We do an independent planning review workshop
18 where we bring all the stakeholders in, and make sure
19 that the test fits would work, develop those test
20 fits. We'll get detailed site utilization studies.
21 We do the value engineering study, usually, at this
22 point in the process. Sometimes it's a little bit
23 earlier, depending on how much information we have.
24 We'll do a project definition rating index, and we'll
25 develop the project analysis package that goes forward

1 to the RFP stage. So, all of this information also
2 helps to influence our numbers as we continually
3 refine them.

4 The final cost estimate, which is the next
5 slide, the cost estimating model is used again. We
6 look at the completed or updated supporting document
7 data, making sure that nothing has changed, because
8 there are a lot of puts and takes that go on,
9 especially with the VE and some of the other
10 situations where we're trying to get the projects back
11 into the budget, because the budget has been set early
12 on, and as we develop these costs, sometimes the costs
13 aren't always there, but we will worth this. So, this
14 is the final test fit drawings, project analysis
15 package, doing the project risk assessments to make
16 sure that we've captured all of the soft costs, or the
17 variables, and again, some more independent estimates.

18 The next slide, on the request for
19 proposals, this is where we actually get the documents
20 that would be going to the design-build contractor,
21 and we do a complete takeoff on those documents. So,
22 we're estimating it at the same time as the
23 contractors, or the proposers, are going to be
24 estimating it, and then we do the final CWE. And that
25 is -- should be my last slide. Thanks.

1 GENERAL WILLIAMS: Okay, thanks, Kathy. The
2 rest of the team -- is something burning, you would
3 want to speak to Kathy about right now?

4 MR. ZINGESER: I have a quick question
5 about --

6 GENERAL WILLIAMS: Yes, by all means.

7 MR. ZINGESER: -- the project definition
8 rating system.

9 MS. BETHANY: That comes out of the
10 Construction Industry Institute - CII, yeah, CII,
11 Construction Industry Institute, and that is helping
12 to define if you have all of the supporting data that
13 you need to go forward with the project, and where are
14 your risks. It's another risk tool, in some respects.

15 DR. OEY: Quick question. On that PDRI, it
16 originally started off for process plants, and I
17 assume the one that you're using is the one for the
18 buildings.

19 MS. BETHANY: Yes, it is.

20 DR. OEY: Typically, the reason I know is
21 because I was part of that committee that developed
22 that process --

23 MS. BETHANY: With Dr. Gibson?

24 DR. OEY: Yes. One of the things that, when
25 we developed that index, we had just defined, you

1 know, the certain the elements, I believe it was 23 or
2 32, something like that. Has the OBO modified that
3 to -- or is it just straight from --

4 MS. BETHANY: It's based on the one that had
5 all of the elements, but we added to it for some of
6 our security requirements, and some of the other
7 things that are unique to OBO and diplomatic
8 facilities and being overseas.

9 MR. FLEMMING: I have a quick question, I'm
10 sorry, I'm sorry.

11 MS. BETHANY: That's all right.

12 MR. FLEMMING: How do you choose, or how do
13 your rate, your third-party AE estimators? Or do you
14 review them? Because oftentimes, I see it's by low
15 price, and you're not -- I mean, that's like buying a
16 heart surgeon, sometimes. How do you rate them --

17 MS. BETHANY: No, for the AE estimators?

18 MR. FLEMMING: Yes.

19 MS. BETHANY: We actually have indefinite
20 quantity contractors. It's not necessarily low
21 price --

22 MR. FLEMMING: Okay.

23 MS. BETHANY: We don't go out and -- that's
24 under the AE selection process, which is different
25 than the construction selection process. So, it's not

1 low price, but I also will be looking at actual -- you
2 know, if their estimates are always high, or always
3 low over time, then I'm going to know whether or not
4 I'm getting the quality product. Especially in this
5 environment, where you're going to be evaluating
6 against bids, you can start to see if there's some
7 problems with estimates. And that's also in-house,
8 too. I have in-house estimators that I do the same
9 thing.

10 MS. SORG: Kathy, I just have a question.
11 On your contingencies and escalations that you put on
12 these estimates, these seem to be fairly standard,
13 sort of across the board, and I'm just curious if you
14 had envisioned escalation being different in different
15 economies. You know, when you think about pricing
16 products that you buy here, or you buy them in
17 Europe -- is this a little more complicated. I'm not
18 sure, this is a little over my head, but I've heard
19 there are some issues with that.

20 MS. BETHANY: We actually do look at
21 escalation, depending on the countries. I know of
22 certain cases where we've had to increase the
23 escalation because of some of the factors that we've
24 found during the IPS, that the escalations rates of
25 the countries are going higher, so we do take -- we

1 don't have just a standard escalation other than in
2 the very early stages, but even in the early stages,
3 as we get information, we are constantly modifying
4 those estimates to try to get the most concise
5 estimate possible. Now, obviously, in the earlier
6 stages, during the budgeting, we don't have a lot of
7 information. We're still gathering it. It's a lot
8 more fluid, so our contingencies might be higher, but
9 as we get closer to the award, the contingencies come
10 down a little bit, and our escalation gets more spot
11 on as far as what's actually been happening, and the
12 trends in that country. Yes?

13 DR. OEY: This in an analogy, really, with
14 -- many of the people that I work with are heavy
15 civil, so the estimating is different than for
16 building projects, where they basically crew-up the
17 jobs and they base it on the labor rates and the
18 prevailing wage rates and stuff around the country.
19 You talked a little about the cost model, and I was
20 curious what the cost model was based on. Does the
21 OBO have their historical database that they have for
22 various areas that they've been in, and the wage
23 rates, and some of the difficulties that have factors,
24 I guess, that are developed?

25 MS. BETHANY: Yes and no, but yes, mostly.

1 We do update the model. We've worked with U.S. Cost
2 to make it our own, based on our information, and
3 again, as we go forward with the 47 projects, we've
4 learned what the -- where we've had some shortcomings.
5 If we're constantly short in one area, we'll come back
6 and revisit the model every year to make sure that it
7 is the most accurate reflection of the costs. I
8 believe the model was started with means, but then has
9 been completely looked at to be sure that we get the
10 accurate, based on our experiences.

11 GENERAL WILLIAMS: Okay. Are there other
12 questions for Kathy, before we --

13 MS. BETHANY: Yeah, and then we have one
14 more presentation before we --

15 GENERAL WILLIAMS: I know, before we move to
16 that? Okay. Yes, the other presentation.

17 MS. BETHANY: William has -- yep.

18 MR. FLEMMING: Yeah. I guess I'm going to
19 make a brief presentation, at least on the way my
20 company views cost estimating, and I'd start off by
21 saying this is not necessarily a presentation on
22 estimating, and how we do estimating. What I have
23 found through 20 years of doing this is that you can
24 count and measure, and you can look in a book and get
25 the price, and you're probably going to be off by a

1 lot because there are so many other factors, as Kathy
2 alluded to. So, this is a presentation about the
3 planning aspects of pre-construction, and ensuring
4 that we get all the stakeholders involved.

5 A lot of these are from lessons learned on
6 public and private projects that are up to \$1 billion.
7 So, to start with, I thought it would be interesting
8 to present what owners say about my particular
9 business, and not necessarily my firm, but what I hear
10 people say about cost estimators and how we do
11 business.

12 I'll rifle through these fairly quickly:
13 "Construction managers are not proactive. They sit
14 around and wait for information. They have
15 unpredictable fluctuations in cost. Value Engineering
16 is simply just cutting scope out of a job, or changing
17 finishes. People don't understand the local
18 conditions. They don't understand the design the
19 process and the effect on cost. They rely on sub-
20 contractors, and they don't even know how much things
21 cost themselves, and frankly, there's little to no
22 leadership." It's kind of scary that I do this for a
23 living, but I focus now on my people, making sure
24 they're aware of these, and that we try to solve
25 those, because they're important.

1 So, the next item, if you go to the next
2 slide, is, what's our environment about today? Well,
3 clients such as yourselves are demanding information
4 instantaneously. They don't want to wait three weeks
5 to hear an answer they don't like. They want the
6 answer right away. The AE teams are challenged, and
7 there's a new technology, which is BIM, or CAD, so
8 people are getting different degrees of information,
9 which challenges things. And frankly, the CM or the
10 design-builder has to have some new concepts, or
11 they're frankly operating in the old environment, and
12 I wish this was a manufacturing industry where I could
13 sit down and figure it out once, and then figure out
14 the right costs and the cycle times, but every single
15 building you guys do is different, in a different part
16 of the world, and offers different challenges. So, we
17 have to be aware of that, and we've developed a plan
18 to deal with all these issues. Next slide.

19 So a little bit about what's pre-
20 construction. Well, you've got to have the ability to
21 make the design to budget. That's the key thing; not
22 just, can you come up with an answer and it doesn't
23 work, or you come up with excuses why it changed.
24 You've got to have creative solutions, and you've got
25 to figure out how to make communications work. And

1 those are the keys, and you can read the rest of these
2 slides. Next, Mike.

3 What's true pre-construction, the value of
4 it? Well, you have to have a proactive process, and I
5 see out there in the industry today, there's a lot of
6 people that are very reactive, and when I say
7 reactive, it's "Let's do a design, lob it over to
8 somebody, tell you what it costs, and tell you the
9 reasons why the price went up." You can't do that in
10 large projects in today's environment; you have to
11 have a different process where the scope and the
12 design are managed concurrently, and one of the things
13 I like to do -- and we talked about contingency, is
14 make sure there's different contingencies, and they're
15 managed. There needs to be a design contingency,
16 there needs to be a construction contingency, and
17 there needs to be an owner contingency, and they're
18 completely different, and they're managed differently.
19 And the designers need to have flexibility, but you
20 also have to tell them where they're spending their
21 money. So, that's part of the process, as opposed to
22 waiting for a design phase to be done, lobbing the
23 drawings over, and then saying, "This is what
24 changed." You need a process, and I'll explain my
25 process in a minute. So, that's the value of pre-

1 construction, at least in the view of my particular
2 company. Next, Mike.

