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OVERSEAS BUILDINGS OPERATIONS

INDUSTRY ADVISORY PANEL

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PROCEEDINGS

MR. COOPER: Good morning ladies and gentlemen. My name is Uriah Cooper and I am with OBO Security, American Support Division.

I'd like to welcome everyone out here at a IAP, we appreciate your participation.

Before we begin today I'd like to give everyone a quick briefing on safety and security matters.

While we're here at the IAP I would like everyone to make sure that they're wearing their badge above the waist and that it's in a visible manner so everyone can be identified quickly. While you're here you need to be escorted at all times, you can locate members who can escort you by the red badges here, or any personnel that's standing by outside. If you have special needs, like you need to use the restroom or anything like that make sure that you contact one of us and that we escort you.

If you have any electronic portable devices like pagers, cell phones, or anything like that that you forgot to check in you can do that right now and

get that checked in outside so that it's not to disturb the conference.

Also while you're here if there's an emergency or fire or any drills like that I want everyone to exit the building -- or exit the conference room, excuse me, in an orderly fashion and follow the exit signs out. The exit signs are marked by the overhead signs that either red or orange and they're assisted by the green arrows pointing you towards the exit.

Our rally point for today is going to be on the 23rd street side of -- I believe it's "D" street, and you'll have OBO members that will be helping you exit the building in a nice orderly fashion.

Again, I'd like to welcome everyone to the IAP conference. If you have any questions whatsoever, or any special needs, please contact us and we'll do whatever we can to make your visit today as comfortable as possible.

Thank you.

MR. SHINNICK: Okay, thank you very much. I'd like to welcome everybody to the IAP meeting and

both the much appreciated members of the IAP and also the other guests that we have seated around the walls.

I think those of you who haven't been to a IAP meeting or other meeting that I've been at, I'm the Director, ad interim, as opposed to the Director that you are all used to who was here for seven years. And ad interim means that I am acting as the Director, but there is no Director who's away on vacation. I'm told that's the difference -- I think some of it is the fact that the Undersecretary for Management used to be an altar boy and he likes the Latin phrases maybe. But anyway I like ad interim, it has a little more pizzazz than acting anyway.

Those who know me from over my 30-year career claim that I've been acting for a long time, so it's very suitable that I'm acting.

I welcome the IAP today in a spirit of great gratitude. Now that's something that would be incumbent on anyone in my position who's the beneficiary of volunteers from the private sector to do any function. But we really feel more -- this is not for us, which we discussed at the lunch at the

last meeting, this is not for us some kind of a check the box activity and we had some discussions with the IAP membership itself about how we could make this more relevant to both the needs of OBO and the State Department and the interests and desires to help of the members of the IAP.

So the format today came largely out of that discussion as to how we were going to handle the future meetings. And I'm very happy with the subject matter, I'm very happy with the champions that we have -- I love the word, remember that great song, We are the Champions. But the champions that we've designated to do this, their parts of this, I'm very happy with them. And the only thing I would say, this is still an open subject for me, and when we go to lunch today if you have any feeling about how the morning went or how we should do it the next time I think that's the most important thing we can do during lunch is plan the following session.

Now as I said it would be mandatory for anyone in my position to thank you for the contribution. And later on we have a, as we have had

in the past, and it's nothing more exciting than for our departing members we have a little recognition moment.

But at the risk of sounding too corny and too corn-bally I'd like to say that your -- the contribution that you're making was very valuable at all times. I mean throughout the time that the IAP existed. But it's even more valuable now as we see in the newspapers the, you know, whatever you want to call it and no matter where you are in the political spectrum whether it's the global war on terrorism or you think it's something else, whatever you know, whatever you believe it is, you know that as far as the State Department our people overseas are exposed and they're in -- some of them are in insufficient buildings and they're in deep doo-doo. And so we're kind of in a race against the clock to get all of those facilities up to the new embassy compound standards.

So I thank you all, and the corn-ball part is that, you know, you all out there in civilian life and what's that voice that used to start every day,

Bob Lamm for those of you who remember, he would start off every day saying Shinnick, what have you done for your country today. And I never could have a very satisfactory answer.

But the members of the IAP if they were asked that question, and I have no knowledge of what else you do in your personal lives, could answer the question with a very, very strong response, I served the State Department and their Office of Building Operations in an advisory capacity, in a non-compensated position, which means that I give up a great portion of my professional life and make sacrifices to carry out that role.