3 So, we start with a game plan, and I like to
4 make the analogy of a football team. I could
5 certainly make this an analogy to an army, but a
6 football team has a bunch of players, but they have to
7 act as a team. And a team that's calling audibles out
8 in the field, it doesn't work. Doesn't matter how
9 good the players are, you ain't going to win. So
10 you've got to get all these people marching the same.
11 So, we start with understanding the objectives of the
12 project, and having a team-building meeting with the
13 owner, with the AE team that we're partnering with,
14 with all the major stakeholders, to find out what
15 their objectives are. And what you find out fairly
16 quickly is, there's a lot of hidden objectives.
17 There's the guy that's going to run the building, he's
18 got objectives as far as quality, and then you've got
19 the architect who has an image, and you've got to kind
20 of focus these, because they're all going to affect
21 the cost. So, if you just wait for the drawings to
22 show up, you'll never get it.

23 So we then build our team around those
24 items. Design management, budget management,
25 schedule, procurement strategy -- I mean, how you buy

1 something has a huge effect on the cost. I mean, you
2 can buy one mechanical package, or you can buy the
3 equipment yourself and save the markup. How that
4 works in different parts of the world has a huge
5 effect. And then, we build procedures, or we have a
6 project execution plan, before we ever do one single
7 estimate, so we know, as a football team, what are we
8 going to do when we show up on that field to execute,
9 so we know that those issues and how they affect cost
10 are put into the job. And not, by the way, not all
11 owners like to hear that certain items affect cost,
12 but that's the reality of it. Their safety plan,
13 their quality plan, their facility plan, has an
14 impact. So that's how we start with defining
15 objectives of a project. Next, please.

16 And then we build a cost model around that.
17 And that cost model, I'm not sure if it's exactly the
18 same phase that you have, Kathy, but the reality of it
19 is, your initial cost models is usually the one that
20 the flag's put in the sand, and you need to be
21 tracking up or down from that. So, it's a
22 comprehensive estimate that needs to be supported by
23 written narrative. And when I say a narrative, most
24 people look at two things in an estimate. They look
25 at the front page, the bottom line, and perhaps the

1 executive summary. But what we think is important is
2 that you communicate the quality and level of scope
3 that the estimator sees in a written document, so
4 people can understand that. That's the communications
5 tool. And supporting that, similar to what Kathy
6 said, are design phase estimates, a budget control
7 system, which I'll show you a flowchart on in a
8 second, design reviews and cost control at meetings,
9 so that cost is a discussion at every single meeting.
10 Not design issues, it's cost and design issues. And
11 you have to integrate value engineering and so forth,
12 and again, as we talked before, benchmarking
13 comparisons. So, that's the planning process that we
14 use. Next.

15 So how do we go about doing this first cost
16 model? Well, again, this is a flowchart similar to
17 what Kathy had shown, but you've got to gather the
18 information, you've got to meet with the team, you've
19 got to prepare estimates that are detailed, and a
20 scope narrative, and then the real important part is,
21 you've got to go back to the stakeholders so they
22 understand what's in it, get their buy-in so it's a
23 team estimate, not the estimator's estimate -- because
24 then it's the estimator against everyone else -- and
25 get them to buy into it, and then track any changes as

1 you're moving forward. That's the roadmap approach
2 that I like to subscribe to.

3 And as you move forward, if you'll go to the
4 next slide, you have to gauge every decision around
5 that initial model. So, as you find something that
6 changes, you track it electronically. Every single
7 design decision, every single decision that affects
8 costs or schedule, is tracked and brought up at a
9 meeting. And I like to use the analogy "Death by
10 1,000 needles." Everybody thinks just adding a couple
11 little things won't add up to much, but you start
12 adding up 100 of them, 1,000 of them, and you're going
13 to die from the cuts that it'll impose on a project.

14 So we subscribe to tracking every single
15 item, whether it just be a light switch, a door
16 change, whatever it is, there's a record of why we did
17 that. And that puts real discipline in the process of
18 cost management, which is what we're really trying to
19 get around. Not just an estimate, it's cost
20 management.

21 And then, in addition to that, one of the
22 things that affects cost is the design strategy. How
23 does the cost, and how does the execution, affect what
24 the designer is going to do? So, you can see there's
25 a series of things up there that we do, but we want to

1 communicate with the design team so that they know
2 exactly what they're getting. And in this particular
3 case, I would say that -- I would say the owner needs
4 to be involved in all of these. This needs to be a
5 transparent transaction, so to speak, so that the
6 owner is involved with everything, and sees how this
7 works, and buys into it.

8 Same thing with scheduling. Scheduling is
9 part of cost, you know, we're talking about estimating
10 here, but if you don't know how long it's going to
11 take, and why it's going to take that long, you cannot
12 estimate the job. So all of these issues, and we've
13 talked about the back end of the project this morning,
14 but knowing how you get to the point to allow you to
15 have your back end time affects the overall cost. So
16 you've got to focus on an overall schedule before you
17 can really develop a true estimate. Next.

18 And the same thing with sub-contracting
19 plans. If you don't know how you're going to purchase
20 the job, you don't know how much it costs. And I
21 often see people who like to look in manuals, and say,
22 "Well, Means says it costs this." That's a starting
23 place, but it is not a guide, because the market is
24 red-hot in certain places, and people just won't even
25 sell you things at realistic prices. So you've got to

1 figure out what your plan is to beat the market.

2 And you see there's a number of goals. This
3 happens to be from a project in Florida that I did,
4 but we will do outreach programs to communicate to the
5 market when the project's coming, what we're going to
6 package it like, what we can expect them to bid on,
7 and we'll ask their feedback. Do you want to bid on
8 this job? Similar to what you're doing with us, we do
9 that with sub-contractors. Next, Mike.

10 And then finally, as far as technology goes,
11 you know, what's new in the field of technology? We
12 spoke briefly about BIM this morning, but we really
13 didn't get into it. And BIM, I actually don't like
14 the word BIM. I live VDC, Virtual Design and
15 Construction, because what we're really trying to do
16 is integrate this 4-D or 5-D model and the
17 construction. So what I have found is, there's a lot
18 of good tools for doing a 3-D design out there, but
19 there's very few good tools to link the elements of
20 the design into the cost. So, unfortunately, what I
21 had to do was go develop my own system, which tags
22 every single item that could potentially be in a
23 design model to a cost item in our large database, and
24 build that. And that was the first item that we've
25 done, is we went out and created this large database

1 that links into that. It's called an EOS Explorer
2 System for us.

3 We also use OST, On-Screen Takeoff, to
4 integrate exactly how takeoff is done, into this
5 model, so that we can get answers quicker. Next.

6 And that's what this shows. We can produce
7 the narrative description of what the elements are,
8 how we took things off, what they are. We can print
9 the images, we can put them on the screen. It's just
10 taking technology and cost estimating to the next
11 step. So that's the end of the presentation as to how
12 we view, at least my company, how cost estimating and
13 pre-construction evolve.

14 GENERAL WILLIAMS: Um-hmm. Very good. Are
15 there questions for William Flemming?

16 MR. HICKS: I don't have a question, but
17 just a couple of comments --

18 GENERAL WILLIAMS: Sure.

19 MR. HICKS: -- that I wanted to make. Jay
20 Hicks, I manage, minus real estate, our pre-
21 construction process. Some good things. I like the
22 fact that you said it's everyone's estimate, not just
23 the estimators, and I'm glad Kathy was -- that comment
24 resonated with her. I'm glad Marcus was there to hear
25 it. They both work for me. Kathy does the

1 estimating, Marcus does all the planning, the pre-
2 construction planning, and that's a management
3 challenge we've had. It's not an estimate imposed on
4 them, it's the product of the requirements and what
5 not that get passed to them.

6 But the other comment that resonated was the
7 "Death by 1,000 cuts," something we've done relatively
8 recently. I don't think we've reported it out here,
9 and it wasn't captured in the process diagram, was
10 locking down the SED. What we've found was, you know,
11 we set our budget two years in advance of award, and
12 we would find that during that two-year period,
13 there'd be two to three different iterations of the
14 SED. So, in 2007, where we are today, you'd have
15 changes being made to the SED even today, for possibly
16 the 2007 projects, with budgets that were set two
17 years ago. So, what we've done is we've locked down
18 the SED. The version of the SED being awarded in 2007
19 is identical to the 2006, save for some very modest
20 changes. And so what we do is, we have a process in
21 place where you have to actually fill out an
22 application form, if you will, to modify the SED, and
23 you have to indicate who's advancing the change, what
24 the change is, what the cost of that change is, and
25 the only changes we're letting in are things that are

1 directed to us, largely security requirements, or
2 commissioning came to us, unbudgeted -- well, Joe had
3 to take that out of his hide, to hold the budget firm.
4 Otherwise, the changes get put off until 2010, which
5 is the next time we can estimate a project with those
6 changes to it. And it's a process that, I think,
7 elicited a lot of groans from the building, but it's
8 accepted, and it's working now. To do precisely what
9 you said, get away from the death by 1,000 cuts.

10 One of the other things we did when I came
11 on board to OBO three and a half years ago, I came on
12 as the head of Real Estate, we would have just-in-time
13 delivery on the sites, so to use 2007 as an example,
14 we'd be bringing in the sites right now, again, having
15 set a budget two years ago. My parting gift to Real
16 Estate, when I came over to planning, was to say, "In
17 the next 18 months, you're not going to buy 10 sites,
18 you're going to buy 30 sites, so the actual sites we
19 have can inform the budgets we create." Now we, of
20 course, were doing some work-arounds and what not, but
21 is the power to the site, or is it five miles away?
22 To what extent do we have to cut grade? You know,
23 it's not an abstraction, we've got the actual sites in
24 almost every instance in the '07 awards now, that
25 we've been able to plan and estimate around.

1 So again, just some management things we've
2 done to try to get some of the things that some of you
3 have said today, but maybe didn't come out in the
4 presentation, but we appreciate it.

5 GENERAL WILLIAMS: Thanks, Jay. Are there
6 other questions around either one of the
7 presentations, or discussion?

8 MS. BETHANY: I know there's two more people
9 that have some comments that they want to make on the
10 topic, but not the --

11 GENERAL WILLIAMS: Sure, sure. We'll get
12 the questions first.

13 MS. SORG: It's not always clear what the
14 CWE, which stands for Current Working Estimate, does
15 that include the hard costs, the soft costs, and OBO
16 costs, and land costs, what's exactly in that?

17 MS. BETHANY: Everything. Everything is in
18 the CWE. Now, we have some that we do "What-if"
19 analysis that may not have everything, if we're only
20 looking at a piece of, you know, comparing one against
21 another. I'll pick on facades, because that's easy,
22 you know, stone versus stucco, it might just be a
23 small piece, but it's not a full-blown Current Working
24 Estimate. The Current Working Estimate has everything
25 that we know at that point in time in it.

1 MS. SORG: And so, is that shared with the
2 person who's doing the test fit? The AE? In other
3 words, how do you control what happens in that
4 particular stage. Is that -- you know, how does the
5 test fit AE that you have, stick to your budget? Does
6 he --

7 MS. BETHANY: We give, or we have, a design-
8 to budget, or a plan-to budget, that's a part of that.
9 It's developed from the CWE, but we pull out the costs
10 of just the contract that you have to design to this
11 amount. We don't necessarily give you all of our
12 overheads and all of that kind of thing in there, but
13 you can almost do the math. If you know what the
14 budget was versus what the design-to is, you'll get a
15 little bit more of a sense. But it's -- you're given
16 a plan-to budget, or you're supposed to be, if not,
17 that's my fault, and I need to correct that, but there
18 should be a plan-to budget of what our upper limit
19 would be in terms of the design that you're working
20 on.

21 GENERAL WILLIAMS: Okay, that's good enough
22 for Kathy? Okay, we have some other comments from
23 members on this matter.

24 MR. DENTON: I don't have a presentation,
25 mainly because I was going to be sitting in a narrow

1 seat at 35,000 feet yesterday for five hours. That
2 would give me lots of time to think about this, and
3 actually it did. If I was to title my discussion, it
4 would be "Time is my enemy." I recognize that between
5 my organization, my world, and OBO's, there's a lot of
6 similarities, and there's actually a lot of
7 differences. Some of the similarities are, early on,
8 I have to make a commitment to the Board of Regents,
9 not dissimilar to yours with Congress, that says, in
10 essence, "This is my contract, I'm going to do this
11 for this much money, and this is when I'm going to do
12 it."

13 I suspect I'm not nearly as good as you.
14 I'm doing it far earlier than I think you do. All my
15 buildings are one-off; they're not buildings that are
16 based on a repetitive model, if you will. So, on the
17 one hand, I think I have a pretty sorry job, because
18 it's very difficult to do that. On the other hand, I
19 do use a lot of the tools you use. I do bring my
20 contractors in early. I have them involved in
21 estimating with us, with the architect's estimator and
22 the architect. We are looking for a very
23 collaborative relationship. We are expecting that
24 they'll reconcile. We're expecting that they'll talk
25 about means and methods and all those kinds of things,

1 that early on in a project, you need to have an
2 estimate that gives you a level of confidence. And,
3 in fact, in my world, I have a three-legged stool. If
4 was to talk about your world, I might add an
5 additional leg. My legs are obviously slope, quality,
6 schedule, and to yours I might add the "overseas
7 delivery implications," that I think have an impact
8 that's far different than most of my projects would
9 have, because I'm in a very simple locality.

10 Probably the easiest for me is scope. I do
11 know what I need. I do know what I need, early.
12 Quality gets a little difficult; I'm setting an
13 estimate before I've even done detailed exterior
14 design, and what not. I'm not even sure of the
15 exterior materials, and pretty soon quality starts
16 getting to be serious. And schedule -- schedule is
17 probably my biggest concern, because the marketplace
18 has been so volatile over the last three to four
19 years. That it's extremely hard to anticipate what's
20 going to happen. In my area, in California,
21 contractors are extremely busy. I'm in competition
22 with contractors who build hospitals. The state of
23 California has a law that requires hospitals be
24 seismically upgraded by a period of time. Well, I'm
25 dealing in a world where I'm building high-tech

1 buildings, and I need the same sub-contractors and
2 general contractors that they do. So, the marketplace
3 is giving me very little competition. That'll drive
4 up the cost. Escalation, because I'm in competition
5 with Asia for materials, whether it be concrete or
6 steel. I'm finding escalation there very volatile.

7 I can't anticipate with a high level of
8 accuracy, that gives me a high level of confidence,
9 what it means to start a project in June of 2009. I'm
10 designing those right now. It makes me very nervous.

11 The second thing that troubles me a little
12 in my world, that is actually very different than
13 yours. There are times when I've made a commitment to
14 the Regents, said "This is what I want to build, this
15 is what it's going to cost, this is when I want to
16 build it," but I don't have all the money, because
17 it's coming from donors. And, if there is a slowdown
18 in how the money is coming in, it goes from a very
19 robust fundraising program to one that's a trickle,
20 all of a sudden I will start losing confidence in
21 beginning my project in June of '09. So, I'm going to
22 start dealing with additional escalation, and that, of
23 course, hurts my credibility with Donor Committee,
24 because they say, "Why can't you guarantee us what
25 it's going to cost?" Those people that work with the

1 University, who are out raising money, are constantly
2 holding me accountable for a budget that they're
3 delaying, and I'm facing more escalation, and I'm in a
4 lose-lose situation. And so time is indeed my enemy.

5 Now, the other thing I want to talk about though,
6 and I heard it a little bit before, is the issue
7 around quality. In the continuum of a project that
8 has scope, quality, and schedule, as something starts
9 to need to change, what are you going to give on? If
10 it's a zero-sum game, what are you willing to change?
11 Now, I have trouble changing scope, because I've made
12 a commitment to the Regents, said, "I'm going to build
13 this building that has this scope in it." Schedule,
14 probably, is changing for me, so what am I left with?
15 I'm left with quality. And for you, that's why I
16 think your certification process is so good, because
17 that's one bit of quality you know is never going to
18 be monkeyed with.

19 GENERAL WILLIAMS: That's right.

20 MR. DENTON: That's good. The bad part is,
21 what are you left with? What are you willing to
22 change? You know, the contractor, the design-build
23 team has means and methods and everything, and they
24 might be able to do something there, but still, they
25 should be sitting down with you and talking about,

1 "Well listen, we need to do something differently."
2 How are they doing that? How are you able to agree
3 that these are the changes that you'll accept, that
4 need to happen, to make sure the bottom line stays the
5 same? I'm going to give you an example that I'm
6 dealing with right now. I have a building that we're
7 designing. It's going to have two basements in it,
8 full of a neurological research center, with 4 MRIs
9 and a vivarium. A strange combination, but we got it
10 in the basement. And above it, I have five floors of
11 high-tech biomedical research labs. Well, the dilemma
12 is, the architect came to us not too long ago, and
13 said, "Gee, we've determined that the method we were
14 going to use to waterproof the basement just isn't as
15 effective as we think it should be. We want to
16 recommend to you a change. By the way, it's going to
17 cost \$400,000 more."

18 Well, my attitude is, "Well, that's fine, I
19 want the building dry. What am I not going to get
20 from you to be able to pay for the \$400,000?" They
21 didn't have an answer for me. Here's a case where
22 there was a team member who wanted to make a change,
23 and expected me just to dig into my wallet. I can't
24 do that, and I suspect you have the same problem. So,
25 how do you deal with that change? What are you

1 willing to modify? What are you willing to give up,
2 as an owner, to be able to allow that to happen?
3 Because you know it must happen. I can't have my
4 basement leaking. By the way, I have animals down
5 there. You know, you treat the animals better than
6 you treat humans when you're doing research. The
7 criteria with which you're measured as far as animal
8 research is actually much more stringent than human
9 research, so ultimately it means a lot. So that's a
10 real problem. How do you do that? I have to be
11 honest with you. I don't have an answer. The answer
12 that I have, at least what I do, is I get everyone in
13 the room, and say, "Okay, folks. We have a problem.
14 Contractor, architect, owner, help us decide how we're
15 going to mitigate this additional cost. And by the
16 way, don't look at contingency for this to happen. I
17 need that contingency later on."

18 So, it's a real dilemma. It's the continuum
19 of a project, and the fact that time can be a
20 significant enemy, especially if the project is
21 delayed. I have had escalation in the Bay Area that
22 has just been unbelievably high. No one anticipated
23 it. And now we have gone from a high of, say, 12% or
24 more, one year it was almost 20%, and I'm backing up
25 to 8%, and hoping it's going to drop to 6%. Well, I'm

1 banking on that, literally. If there's something that
2 happens that changes that, the cost of oil goes up
3 dramatically, the cost of processing goes up
4 dramatically for materials, all of a sudden, I may
5 have a building I cannot afford. So, cost estimating
6 is extremely crucial at the beginning, and if
7 anything's going to give, generally it's quality, it's
8 not scope, and time is really out of your control.
9 So, I don't have a silver bullet, but I can tell you
10 it's a real problem.

11 And then the last thing I want to leave you
12 with, I was talking to Jay at lunch, and I should have
13 mentioned it, and I didn't because I felt maybe I was
14 talking too much, but one of the things you talk about
15 when you do a building is, how much are you going to
16 put in the capital costs to save you in the operating
17 costs down the road? And the great answer is, look,
18 if I spend a little bit more money here, on the left,
19 on the capital side, I can save money on the operating
20 side. The problem is, that money is different
21 colored. It's not mixable. It's not fungible between
22 the two uses. And so as an owner, it's an extremely
23 big challenge. So, when I start looking at quality, I
24 have a problem with my budget, I've got to start
25 looking at quality, I could shoot myself in the foot

1 if I'm willing to change that part of quality that's
2 going to impact my operations and maintenance down the
3 road. And, the one thing that is similar for me, as
4 it is for OBO, luckily, it's under the control,
5 ultimately, of one person. And that is very powerful,
6 because it prevents the capital side from, in essence,
7 taking from the O&M side. And that is something that
8 looks very desirable to a project manager because it's
9 an easy way out. But since ultimately I got to see
10 it, it becomes more difficult for them, and to me,
11 that's a significant advantage.

12 GENERAL WILLIAMS: Ed, thank you very much.
13 Very clear, no issue about connecting to any of that.

14 Yes, William?

15 MR. FLEMMING: Can I just add one comment to
16 that? That was very well put, Ed.

17 From a contractor's perspective, we have one
18 additional objective that is extremely important, and
19 that is safety. And we will not compromise safety to
20 save money, and that is thought of all through the
21 process. And when time's against you and you got to
22 go quicker, safety's actually more expensive. And I
23 suspect, in some of the places that you're operating
24 in, safety is a difficult challenge. And there is a
25 cost associated with safety, and I don't want anybody

1 in this room to think there isn't a cost associated
2 with it. And we will spend whatever it takes to make
3 people go home the way they came to work, and that's
4 an important point for you guys when you're budgeting
5 to think of that. Don't cut people's safety for
6 money.