So I say that with all humility that that's the way you folks are viewed. And so I thank you for being here, et cetera, et cetera.

And with that I'd like to go into my opening remarks which are not related to what the rest of the day will be, but I'd like to give you some ideas on -- I've told you in the past some of the things we were doing. We're further along with our vertical SED, first of all I'd like credit for the program.

Now I'd like to get some credit for you guys because we handed out this very elegant program and there are very, very beautiful pictures in the program. What's my point? I spared you the slide show.

(Laughter)

MR. SHINNICK: So with that said I'd like to tell you where we are and what we're doing.

We're not resting on our laurels, we had an enviable record when I came here and I give due credit to the drive and focus and single-minded devotion to getting the job done of Major General Williams who was my predecessor.

But we can't rest on the laurels of the seven years that he devoted to OBO because, number one, he's gone and number two, times change over seven years. And so what are we going to do? Are we going to throw out the baby with the bath water, are we going to change everything?

No, we're not. We're not changing everything. Like I think Darius once told the Persians that, you know, every time we get a new king

we reorganize everything. Well I'm only the ad interim, so we're not doing that. But we're making drastic changes at OBO.

Some of the folks sitting along the wall here that you'll see, and I'd ask them to raise their hand, those starring Office Facility Management Corps. They serve in our FAC Division down at SA18 in Woodbridge. A very valuable corps of people, 155 of them overseas running the maintenance programs at our embassies under the leadership of our Chiefs of Mission, and we have approximately 80 people in that office here in Woodbridge and Washington -- well, in the D.C. area, and they were making a terrific contribution. And they are universally esteemed by the Chiefs of Mission in the posts at which they serve.

But as in any organization you can have things better. And we came in, and seated on my right is my Deputy for Construction, Joe Toussaint, who you all know, and some of you for a long time. And we had some discussions about some of the issues that we had. And one of the issues that was evident to us and

opaque to I hope most of our customers was hands off. In other words, there's a point when Joe's folks built the building and commissioned the building and we gave a certificate of occupancy and the embassy moved in, and there were certain procedures that we did on making recommendations on the size of the maintenance staff it would take to run that building -- excuse me, on the, you know, the tool sets and the warranties, we did hands off.

But for any of you that ever ran in any track at any level you know that when you're running relays the most dangerous time is not when you're flying down the back stretch the most dangerous time is when you pass the stick.

So we had some discussions in general about stick passing and out of that -- and I then had some subsequent discussions with some of our project engineers, construction engineers, the folks who build the embassies overseas as we were trying to solve this issue. And out of those discussions came the initiative to merge these two operations, to merge the facility managers, our professional technical people,

with our construction engineers. So why?

Here's Joe, what do we have now? OBO always prides itself on being a performance-based, accountable organization. You've all probably sat through enough OBO briefings to say -- to know that we say that often, and that's one of the things we say on the hill, and we say it in this building, and we say it to the private sector, and we say it to the embassies, we're accountable and we're -- well, one of the ways that we were able to get more accountable is we now have a seamless operation. We have one executive and one organization which is comprised of the folks who build the embassies and the folks who maintain them, it's a seamless operation. There's a very clear accountability for the whole life cycle of the building. And we think that that's going to provide tremendous benefits for everyone involved, not only in the development and production and maintenance of the product, the buildings, but also for the people engaged in the work in that the interchange between the construction engineers and their disciplines and facility managers in their disciplines that

professional interface being one of -- being both of the same organization can't do anything but make everyone more proficient at what they do and raise all the boats will rise.

As a visual demonstration of our respect for and appreciation of their work, and also of our need to increase the coordination and management activities we are moving the facility managers from their facility down at SA18, which is 15 to 16 miles from where the rest of us sit, and we are moving them back to headquarters so that this interface can be real as well as on paper.

That's something of no interest to you guys but in OBO we have removed the punch -- we have cancelled out the punch card feature that was on everyone's office here which restricted the kind of information flow you get by walking around. You might say hey, I'd like to go over and talk to Joe in Design Engineering, I just saw this thing. But if it involves key pads and cards and stick it in it kind of inhibits the whole idea of doing that.

So these are the little cosmetic things

we're doing that I throw out to you as -- not as achievements in any way but as visible indicators of the organization that we're trying to take to the next step building on their achievements and fine record, and really outstanding performance, a measurable performance.