7 GENERAL WILLIAMS: That's right. You know,
8 I can appreciate all of this, and I know that Matt
9 Wallace has something to say as well, and I'll just
10 hold my comments until he's had an opportunity to make
11 his presentation, and then we will sort of do a finale
12 on this.

13 MR. WALLACE: Thank you, General Williams.
14 I'm going to be brief. I don't really have an
15 extended presentation today. To comment on Mr.
16 Denton's input on contingency for lost time, I talk a
17 lot with a lot of the government agencies doing
18 military construction. I'm in contact with a lot of
19 private sector, and what I've heard which I thought
20 addresses that is AE firms putting in design options,
21 communicating with the owners up front and saying,
22 what can you live without if this happens? With the
23 budget cycles and project end dates being
24 undetermined, how are you supposed to predict that?
25 Going into this assignment, I had no idea how hard

1 cost estimating was, and I don't envy you for having
2 your position, but you have to predict the future,
3 which is a difficult thing to do. So what do you do
4 when you can't predict the future? You have to build
5 in that contingency, and as a service, some of the AE
6 firms out there right now are putting in these design
7 options. And as long as the communication with the
8 owner is there up front, you're not left in a bind.
9 So that might be something you might want to consider.

10 Escalation factors was another thing that
11 came up. Standardizing and publishing so the people
12 bidding on the contracts will have an idea of what
13 you're looking at, might enable further communication
14 so when bids are coming on contracts, with the
15 competitive market that's out there today, one of the
16 agencies I spoke with is getting double estimates on
17 the contracts that they're putting out. Well, the
18 budget doesn't handle that type of excess, so I guess
19 what's plaguing the cost-estimating world right now is
20 assumptions, assumptions from the contractor's
21 perspective, assumptions from the owner's perspective,
22 not knowing what the future has to hold on labor,
23 materials. That seems to be what's driving costs up
24 on the front end as opposed to working backwards, as
25 someone suggested, working the budget backwards.

1 That's all I have. Thank you.

2 GENERAL WILLIAMS: Okay, thank you. We have
3 really talked through this last subject, and you
4 notice it's been quiet in the room, and we have all
5 listened because at the end of the day, I think
6 William Flemming said it best: We can skirt around it
7 or whatever. I raised you this morning; I couldn't
8 get many takers. But I got to tell you, this notion
9 of cost is the bottom line, and you cannot have a
10 useful discussion about any of this business, I've
11 been doing it for a few years, unless you put the
12 whole notion of cost out there. And so I think this
13 was just absolutely healthy across the board.

14 We had one other member of our team. I
15 don't want to sort of get into the general discussion
16 until Marcus has an opportunity to make whatever
17 comments you have.

18 MR. HERBERT: Well, thank you, General
19 Williams. Chris and I had worked on the presentation
20 probably six months ago when we initially got it
21 started, and with Kathy coming on board, she felt well
22 suited to carry it on her own, and I appreciate it.
23 But I was very interested in Bill's comments,
24 particular regarding process, and certainly we picked
25 up some spots where we need to improve upon. And I

1 appreciate it, and you talked about schedules and team
2 estimates. Jay brought up the fact that, you know,
3 from our perspective, it needs to become a team
4 estimate for us to do a better job. Regarding the use
5 of technology, we're already moving forward to use
6 more technology during our planning processes so that
7 as we make decisions during planning, we understand
8 what those decisions mean almost immediately to our
9 cost estimates.

10 So I appreciate the opportunity, General
11 Williams, and this has been very enjoyable.

12 GENERAL WILLIAMS: Okay, thank you. I'm
13 going to ask others to have comments as well against
14 this whole subject. I just mentioned two more trigger
15 points from what I said. I think Ed's idea about
16 money has different color. Now, that may not mean a
17 lot depending on where you are, but clearly, in the
18 government, it comes from different pots, and a
19 capital security flavor dollar is different from an
20 O&M type of dollar. GAO just went through our
21 organization and made that comment, that obviously
22 funding and more vigilance around the O&M, and
23 obviously that takes money to deal with. So that's a
24 very important point.

25 I thought Ed's other point, how do you

1 manage a deduct as we call them in the business? You
2 know that the top line of the limit is bound around a
3 budget, and I've already spoken to those that would
4 advocate, well, you just go get another budget. Well,
5 you know, we all know it doesn't work that way. So
6 you have what you have, so you have to decide what is
7 important. We go back to those overarching
8 requirements, safety and security, as being the ones
9 that obviously the certification and ultimately the
10 accreditation require that we do not deviate from. So
11 leaves us in situations like that. He pointed out
12 that something has to give. It does, but it has to be
13 done very carefully. And I was interested in what
14 some William said, and that is what can we get from
15 our partners, our team members such as the AEs and
16 those who should know an awful lot about how the job
17 is put together.

18 So these are just interesting things, and I
19 can't recall who said "creative solutions." I just
20 loved it because quite frankly, that's the only way.
21 Ladies and gentlemen, that's the only way. Friends
22 and neighbors, that's the only way we can do some jobs
23 overseas. You can't pull it out of a book and write
24 it and make it work that way. There are some
25 situations just so unique and difficult, the only way

1 it can work is be creative, and with the notion of
2 protecting the two big gods because nothing else fits
3 except be creative. And Jay and his folks go through
4 this every day, trying to figure out what's the whole
5 premise somewhat behind the Williams 20, looking at a
6 different way, a different approach, mixing specialty
7 kind of contractors in with everything else to try to
8 get us there. You just can't lay this out and do it
9 the traditional way all over the world because it just
10 doesn't fit for us. So I was very pleased to hear
11 that.

12 And William, I like your track number 1.
13 Give me a copy of that. Okay. I -- in my pocket, and
14 probably somebody else might decide the organization
15 they're taking in theirs, too. I just want to be
16 constantly reminded of what "they" may be saying about
17 us.

18 Okay, are there other comments? Yes.

19 MR. ZINGESER: Way back when, when the
20 program was getting started and moving along, issues
21 came up that had to do with risk management and
22 allocating risk and who had what risk and how to help
23 make the process fairer, was one idea, and also more
24 predictable, and especially in the cost area. And a
25 lot has happened along those lines, and so that's the

1 good news. And then we move along and come to the
2 climate that we're in today, and I wouldn't
3 characterize the climate as volatile. I would
4 characterize it as robust. When you and I first met,
5 1.5 billion dollars a year was one heck of large
6 program.

7 GENERAL WILLIAMS: Right.

8 MR. ZINGESER: In the greater Washington
9 area, in the next five years, there will be 50 billion
10 dollars worth of construction. That's just local.
11 California is California. Similar stories, I gather.
12 So I remember saying to this group back when, build it
13 and they will come. The idea that this was a major
14 program, you lay it out there and the world will beat
15 a path to your door. Now, you have a little different
16 problem because, again, just locally, we've got this
17 competition, and there's a real question of capacity
18 in the local markets, in the domestic markets in terms
19 of subcontractors, trades, how much can get done in
20 the time of some of the programs like the BRAC
21 program. I mean the 2011 date is a real date. And
22 that's affecting prices clearly, but it's also a big
23 factor in terms of when the owner goes on the street
24 looking to procure because if everybody goes out at
25 the end of the fiscal year and everybody's bumping

1 into everybody, that's a problem. A year program is a
2 bit more predictable in terms of when you're going
3 out. And also, in this case, being overseas, in a
4 way, that may be a blessing. That may help you
5 because you're looking at a different set of factors.

6 But this real issue of estimating and living
7 in the world that you and your government colleagues
8 live in of having to set your budget two years ahead,
9 as a minimum, is very, very difficult, and
10 unfortunately, as much as I like to say that we in the
11 construction world and in the design-build
12 contractors, if you brought us in, we could tell you
13 what it was going to cost, it's going to cost what it
14 costs the day we get all those last little prices
15 together. In fact, we can tell you what the price
16 will be. What the cost will be we won't know until
17 the job is all over. But it's a very, very difficult
18 environment. It is volatile, but it's more because of
19 it being so robust, and it's not easy. It's not an
20 easy world that we live in, and that's why this notion
21 of doing it together, keeping a tight rein, and
22 checking constantly and planning is really critical.

23 GENERAL WILLIAMS: I appreciate it that
24 comment, and it's noted, and we have no issue with it.
25 I think you're just right on target. That's one of

1 the things that I think is helpful throughout this
2 process is candor, and we all have to see it as it is,
3 and events change. Change is the way we think, and
4 that's one of the reasons we're trying to constantly
5 come up with different approaches and looking the best
6 we can to try to figure things out because there's no
7 way to operate like we did, even when you and I met
8 six and a half years ago when we were just beginning
9 with this program. And I'm appreciative that you
10 could put these on the table because it is very
11 important for us.

12 I need to say one other thing, too. This
13 came up at lunchtime, and I think in the spirit of
14 transparency, I think it should be very clear to
15 everyone that there's a foreign dimension to every
16 building we build overseas. There's foreign labor
17 every single project, all 47 projects, a hefty foreign
18 labor requirement. It makes commonsense. It's been
19 this way not the six and a half years we've been here,
20 but 20 or 80.

21 MR. HICKS: 75.

22 GENERAL WILLIAMS: Or 75. So I know it's
23 not something that we were -- about, but we just need
24 to know that, and so looking for new ways and the
25 like, we always have to keep that dimension in mind as

1 we move forward.

2 Are there any other burning issues around
3 this subject or any of the others?

4 MR. TOUSSAINT: I have a question.

5 GENERAL WILLIAMS: Yeah.

6 MR. TOUSSAINT: I like his description of
7 how you solve a problem. When you have a problem, you
8 bring the designers and the contractors and the owner
9 together to fix a problem. Do you have any models or
10 examples of how you do that once you're under a firm,
11 fixed price contract so that the equities or the risk
12 is being really carried more by Joel's constituents,
13 in other words, that \$400,000 savings is coming at a
14 certain greater risk to the contractor, say, than it
15 would be to the designer, perhaps? How do you
16 adjudicate that? How do you reach agreements that are
17 equitable?