So that's one of the things that we're doing. And we're also doing some realistic things that we constantly said that we were on time and on budget. You've heard us say that and in reality we decided that as we drove the industry -- we also meet with industry groups, that on time and on budget may be one of the features that would make us less than a desirable client for that, less than a desirable partner because one of the industry buzz words is partnering with government to get these things done. Who can be against partnering.

So as an indicator in partnering we have built into the system now a lot more flexibility in how we're scheduling individual products. And you may want to talk to Joe on this and he'll be glad to explain what that means in reality.

So we're going to be more flexible on our scheduling. We still are going to maintain what has brought us to this point, which is discipline and focus and performance measurements, et cetera.

But in our dealings with the industry and with our partners contractors we are not going to be inflexible to the point of always saying hey, this is a 24-month deal, you have to get it done in 24 months, because in reality you need a little more flexibility in that on the other side. So that's another one of the things we're doing to address our desire to have not only happier bidders but more of them. We want to have people believe that they are entering into a partnership, so we're building a little more flexibility into this.

I'm very fortunate coming in as the Acting Director. It's a little bit counterintuitive because I was there only about two weeks when a full blown 18 person Office of the Inspector General team descended on OBO and has delivered a draft report as a matter of fact this week -- last week. And why is that so fortunate, what could be worse, here come the

inspectors, 18 of them and they're going to be hanging around for about five months.

I'm the new guy. Let me help you. Let's uncover all the mistakes of my predecessor, you know. And it's in the time honored Foreign Service, which I was in for 30 years, tradition of it ain't me, it was the guy -- it was here when I got here, you know. And it's a great thing but it's every guy says the same thing, you know, all the way up the line.

But this time we were very fortunate because I came in with a mission not of running OBO because we have very capable managing directors that are running OBO on the day-to-day operational stuff, on the construction stuff, and they did not need a Foreign Service manager to come in and say listen, I think the scaffolding should be six feet to the right and here's the way you should have the cranes rigged, and this is the way we should get the materials out there. They know how to do that. And when the issues arise then I'm brought into that.

But what we wanted to do was revalidate what we're doing. In other words you do something for six

or seven years you ought to take a little look about what you're doing and not be trapped into doing the same thing over and over again for five or six years.

So we're in a period of revalidation. We're not in a period of change for the sake of change, but we're looking at what we're doing and we're looking at how we're organized to do it. And we have the benefit of the OIG, 18 people coming in to look at us to give us a road map of recommendations as how to go forward with what we want to do.

And we're equally fortunate that the GAO is here. The GAO is working with OBO, those folks who come from the construction industry or the contracting world will probably have -- either have been contacted or will be in the near future because we have encouraged the GAO, which, you know, they have a brief from Congress they don't need our permission to do so but hey, reach out, dig it up, find it, bring it back, we want to know about it because we don't want to be up on the hill hearing negative things about OBO that come out in the contractor community sitting across the table from Congressman Waxman or the appropriates,

it's not a very comfortable position to be in. I'd much rather see it in the GAO report, and we have the benefit now of the OIG report informing what we're doing and we're looking forward to the activities of the GAO who are looking at three basic issues.

Number one is contractors and contracting, which is a major interest to some of you folks.

The second issue is maintenance, how we do maintenance. They had a report a couple years ago and they're back to see, number one, how we did about doing that.

And number three is about right sizing the U.S. Government's presence abroad. What does that mean? It means you have an embassy abroad and how many people should it have? I know, it's one of the most difficult things to do, it's especially difficult for us because we can never hit a moving target. And we have an office set up at the behest or the instructions of the Congress that does right sizing the U.S. Government's business, that's their function. They're in the Under Secretary for Management's policy shop. A big operation, lot of computers, lots of

contact with the posts driving, what do you need a post to do the job, what's the right size of the presence in your mission?

Well the right size in the presence in any mission can change overnight with the political situation or the developments or presidential program that's put together. I cite only the current president, President Bush's activities in AIDS, in overcoming AIDS primarily in Africa. We've put many billions of dollars in there as a government in a program called PEPFAR (phonetic), which is -- well what does that mean to us? Well PEPFAR changes the right size of every mission where there's going to be PEPFAR activities. Why? They bring laboratories and doctors and all sorts of technical people to handle the shipment of drugs, et cetera, et cetera. That puts a right-sizing plan into the wastebasket very, very quickly.