18 MR. HORNE: Well, it depends when I make the
19 change. If I make the change right now, during
20 design, I look at it as the team's problem. How can
21 we deliver this building for you and give you the
22 quality you want and expect and have this proper
23 waterproofing in the basement, as a specific example?
24 If I were to make this change after the contract has
25 been awarded, the nickel is on me. It's not on the

1 contractor. It's a change order to the job. I got to
2 pay for it out of my contingency. So I don't want to
3 make these changes later. I want to make them sooner.

4 I will say that I can't remember a
5 significant capital project in the last three years
6 that I've gone out to bid without alternates in there
7 to deal with issues around the robustness of the
8 marketplace, if you will. I mean, I literally can't
9 count on the bids, so I have alternates there that I
10 can exercise if I must.

11 But this particular issue, I don't want to
12 make this change later. I want to make it sooner.

13 GENERAL WILLIAMS: Okay. Are there any
14 other questions? I'm going to do a little something
15 here now which we do at every one of these. We have
16 visitors who come to watch our process or to, for
17 whatever reason, they can speak for themselves. But
18 we're delighted that it's enough interest in your
19 government and the State Department business that you
20 would find time to come out and be a part.

21 As you know, this is an open, transparent
22 operation. We have talked about the issues that are
23 concerning OBO at the moment. We've given you a
24 presentation on the status -- in fact, it's equivalent
25 of a stewardship report on what we have done with the

1 funds that your taxpayers have provided to us. You
2 have seen those, and I invite you to go tough them if
3 you have any further concern about them. They are out
4 there.

5 Also, there are 174 visits that I have made
6 over the last six and a half years to these 91 -- I'm
7 sorry, 81 locations. I've given a tremendous amount
8 of insight into what's really taking place in the
9 world, and that's why I can be so profound to say what
10 the world looks like out there. It is a very
11 difficult job that our department has, and I got back
12 to Darryl's Horne's descriptor of it. It's laced with
13 flavors of things, and as Ed said, it has a fourth leg
14 that we have to deal with.

15 So we're not saying this because we know
16 what it was before we got started, and we have good
17 people that work every day work very hard in this to
18 make it work, good partners from the private sector
19 across the board and a lot of interest in this room.
20 There are people in the room who are interested in
21 helping us in trying to make things better. We tried
22 to go across the board and think about every
23 conceivable angle we can think about to make the
24 program better and improve it, to include a lot of the
25 initiatives that you have helped us with, such as the

1 preamble, the cleanup of the RFP. You've gone through
2 our Williams 20 with us and told me that I was not
3 crazy when I wrote them, and we've looked at every
4 single one of them.

5 And so, I think that this is a very useful
6 process, and for me personally, I thank the panel and
7 for its continuous support with advice. You don't
8 just come here, and even most recent members, they
9 find a way to make a contribution, and I sincerely
10 appreciate that. We assign tough homework. It's a
11 methodical process. Everything here is about process,
12 and we don't wing anything. Everyone comes to this
13 meeting knowing exactly what is going to be talked
14 about, and we don't tell you what to say. We just ask
15 that you try to stay focused, and you've done that
16 very well.

17 One recent member commented on the way down
18 from lunch, which was a very interesting comment that
19 Nancy made. I didn't even know anyone remembered when
20 I was back in the school construction authority, but
21 I'll let her speak for herself.

22 But that is a part of this partnership. So
23 what I would like to do now is to go around and ask
24 our visitors. We're again delighted that you're here.
25 Tell us who you are and if you have any observations

1 about what you've seen today. This is your government
2 as well as mine. So I'm interested in what you think.
3 Starting with my friend from KBR.

4 MS. WHITE: Thank you very much. I'm Janet
5 White. I work at KBR in the Arlington office. I'm
6 not saying that -- information and dialogue all day
7 today. I mean, the panel is just very impressive and
8 the exchange with OBO and representative staff was
9 just -- I just can't give higher thoughts and remarks
10 that I'll bring back to KBR. What I found really
11 interesting was how you take your mission, your
12 design-build, and it kept folding and unfolding into
13 design engineering, into builder needs, not as much
14 stability as to have -- will come on in the future,
15 but there's a common message here. It is a
16 collaboration. It's all the upfront collaboration.
17 It is the teamwork. So to me, you're all connected,
18 and I see the connections going on in the room and in
19 the -- here, so very touched.

20 GENERAL WILLIAMS: And thank you for being
21 here. Yes, sir.

22 MR. ANDERSON: Tom Anderson from Ammann &
23 Whitney in New York. We're architects and engineers
24 and we participated in the program in the past and
25 will continue in the future. I think today's topics

1 were very interesting because from my sense, there
2 wasn't an answer. It's an ongoing discussion as we
3 talked about it. It's a fluid climate that's
4 happening out there, and it's not as simple as just
5 saying a voodoo agency that you can cover all these
6 bases, so it's a problem that all of us face -- design
7 team be here today, and unfortunately, probably
8 continuing to talk about it is the only way to control
9 it. And I don't know that there's a succinct finish
10 to the discussion.

11 GENERAL WILLIAMS: Thank you very much.
12 Yes, ma'am?

13 MS. ROTH: Victoria Roth (ph.) --
14 Construction out of Knoxville, Tennessee, and this is
15 my first visit to -- We're a small business with
16 possibly a short venture, and just a kind of daily
17 process and procedures before it takes place and, you
18 know, like something we were interested.

19 GENERAL WILLIAMS: Thank you. Nice to have
20 you. Yes, sir.

21 MR. MORIN: Chris Morin with Orion
22 Management. Thanks for inviting me here. It's been
23 in and out of this panel here for a few years. What I
24 find most exciting is the evolution of the panel, the
25 growth and how the industry and government and private

1 industry together has created such a success, 147
2 sites here, completely unheard of -- 2000 -- which
3 is -- but just we see that it's not only -- it's
4 debatable. Everything here is debatable -- like sort
5 of said. It's moving, it's growing, changing. It's
6 nothing static. Everything's just -- on the surface.
7 It's very positive, very --

8 GENERAL WILLIAMS: Thank you. Yes, sir.

9 MR. COOK: I'm John Cook. I'm with CEI
10 Group, and I'm a OBO roofing contractor. I'm here
11 mostly to try to get a consensus to big game so when
12 we bid the day-to-day stuff, we can understand what
13 the desire is and what we can bring to the table to
14 help make everything more competitive for us.

15 GENERAL WILLIAMS: Wonderful. I think it's
16 always important to see the big dot. Yes, thank you.
17 Yes?

18 MR. McDONALDS: I'm Reagan McDonalds (ph.).
19 I appreciate the opportunity to be a freebie observer
20 today. I'll be replacing Matt Wallace in the Society
21 of American Military Engineering chair on this panel.
22 I'm currently unemployed. I'm between careers and
23 actually recently retired from the military.

24 GENERAL WILLIAMS: You may have the freshest
25 mind.

1 (Laughter.)

2 MR. McDONALDS: I'll be going back to work
3 in August, but I've recently come off the program
4 scene from the National Geospatial Intelligence
5 Agency, which many of you know, is under procurement
6 right now. So a lot of the comments that you made are
7 frankly are very near and dear to my heart. Thank you
8 for the opportunity to be here.

9 GENERAL WILLIAMS: Okay. Do you have any
10 comments being fresh from this about the process here?

11 MR. McDONALDS: I think this is a wonderful
12 exchange, certainly very candid, and something that a
13 lot of organizations that I have served in do not
14 leverage to the extent that that they could. I think,
15 as a learning point, which is new in years, may create
16 dividends -- probably knowledge.

17 GENERAL WILLIAMS: Thank you. Mary?

18 MS. ANDERSON: Yes, good afternoon. I'm
19 Mary Anderson. I'm with Schnabel Engineering. And
20 I'd like to comment as being president of the northern
21 Virginia -- Thank you for the continued opportunities
22 for our members to support you. And also, just seeing
23 as well represented here, there's a list of the
24 invitees, probably over 16 times --

25 GENERAL WILLIAMS: Wonderful. Mary is a

1 former panel member, so we never let them off the
2 hook, right, Joel? Yes?

3 MR. McDONALD: Good afternoon. Tom McDonald
4 with Advanced Protection Technologies. We're a
5 manufacturer of certain protection devices -- working
6 with OBO and -- really enjoy --

7 GENERAL WILLIAMS: Thank you. Delighted to
8 have you. Yes, ma'am?

9 MS. NUGENT: Hi. Good afternoon. I'm Pam
10 Nugent with Goshow Architects. This is my second IAP
11 visit. It's just been fantastic, and I just want to
12 thank you all for being so welcoming to a young gun in
13 the industry. I learned so much, and it's nice to sit
14 and listen to you guys discuss and debate and for
15 always being interested in sharing. We're always
16 sharing tidbits that could be used in all sorts of
17 stuff --

18 GENERAL WILLIAMS: Thank you very much.
19 Thank you very much. Yes?

20 MR. GRIFFITHS: Mike Griffiths (ph.). I
21 work for you, sir.

22 GENERAL WILLIAMS: I know. Now watch this,
23 I know but you're wearing a different tie. They know
24 they can't win. Okay. Go ahead.

25 MR. STEWART: I'm Daniel Stewart (ph.). I'm

1 with Hill International, and we're an international
2 construction management firm, largest employee
3 consulting firm in the world now. I come here to
4 learn about what you're doing, and I appreciate the
5 opportunity. I'm vice president here in the
6 Washington claims group, and I'm looking forward to
7 the opportunity to present a new contract to provide
8 claims for, and claims mitigation, and --

9 GENERAL WILLIAMS: Thank you. Nice to have
10 you. Yes, sir?

11 MR. TURNER: I'm George Turner, and I'm
12 actually a student at University of Delaware, and this
13 summer I'm interning with the Associated General
14 Contractors of America, and this has really been a
15 good experience for me today. I've learned a lot.
16 This is all really new to me, which is -- and it's all
17 been a really great experience, and I thank you.

18 GENERAL WILLIAMS: Delighted to have you.
19 Yes, sir.

20 MR. BELLUM: Barry Bellum (ph.), the
21 Associated General Contractors. Just wanted to thank
22 you, sir, for allowing me to be here today, and I want
23 to thank you all, especially for the material. It's
24 all very valuable. We appreciate this hard work and
25 dedication, and there's something I'd like to give to

1 all of you, to mark the whole challenges ahead --

2 GENERAL WILLIAMS: Okay, good. Yes, sir?

3 MR. EMMIS: Mike Emmis (ph.) with Bentley
4 Systems. We provide software for design and
5 engineering the world's infrastructure. I just wanted
6 to thank you again for the opportunity to attend a
7 second IAP meeting. It was very interesting, and just
8 with respect to today's discussion, I think one of the
9 most encouraging items to emerge in presentation was
10 how commissioning is involved increasingly further
11 upstream in the design process, particularly
12 considering the future benefits to the O&M product
13 portion of a lifecycle. One question that I would
14 look forward to hearing perhaps discussed in the
15 future, going back to our last meeting, would be the
16 possibility of the building information model evolving
17 to become a commissionable asset, linked to systems in
18 the infrastructure itself.

19 GENERAL WILLIAMS: Um-hum, we're still
20 thinking, yes, um-hum. Yes, sir?

21 MR. HOFFMAN: Yes, Tim Hoffman. I'm a
22 reporter with Federal Times newspaper. We're a Harper
23 & Collins publishing company. I've been there for
24 eight years, covering pay and personnel issues, and
25 just recently, we decided to go in a different

1 direction and start looking at asset management and
2 facility issues, and obviously, here today, I've heard
3 a little bit about overseas issues and found the
4 discussion very educational in the way it was laid
5 out, and thanks for all the material.

6 GENERAL WILLIAMS: Thank you, delighted to
7 have you. Yes, sir?

8 MR. BANKER: Yes, Will Banker, Surge
9 Suppression, Incorporated. Thank you for having me
10 again, General. We're a electrical surge protection
11 manufacturer, and I've had some wonderful
12 opportunities with OBO to the AE firms and
13 subcontractors and just love the openness of the
14 discussion again. Everyone keeps mentioning that, but
15 it's really wonderful to see. I've had a chance to
16 come to a few of the IAP meetings and to see a year
17 tenure for IAP panel to bring in some faces. It's
18 really refreshing and open. I love it. Thank you.

19 GENERAL WILLIAMS: Thank you. Yes, ma'am.

20 UNIDENTIFIED FEMALE SPEAKER: Hi, General.

21 GENERAL WILLIAMS: Hi.

22 UNIDENTIFIED FEMALE SPEAKER: I hear you,
23 too. Glad to be back again. Something very close to
24 my heart obviously is quality. And the discussions
25 that I heard today were just terrific. I think that

1 you're going to find that bringing the commissioning
2 forward in the process is going to just be of such
3 great benefit. You're already starting to do it, as
4 noted, and I love the continual improvement and
5 continuous growth and progress and the continuous
6 creative solutioning as a verb, so to speak, and it's
7 really awesome. Thank you for letting me be a part of
8 it.

9 GENERAL WILLIAMS: And thank you for coming.
10 Yes, sir?

11 MR. LEE: General, Richard Lee, PAE. It's a
12 delight to be here again. I just said to Tim, I found
13 out now why he took everything that you've said here
14 for the last four hours verbatim. These reporters
15 won't go away. (Laughter.) But my assessment on the
16 last two years coming is that there's more and more
17 focus being paid toward the O&M piece of it, which is
18 what we PA do, and I'm delighted to see that and wish
19 you the best luck as you go forward. Thanks. I
20 appreciate it.

21 GENERAL WILLIAMS: Thank you. Thank you
22 very much. Yes, sir, could I have you?

23 MR. SIATOLI: Yes. Hi. I'm Peter Siatoli
24 (ph.). I'm with Wesleyan Solutions, and we're a pre-
25 qualified design-build contractor as part of the

1 Embassy program. This is my fourth Industry panel. I
2 like the candor. It's very good. There's refreshing
3 dialogue, so I'm looking forward to coming here for
4 the next one, and the main issue that I look for is
5 how you address change, how you and OBO are
6 represented here, how you deal with change.

7 GENERAL WILLIAMS: Um-hum, thank you. Yes,
8 sir?

9 MR. WALSTON: Mike Walston (ph.) with Merry
10 International (ph.) Capital Special Projects. We're
11 the design-build contractor -- program. I just really
12 appreciate being able to be here get to see similar
13 conversations as the one we have in our office every
14 day, how the program works. It's good to see it's the
15 same questions we have are addressed here.

16 GENERAL WILLIAMS: Thank you. Yes, sir?

17 MR. GRAVES: Mark Graves with DMJM H&N
18 Printers, Architects & Engineers. I got a lot of the
19 commission component. One thing that we're finding
20 quite often is not only is it just a matter of pulling
21 the commissioning toward the front of the project, but
22 actually using it as a cyclical basis all the way
23 through, as are you're doing, a standardized type
24 project. It will allow you to improve each time, so I
25 thought that that was interesting.

1 GENERAL WILLIAMS: Sure. Thank you. My
2 friend?

3 MR. SHIRVINSKI: Adam Shirvinski with EMSI,
4 now actually DOD Solutions. As one of the two
5 bookends in the room --

6 GENERAL WILLIAMS: He hasn't missed one.

7 MR. SHIRVINSKI: -- again, I like to see
8 good government at work and another excellent day.
9 Love the commissioning discussion, also the way it
10 ties into building information modeling and holding
11 those two together and marrying them is going to do
12 very, very well for the program. Thank you --

13 GENERAL WILLIAMS: Thank you for coming.
14 Yes, yes.

15 MR. TESNOW: General.

16 GENERAL WILLIAMS: All right.

17 MR. TESNOW: Aaron Tesnow, with AES-
18 Technical Services. Our company, AES has been with
19 the State Department for 24 years, and I think I'm the
20 third or fourth guy that's been coming to these
21 meetings. I specifically like the cost estimating
22 discussions today and having all new board members and
23 their opinions and also the people from different
24 fields studying. It sounds like a discussion that
25 happens in our office on a daily basis, you know. I

1 appreciate it --

2 GENERAL WILLIAMS: I appreciate your comment
3 because when we first launched this, the question was
4 whether this would be all contractors, whether it
5 would be all AGC, whether it would be all AIA, and I
6 probably took a hit or two about that. But we said,
7 no, we wanted the industry across the board. We've
8 had even security representatives here because that's
9 a component. So we've tried to do it fair. So that
10 means a lot to me, that comment.

11 Okay, go ahead. Yes?

12 MS. FRENE: Hi, General.

13 GENERAL WILLIAMS: Hi.

14 MS. FRENE: My name is Karen Frene. I'm
15 with Eaton Electrical, and we're a manufacturer of
16 power protection systems such as uninterruptible power
17 systems as well as distribution equipment, and we also
18 do turnkey installation, conditioning, and
19 preventative maintenance. I found the discussion on
20 commissioning particularly interesting. Our company
21 offered us power-train audits whereby we can assess
22 the vulnerability and reliability of buildings and
23 facilities. And we're also one of the awardees on the
24 Department of State Overall Power Systems Engineering
25 IDIQ. We've been visiting a number of the embassies,

1 particularly looking at the aging infrastructures,
2 with the new embassy compounds, and doing some upgrade
3 and repair. Thank you very much. I appreciate the
4 opportunity to be here.

5 GENERAL WILLIAMS: Thank you for coming and
6 for participating in our program. Yes. Yes?

7 MR. MCCORMICK: My name is David McCormick.
8 I'm with Whitman, Requardt & Associates, an AE firm out
9 of Baltimore with 400 professionals. I've been coming
10 for about a year now, and the collaborative
11 environment is wonderful. You can see how you've
12 grown from just a basic idea of the Standard Embassy
13 Design in order to enhance the program using this
14 dialogue. I'm sure you're going to come up with other
15 enhances. And just on a personal note, I think
16 there's only two or three projects that I've
17 experienced where they had such open collaboration.
18 Those were the best experiences for everyone on those
19 teams and we look forward to doing some work for the
20 Department of State in the future.

21 GENERAL WILLIAMS: Thank you. Delighted to
22 have you. Yes, ma'am?

23 MS. JHEE: Hi, my name is Heather Jhee
24 (ph.). I am representing Isis Corporations,
25 facilities, engineering, and management company out of

1 Atlanta, Georgia. Currently we're seeking an
2 opportunity with Mr. Rowe and the Operations
3 Maintenance Systems, and I am a first-time attendee.
4 Usually one of my coworkers is here, but I'm very
5 grateful that you allowed me to stay here in his place
6 and I'm just very -- I'm speechless, observing the
7 openness. I've very grateful and -- it's a very good
8 opportunity to me.

9 GENERAL WILLIAMS: I'm delighted to have
10 you, yes. Yes, sir?

11 MR. FERREIRA: My name is Victor Ferreira.
12 I'm with Control Risks, a security consultancy firm.
13 I'm from our Washington office. This is my first
14 event. I really came today to get a better
15 understanding of the issues and challenges that this
16 industry faces. Once again, thank you for the
17 opportunity.

18 GENERAL WILLIAMS: Um-hum, thank you. Yes,
19 sir?

20 MR. JOST: Blair Jost, principal with E.K.
21 Fox and Associates. We're chemical, electrical design
22 engineers. General, thank you very much for the
23 invitation. I think back to one of your slides
24 talking about from 2000 when we had one project under
25 launch to 2006 and 2007. We've worked with OBO, and

1 its predecessor FBO, since 1980, and quite a bit of
2 change has occurred since then. Scheduling has kept
3 me from this discussion prior, first time attendee. I
4 must say that everybody's participation, the focus on
5 team-based solutions is very, very impressive. Thank
6 you very much.

7 GENERAL WILLIAMS: Thank you very much.
8 Thank you. The other bookend?

9 (Laughter.)

10 MR. BRADLEY: I'm the other bookend.

11 GENERAL WILLIAMS: He hasn't missed a
12 meeting.

13 MR. BRADLEY: Bill Bradley, executive vice
14 president of Hague, Sutherland & Hague (ph.). We're
15 architects, engineers and have done a few of these
16 projects. Just two quick comments, one on cost
17 estimating. I'd like to recommend that you also take
18 a look at local labor laws. That's something we look
19 at very, very closely, and I can tell you that a few
20 countries I've bid have very, very funny laws,
21 interesting laws when it comes to labor. If you use
22 them a certain length of time, you got to pay a
23 premium and pay a lot of benefits, and that eventually
24 comes back into the prices that we put in on the
25 project. So that's a definite factor. The other

1 thing is with -- I know it's not on the agenda, but I
2 got to congratulate you on this.

3 GENERAL WILLIAMS: Thank you.

4 MR. BRADLEY: I got to tell you, there is a
5 lot of good information in here, and it's very, very
6 comprehensive, so I just wanted to say, this is an
7 excellent document here.