How do we adjust to that? We're perhaps building an annex or building a new embassy compound, we're building it for 110 people and now the Ambassador is coming right in screaming at me, or to

us, saying well I'm not going to have -- you're building me something for 110 people, we know now that we're going to have 140 people. I want you to do something for a 140 people.

Well you don't run down to the contracting office and say plus everything up by 30, you don't go down and tell the architects and designers, you can't get the contract out and you can't build anything if you're constantly sitting around changing your plan every time your profile or your personnel changes. So it's a major management problem for us, and basically many times we have to say we're building what we're building, what we've contracted for or what we're about to contract for, and when it comes out of the ground we'll have to look at your additional needs in the future.

It's not a satisfactory answer to them but it's the only way you could ever get a building built and we have to get buildings built because the Congress is giving us billions of dollars to get our people from less safe facilities into more safe facilities. They'll never be totally safe overseas

but you all remember going back -- or the older folks among you will remember going all the way back to Lebanon when they started blowing up our embassies, and the government had a response to those early bombings which was we built what we now call Inman buildings because Bobbie Inman, who was an Admiral that chaired the Inman Commission which made recommendations to Secretary Shultz who we went to the hill and we got some billions of dollars and we built about 40 Inman buildings.

Well it worked -- that held the situation at bay but then with West Africa and the global war on terror obviously we had to go to the next step and Congress is committed to, you know, to building a large number, we have 58 built now, we have 30 in the can, and we'll have about 75 after that.

So we have to keep this program valid to the Congress and credible to the Congress. And one of the great contributions of General Williams is he had that credibility, he built that credibility, and we have to maintain that with the Congress.

So our primary focus has to be on continued

constructions of the security-driven program that's building the new embassy compounds. That's what we have to keep as our primary focus.

So far we've moved almost 18,000 people out of less secure facilities into our new embassy compounds. 18,000 U.S. government employees. They're not all State Department people. As a dirty little secret we did the hit, we have to do the budgeting, we have to do the work and something about 30-plus percent of the people overseas are actually State Department employees, and the rest of them are other Foreign Affairs agencies and other U.S. government agencies.

So that is will we meet our priority. What's my problem.

At some point in the future, three, four, five years, we're going to have a hundred of these new buildings. And to be honest the program now needs the same kind of focus we've put on the construction end of the equation to be put on the maintenance end of the equation, which is one of the reasons for joining the FAC guys with project execution and with Joe's

people, because to be very candid we are not funded for the maintenance task that we face.

We are also not organized as a government for the maintenance task that we face in the sense that we share responsibility for funding our overseas activities with other agencies through a very complicated and cumbersome process that I won't explain to you, called the ICAS process, which is the Interagency Cooperation Administrative Support. I have experts on it right over here, my Deputy Adam Namm just came in, he's the Deputy Director of OBO and he just came in from the Bureau of Administration, and worked in OBO in his youth in the service. So he comes to us as a double-edged sword. And he's very familiar with this because the A Bureau who runs the ICAS process. So the ICAS process is not responsive to our needs because it's the tail wagging the dog. Do the other agencies go overseas, sit down at ICAS council saying boy, this is our chance to really sit here and help support the State Department's budget. You think that happens. We're all Americans here, you know that doesn't happen.

So what's our problem? ICAS is not responsive enough to what our maintenance funding needs are and the way we have to spend the money.

So we're in the middle of another great struggle to reorganize how we, the State Department, do the maintenance at our missions back here. We had a previous initiative, which a lot of very good initiative, a lot of effort was put into it, called streamlining. There were some shortcomings with the streamlining which hampered, let's put it this way, hampered its adoption. Streamlining. But there were a lot of good elements in streamlining that we've retained and we're now working that issue.

And we have to have a break through on this because we go out and we build a new embassy and we say okay, here's the projection of the staff it takes to maintain it, it'll take 22 people. 22 people on the maintenance, qualified maintenance staff. I don't mean the gardeners and the people who mow the lawns and sweep the halls and wax the floors and wash the windows. I mean maintenance technical professionals, we need 22 people, locally engaged staff largely. And

the ICAS council sits down and says well, we're willing to fund 14.

This is a brand new building, we just cut the ribbon, everybody got their picture in The Bugle and you're one third short of the maintenance staff you need to maintain it. That's not an exaggeration. I think in no way is that an exaggeration.