8 GENERAL WILLIAMS: Thank you. That's our
9 bugle. There are copies there. This is a quarterly
10 presentation we put out. Again transparency. You
11 know it all. If anyone within an earshot or living
12 and can read in the United States who say they don't
13 know about OBO, all they have to do is read. We have
14 it all out there. Okay?

15 Yes?

16 MR. KAINTH: Good afternoon. I'm Reman
17 Kainth with M.C. Dean, Incorporated. I'm the pre-
18 construction/telecommunications manager for the
19 company. For those who don't know, Dean is a local
20 electrical security and communications design-build
21 contractor. We've been very heavily engaged with OBO
22 work as long as I've been there, six years ago. And I
23 must say, not to put any other agencies down or
24 anything, but the OBO process for design-build, as
25 I've seen it through the SED, is extremely developed,

1 one of the best processes that I've seen for feedback
2 back from the customer from the stakeholders, from the
3 owners side back to the customer, and it's --

4 GENERAL WILLIAMS: Thank you very much for
5 attending. Thank you. Yes, sir.

6 MR. LYNN: Good afternoon, General.

7 GENERAL WILLIAMS: Good afternoon.

8 MR. LYNN: My name is Jeff Lynn. I'm with
9 Ingersoll-Rand and their security technologies
10 division. We provide solutions, mechanical and
11 electronic, around the door opening. And as a
12 manufacturer -- I think my predecessors have been
13 coming for some time. This is my first meeting. But
14 as a manufacturer, I find it very interesting and
15 unique, I think, within the government sector that I
16 can sit here and understand, be a little bit of a fly
17 on the wall, but understand what's not on the slides
18 and hear people and see people and see where their
19 passion is and how I can add value, you know, in the
20 overall process as a manufacturer. And I think that's
21 a message I think for the group and that, you know,
22 include us in those upfront discussions because I
23 think, you know, we're also a resource in that whole
24 process. Thank you very much.

25 GENERAL WILLIAMS: Thank you so much for

1 coming, okay. My friend?

2 MR. READY: General.

3 GENERAL WILLIAMS: Mr. Ready.

4 MR. READY: I'm David Ready. I'm here with
5 Industry for Building Technology and Safety, and we're
6 a not-for-profit group formed by government to provide
7 services to government, primarily in the area of
8 building code, third party services. We work with
9 Federal Government and a number of different agencies,
10 and we're hoping to supply some services to OBO. I
11 would like to say that as a former panel member, I'm
12 very impressed with my successors and that I think
13 that the work that was started when Joel and I first
14 were on the panel seems to built on, and I'm very
15 impressed.

16 GENERAL WILLIAMS: Thank you for coming
17 back. Yes?

18 MR. WINKLER: General.

19 GENERAL WILLIAMS: How are you?

20 MR. WINKLER: My name is Gerald Winkler.
21 I'm with Integrus Architecture. We're the architects
22 on about five Embassy projects, and it's been a
23 wonderful session. Always learn something new in
24 these kind of sessions. I'd like to just reinforce a
25 couple comments that have already been made that

1 someone needs to start with was getting the
2 commissioning up and running fast and early. Rob's
3 going to have the commissioning agencies on board here
4 within a few weeks, and I think there's a bit of
5 learning curve for them to get up to speed, and it's
6 better to do that now rather than November 1st when
7 you sign a bunch of contracts and put them to work
8 because everybody's going to be off to the races. And
9 I think the other comment is on the best practices
10 side of things, talked about a lot of tools and
11 processes and procedures. I think it's incumbent on
12 all of us to try to make sure that we're getting the
13 best teammates to the table, too, the best designers,
14 the best builders, and your best people, too. That's
15 a big asset as far as assuring successful projects.
16 Thank you.

17 GENERAL WILLIAMS: Thank you. Yes?

18 MR. MARRARO: General, thank you again for
19 having us. Tony Marraro with ECC, the director of
20 planning and development. We're one of 2007 Embassy
21 contractors, also the developer of record for
22 privatization projects in New Delhi and Mumbai. I'm
23 here for my second time. Very particularly encouraged
24 to hear the discussion on cost estimating, something
25 that we deal with constantly and obviously. Two

1 things: I like the way that they tied commissioning
2 costs and also BIM into that discussion. General, I
3 think it would interesting to know, maybe if we
4 formally do it in the bid form as a line item to kind
5 of track and determine what those actual costs will be
6 of the projects. I know that we will do that
7 internally, and I wonder if we might do the same here.

8 GENERAL WILLIAMS: Excellent point.

9 MR. MARRARO: One other item, General?

10 GENERAL WILLIAMS: Yes.

11 MR. MARRARO: I think Mr. Denton was
12 talking a little bit about the triple constraint. I
13 find that interesting because, again, it's something
14 that we juggle constantly in the office, and if we
15 know that we're constrained on schedule, we know that
16 we're constrained on scope, well, the only thing that
17 can move is quality. How do we do that appropriately?
18 I think it's an ongoing dialogue point, and I look
19 forward to coming back and listening to more about
20 that, yeah.

21 GENERAL WILLIAMS: Well, be assured, we're
22 not through with this one.

23 MR. MARRARO: I'm certain. Thank you, sir.

24 GENERAL WILLIAMS: Everybody knows that.

25 Yes, sir?

1 MR. COYLE: Appreciate you having me today,
2 General. I'm Colin Coyle. I'm with EYP Mission
3 Critical Facilities. We are an infrastructure
4 consulting engineers. I've been active with the
5 program on the design and value engineering side for
6 quite a few years, and now I'm going to get involved
7 in the commissioning side, so I'm very interested in
8 hearing that. Sorry I was late this afternoon and I
9 only caught the tail end, but this is the second time
10 I've been here, and it's been a great many years since
11 I was here and glad to see that the candor and
12 conversation has continued.

13 GENERAL WILLIAMS: Thank you very much.

14 MR. COYLE: Appreciate it.

15 GENERAL WILLIAMS: Yes. Yes, sir?

16 MR. VAUGSCHMIDT: Thank you, General, for
17 the invitation. I'm David Vaugschmidt (ph.) with
18 Skanska Building Security. We are a manufacturer, a
19 German manufacturer as you tell by my accent, of
20 blast-proof windows and FEBR doors and have delivered
21 about 400 U.S. embassies, and I keep on coming back to
22 your panel and I just love it, and each time I pick up
23 something. For example, now, with the O&M, maybe I
24 should convince your department on this pre-glazed
25 windows because we do the window frame first and the

1 glass afterwards, but you require to bring everything
2 as one piece on the site. But if you wanted to change
3 those things, then it's more difficult and more
4 costly, so you made us to do what you require to.

5 (Laughter.)

6 MR. VAUGSCHMIDT: -- worked hard to convince
7 you that the method we use to do it is a better
8 method, General. So maybe I come back to one of
9 your --

10 (Laughter.)

11 MR. VAUGSCHMIDT: Thank you, General.

12 GENERAL WILLIAMS: Vielen dank and Danke
13 schön.

14 MR. VAUGSCHMIDT: I appreciate it.

15 MR. McHEWN: Good afternoon, General. My
16 name is Kevin McHewn (ph.), senior vice president with
17 America Appraisal Associates. Thank you for your
18 time. This is my first visit to the panel and with
19 your permission will come back for future ones.

20 GENERAL WILLIAMS: Yes, love to have you.

21 MR. McHEWN: Our firm is similar to those
22 around the room but a little bit different. We're an
23 international valuation firm, so we come in after the
24 fact when it comes to compliance with Executive Order
25 13327 or any kind of -- remediation to either

1 exceptions for financial reporting, both real and
2 personal and private. So I thank you, sir.

3 GENERAL WILLIAMS: Thank you. Yes, ma'am?

4 MS. BIRD: Good afternoon. Thank you,
5 General --

6 GENERAL WILLIAMS: Yes.

7 MS. BIRD: -- for allowing me to be here.
8 My name is Renee Bird. I believe I'm the newest
9 member of Horne International. I'm here with Darryl
10 Horne. I just want to say thank you to Joe Toussaint
11 and Will Colston for sufficiently initiating me into
12 my new position at Horne. This is actually my second
13 week with Horne, so this is very new to me, first time
14 attending the panel, and I really enjoyed it. I've
15 learned a lot and hopefully was able to contribute a
16 small, make a small contribution to the discussion
17 here today. My focus is really strategic alliances
18 and forming those alliances, and I think that I've
19 gotten an opportunity to lay a good foundation for
20 that today.

21 GENERAL WILLIAMS: Okay.

22 MS. BIRD: I look forward to future
23 engagements.

24 GENERAL WILLIAMS: Thanks for coming. Yes,
25 sir?

1 MR. HART: My name, Ido Hart (ph.). My
2 company, PMSI, does cost consulting and value
3 engineering for government agencies and designers.
4 One thing I particularly liked was I think it was Jim
5 White put up the chart where there was a pie and a
6 slice of a pie and there was a circle around the pie,
7 and it showed that initial costs, it may be the whole
8 circle, including O&M costs, 10 times that large, and
9 just the talk about a lot of the private sector, but I
10 congratulate you for putting it out there because it's
11 beginning to get that link together. Perhaps Congress
12 will figure out some way of shifting more funds
13 around.

14 GENERAL WILLIAMS: Thank you, appreciate
15 that. Yes?

16 MS. AWAR: Thank you for the opportunity
17 here, General. I'm Diane Awar (ph.). I'm with PBI
18 Architects. As some of you may know, we're a local
19 D.C.-based firm, architects and interior designers as
20 well as facility planners. It's my second meeting and
21 I really appreciate the candor and insights that the
22 panel offered, and particularly the cost estimating I
23 found very insightful.

24 GENERAL WILLIAMS: Thank you. Yes, sir?

25 MR. MAYS: Thank you, General.

1 GENERAL WILLIAMS: Thank you.

2 MR. MAYS: Billy Mays with Design +
3 Construction Strategies. I agree with all of you
4 about DDC. We're a company championing the BIM
5 implementation efforts of the federal sector, and it
6 was great to hear its place several times today here
7 in this discussion.

8 GENERAL WILLIAMS: Thank you for coming.
9 Yes, sir?

10 MR. FONSECA: Jonathan Fonseca with DHL
11 Global Forwarding, and my goal today was really to
12 gain an understanding of the challenges faced by OBO
13 and the contractors and to see how DHL, using its
14 global infrastructure and resources, could assist
15 with -- components of moving freight either from
16 foreign locations to foreign locations or U.S.
17 locations to foreign locations under the new security
18 laws.

19 GENERAL WILLIAMS: Thank you. Yes, sir?

20 MR. FLAHARTY: Kevin Flaharty with Johnson
21 Controls. First panel. I've been on this account for
22 less than two months and been challenged with
23 improving our delivery and performance to you all.

24 (Laughter.)

25 MR. FLAHERTY: And I'm here to learn as much

1 as I can about -- and that helps me to understand how
2 to do my job for you well. I was very impressed with
3 the estimating piece. My background for the last half
4 a dozen years has been performance contracting, and
5 the balance between costs and systems performance has
6 to stay in line for the project to go forward --
7 funding. So that's --

8 GENERAL WILLIAMS: Okay. Now, we don't want
9 just OBO to laugh and you think that we really not
10 uptight on transparency. We have a very little chill
11 air, little cool air problem, so we are happy to see
12 Johnson Controls.

13 MR. FONSECA: And next to DHL.

14 GENERAL WILLIAMS: Next to DHL. So
15 that's --

16 (Laughter.)

17 GENERAL WILLIAMS: Okay. Now, if that's not
18 transparency, I don't know what is. Okay. Okay.
19 Now, last, thank you all for your input. All of you,
20 each of you, important to us and we really wanted to
21 take the time, I know. We went around and we gave
22 everyone an opportunity to have a part in this.

23 The final piece goes to our panel. I'll
24 start with Matt. You have any comments to add?

25 MR. WALLACE: Just as this is my final

1 session as a panel member, I wanted to publicly thank
2 you for the opportunity. I wanted to thank my mentor,
3 Mary Anderson, for giving me the opportunity. I've
4 learned a great deal of information of the industry
5 that I've started, down my career path, so this has
6 shotgunned me into a higher speed of learning. So
7 thank you very much.

8 GENERAL WILLIAMS: Thank you, Matt, and good
9 luck in the future, and stay close.

10 MR. WALLACE: Thank you, sir.

11 GENERAL WILLIAMS: Okay? Suman?

12 MS. SORG: Thank you, General Williams, for
13 another great session. I really enjoyed it, and it's
14 really important to know that you're thinking like a
15 private sector where complacency is the worst thing
16 that can happen to you. Your product can get stale.
17 You fall out of the competition, so it's really good
18 to see actually the amount of work your own
19 organization does in staying on top of issues that
20 sometimes even we don't know about.

21 GENERAL WILLIAMS: Thank you so much. Joel?

22 MR. ZINGESER: Well, I'll say goodbye again.

23 GENERAL WILLIAMS: Yes.

24 (Laughter.)

25 GENERAL WILLIAMS: I got the hook, though.

1 MR. ZINGESER: I am always pleased to be
2 invited to come here and participate. The thing that
3 strikes me is the progress that's been made, not just
4 in the program in total and all the accomplishments
5 and the facilities that are up and running, but also
6 the panel. As we said before, there's definitely a
7 continuity. I mean, I'm listening to different people
8 speak today from the very first group that met, but
9 the same sort of comments, the same sort of candor,
10 the same sort of contributions, so whatever you've
11 done to pick the people or set the table properly,
12 it's really working, well, at least for us in the
13 room. I hope it's working well for you.

14 GENERAL WILLIAMS: It is.

15 MR. ZINGESER: And then just the last thing
16 I would say is, again, that I'm always pleased to go
17 home and tell my kids that I've spent a day with a
18 great American.

19 GENERAL WILLIAMS: Thank you very much. I
20 really appreciate that. William?

21 MR. FLEMMING: Well, thank you for having me
22 and letting me represent DBIA and my company and
23 letting me share some perspectives about how we do
24 things in the private sector. I hope there was some
25 insight there for your panel, and I look forward to

1 coming back and sharing some more thoughts, and I
2 actually have some topics that came to my mind that I
3 may share with you that I think would be good for this
4 panel.

5 GENERAL WILLIAMS: Bring them on. Delighted
6 to have you. Oey?

7 DR. OEY: Thank you very much, General, for
8 having me here. I'm a new member of the panel, and
9 this is a very insightful and interesting panel with
10 the different disciplines. Civil engineers tend to
11 cuddle up in their cubicles and do their designs and
12 throw it over the wall. Another thing that was
13 interesting is my background, of course, is in heavy
14 civil, which I've grown up in a silo that heavy civil
15 is a complicated project and building projects are
16 cookie cutter, and that's obviously not the case with
17 OBO, and I look forward to hearing the different
18 issues because a lot of them are what's happening also
19 in the heavy civil, just domestically. They're facing
20 the same types of issues. So, thank you very much.

21 GENERAL WILLIAMS: Okay, thank you. Thank
22 you. Ed?

23 MR. DENTON: I have enjoyed my tenure. I
24 want to thank you for that, and the best part about it
25 is when I return to California, I always knew I'd

1 bring back with me more than I brought here, and so
2 actually I thank you and the panelists and your staff
3 for that because it's very impressive. You've done an
4 incredible job, and I think what you're doing with the
5 panel here makes a lot of sense.

6 GENERAL WILLIAMS: Thank you very much.
7 Darryl?

8 MR. HORNE: Yes, sir. It's a privilege to
9 be here today, as I stated earlier. I feel inspired
10 by the dialogue that's gone on here today, and I hope
11 I can just make some contribution over this year as I
12 join this group. Thank you.

13 GENERAL WILLIAMS: Thank you. John?

14 MR. PAWULAK: General Williams, it's been a
15 real pleasure to be here. I thank you and also the
16 OBO staff for their coordination, cooperation, and
17 working some of these homework assignments through. I
18 certainly hope that we have made a small contribution
19 to the very large effort that you all have to
20 undertake. Thank you very much.

21 GENERAL WILLIAMS: Thank you, John. Nancy?

22 MS. GOSHOW: Thank you so much for allowing
23 me to be here and part of this panel. I'm enjoying it
24 very much. I'm learning a lot and I owe you metrics
25 on the cost for commissioning and I know -- so I will

1 get back to you.

2 GENERAL WILLIAMS: Thank you. Thank you
3 very much. Staff? I know there's one member who
4 might want to have --

5 MR. CASTRO: Thank you, thank you, General,
6 if I may.

7 GENERAL WILLIAMS: Bob is my chief of staff
8 so --

9 MR. CASTRO: And this is also my last
10 Industry Advisory Panel, as the OBO staff already
11 knows, and I told some of the panelists at lunch. I'm
12 actually going to be leaving to join my wife at post,
13 so I'll soon be a protectee of OBO buildings in
14 Mexico. But I wanted to take this moment to thank you
15 publicly on the record and with a transcript, first of
16 all, for the opportunity to serve my country for the
17 last three and a half years. It's been a great return
18 to government from the private sector for me to help
19 perform this mission, which I think is critical at
20 this moment in our country's history, so thank you for
21 that and allowing me to take a leadership role and
22 most importantly to see results which gave me great
23 satisfaction for my contribution to this effort; but
24 secondly for an opportunity to learn from you and from
25 the OBO staff on a daily basis. You're too

1 professionals and best in class at what you do, so
2 that's a unique opportunity that not very many people,
3 I think, get. But finally for providing opportunities
4 like this. You and I have joked that this is better
5 than grad school, and every time I attend one of these
6 panel sessions, I feel like I've gotten a full
7 semester's worth of a graduate level course just from
8 listening to the experts, as well as the panel, the
9 partners and invitees and the audience, so I thank you
10 all for that. Thanks to the panel, and as a former
11 congressional oversight person of similar programs
12 like this, General, I can tell you, you've got it
13 right both in the product and the process. Good luck
14 to you all, and I hope that maybe in the future,
15 you'll treat me like Joel and invite me back
16 occasionally.

17 (Laughter.)

18 GENERAL WILLIAMS: Thank you.

19 MR. CASTRO: Thank you very much.

20 GENERAL WILLIAMS: You can count on that.

21 Okay. Thank you.

22 (Applause.)

23 GENERAL WILLIAMS: Bob has done a tremendous
24 job. He's made a lot of those trips with me, leaving
25 at 2:30 in the morning, trying to make flights. It's

1 been a memorable occasion, so I will personally miss
2 you, Bob.

3 MR. CASTRO: Thank you.

4 GENERAL WILLIAMS: Okay. And take good care
5 of Stephanie.

6 MR. CASTRO: I will.

7 GENERAL WILLIAMS: Take care.

8 Okay, are there any other comments from
9 anyone?

10 Okay, we see how our process works. We got
11 a couple of minutes, and I took one from you this
12 morning, and we'll give it back to you. But before I
13 do that, I do want you to join me in thanking our
14 External Affairs team, led by, well, all the good
15 people here. There's Michael, there's Adelet, there's
16 Andrea over in the corner. These people are the ones
17 responsible for connecting with you and assist me
18 greatly with this function. In fact, over one-half of
19 their work is bridging the gap and keeping you
20 informed so we can have a very fruitful arrangement.
21 Thank you all very much.

22 (Applause.)

23 GENERAL WILLIAMS: And there's one other
24 organization, we'd like to thank those individuals
25 from the outside helping with the badges, watching

1 your cell phones, going to make certain that you get
2 out of the department building in good shape, and
3 that's our management support division headed by
4 Roberto Coquis. He's over in the corner.

5 (Applause.)

6 GENERAL WILLIAMS: And let's see, and last
7 but not least because that person sometimes gets
8 overlooked, but the most important one because what we
9 said today, he will be responsible for getting it
10 right, that's our court reporter.

11 (Applause.)

12 GENERAL WILLIAMS: And again, be safe and we
13 hope to see you again. Okay.

14 (Whereupon, at 3:30 p.m., the proceeding in
15 the above-entitled matter was closed.)

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C E R T I F I C A T E

This is to certify that the attached
proceedings in the matter of:

UNITED STATES DEPARTMENT OF STATE

OVERSEAS BUILDING OPERATION

INDUSTRY ADVISORY PANEL

Washington, D.C.

July 17, 2007

were held as herein appears, and that this is the
original transcription thereof for the files of the
United States Department of State.

Timothy J. Atkinson, Jr., Reporter
FREE STATE REPORTING, INC.