And under the current methodology and the current negotiated ICAS agreements there's no way we can force that, and with our current funding situation there's no way we can step in and say, oh, that's all right, we'll fund the shortfall of the eight people.

So we're faced with a very large political problem. But instead of crouching in a defensive crouch here we have the OIG report, we have GAO here, we're very fortunate that the GAO is team is led by a man who also did the 2006 report on our maintenance issues. He also is the GAO -- could we get our copies of The Bugle handed out here. We have to get our propaganda handed out at all times.

So the benefit of this gentleman, Sam Burnett is his name by the way, and is thinking maybe

reaching out to some of you folks and we're certainly going to make him aware that you're one of our boasting points that we do have, he knows about the IAP, but he may want to reach out to some of you folks for some seminal thinking on our issues.

And he is also the GAO's expert on the ICAS agreements. So we hope that we are going to get some path forward from a very, very open exchange with them. We're going to show them everything, we're going to tell them all of our problems, we're going to tell them all of our shortcomings, and we have the OIG report which will help in that regard, and they've already shared it with the GAO. So we expect to have very exciting times for the balance at least of this calendar year as we move to do this.

But we have hoped for this GAO report because it's one thing for us to go up and say we have a shortfall, it's one thing for us to go up and say here's the money that we need to overcome it, or the legislation changes that we need to augment the program. It will be another thing if the GAO believes what we tell them, understands the spirit in which we

bare our souls and makes the recommendations in their report, they'll have a lot more weight than any testimony up on the hill by a Secretary of State that we may be able to pull off, or the Undersecretary for Management or anyone else. If GAO says it we'll get more attention put on it. So that's why we're looking. One of the issues, what's interesting to you guys, some of the changes that we are -- some of the issues that we're going to have to look at potential changes for are how we do our request for procurement, how we do our contracting work, because we do not -- we are not the State Department's contractors. The Bureau of Administration does our contracting or the contracting office. And another reason why we're very fortunate to have Adam because his last major task for the Assistant Secretary was he was in charge of some esoteric elements of the contracting process, competitive sourcing, et cetera, et cetera. So he brings a real background in that. And so far for the next 30 or 60 days he'll have some residual clout with the A Bureau, and that will be until -- I don't know,

there is a time when they don't take your calls anymore, but --

MR. NAMM: It's already been 90 days.

MR. SHINNICK: They said news delivered in a public place -- well there you are, that's the spirit of openness here, you know, we're in trouble already. Well we have a final test for him, now we'll test his clout with the A Bureau because yesterday we decided he was going to go over and try to get an interim parking pass. Now if we can get that interim parking pass there's hope for billions of dollars.

(Laughter)

MR. SHINNICK: Because the parking passes are harder to get than the money in this building.

Anyway, I think I probably have said enough and you'll say well how does this relate to the rest of the program, and as I said going in, it doesn't. But the rest of the program has very important elements for us. I think of the last one first is the design elements. We've made some progress with our contractors lately where we have, despite the fact that it's a fixed design, design-build process, we're

very happy with a couple of the ones that you've seen and you've been able to influence on, you know, adjusting with some minor cosmetic changes to the local architectural standards and the local ambiance, et cetera.

So those will be in your book and I hope that you or Joe will get a chance to brief you on those too, but the last one is how do we get those kind of attention from our contractors without spending a lot of money, is one of the problems we're going to throw to august Industry Advisory Panel. How do we do an important thing for free, you know. And we've had some success at getting things for free because you're all here.

So with that I think I'd like to throw it open to any questions that you might have. It's probably not in the program, but rather than the slide show I'll take a couple questions if that's not going to imperil the schedule.

AUDIENCE: Good morning. I have a question and some comment later when we get into the design but later in the morning the last time we talked about we

talked about not only changing the direction of OBO, which I applaud you and your staff for the work that you're doing, but also going back and cleaning up, you know, some of the problems that have existed in the past with claims and things that were sitting out there which are very much on the minds of the financial industry, those who bond us and things like that.

Have you made any visible progress there that can be shared in a public forum that could help build confidence in the new direction?

MR. SHINNICK: Well I can tell you that we've reduced the number of our outstanding problems and our request for equitable adjustment, the numbers of those have come down in a marked way. I don't have the figures --

AUDIENCE: Is that public data or not?

MR. SHINNICK: I don't know, let me ask the man who knows more about this than I do; Joe, is that public data?

MR. TOUSSAINT: Sure, it's always public data. I mean it's -- we've got a big program and I'm

not -- sir, you're with whom?

AUDIENCE: I'm President of ECC International.

MR. TOUSSAINT: Okay, so you're one of our contractors?

MR. KUBIC: Right.

MR. TOUSSAINT: Okay, interesting. And you've been in talking to us about this problem?

MR. KUBIC: Yes.

MR. TOUSSAINT: And with whom have you been talking?

MR. KUBIC: With Nick.

MR. HOCHULI: With Nick?

MR. KUBIC: Yes. We've been talking foreign policy.

MR. TOUSSAINT: Oh, okay, so Nick's on the front end, so you're talking about what's on the back end, after a contract is awarded.

MR. KUBIC: Right, but really it's the front end that it impacts because the bonding agents look at trends that were out there and all they see is the negative, they haven't seen any of the positive yet,

and then map that into the future and then they set their risks accordingly.

MR. TOUSSAINT: Yeah, well maybe what we need to do is to have -- to get a status report and perhaps we could do that at the next IAP, Dick?

MR. SHINNICK: Absolutely.

MR. TOUSSAINT: Is we'll take the progress we've made in the REAs and then we'll deal with the data, the facts, because we -- Rob McKinney is sick today, he heads the Construction and Commissioning Division,

MR. SHINNICK: He's courageous, he didn't chicken out. Sorry -- let me make that point. He's one of our guys who went when we were getting the validation and the commissioning of Baghdad. I want you to know that we sent 12 of our people over there and while they were commissioning the building they were getting shells constantly every day, and he was the leader of that team, so we know it was not cowardice that caused him to not show today.

MR. TOUSSAINT: And by coincidence his folks are leading the effort on settling the REAs on that

particular project that Dick refers to in Baghdad.

All of the construction claims go through Rob's shop, he has a contract administration branch headed by Dan Hogan that looks into these.

So we have metrics on that, we have processes and procedures that we go through.

About a year ago we had an off-site here in Washington where we laid out and committed to a process to deal with REAs with the industry. That's what I want to revisit at one of these IAPs, Dick, and see how we've been delivering on that.

Now quite frankly as you can well imagine with a big program we have -- it's a never ending process of REAs and legitimate, that's the request for equitable adjustment every contractor is entitled to that consideration. So we treat them seriously but if you're making an REA from your perspective you want it answered and acted on immediately.

MR. KUBIC: Well there's two issues. The one I was asking for was from the industry-wide perspective data of the back log and how that's been resolved and if that's going to be published, that

would be very, very helpful to show the bonding industry and others that there is a change because the process used to be there will be none, and they kind of stopped, and that's the image that exists out there in the bonding industry.

So the first one would be just the data, the second part would be I think an examination of the process.

MR. TOUSSAINT: Okay, we'll I'd like to challenge the bonding industry or yourself to show me the other data that shows that there was such a policy in place --

MR. KUBIC: I'll see at the break.

MR. TOUSSAINT: Okay, and if there was such a policy in place and if there was an impact in dealing with these because I'm not aware of any such policy.

MR. KUBIC: Well I'll see you at the break.

MR. TOUSSAINT: Okay, good. Sounds like a good session for next time.

MR. SHINNICK: Yeah, there's a very good session. We do not want bland sessions. We do not

want bland -- why would anyone fly down here if it wasn't going to be interesting and hopefully even entertaining if we just get to that level. But we have to have these things on a brand session.

But it's great for me because that's a lead in for another issue which I already covered but I want to tell you, I talked about changes, I talked about requests for procurement, I talked about recommendations, I talked about -- and this was now raised about REA. So what are we talking about?

What we're talking about, as Joe pointed out, that's on the back end and it works on the front end. So here's the mind management problem, how do you get the back end more closely coordinated with the front end, so what you do at the front end doesn't cause you problems on the back end. And that of course is, you know, that's management 101. And I don't know a lot about putting stucco on walls, but I know a little bit getting the back end and the front end hooked up to the same train.

So thank you very much for that question and we'll take another one if you have time. But who's my

disciplinarian here who tells me you're through.

Who's running this? Am I through?

Mercifully, my special assistant tells me I am through. So with that we'll move on to the next phase.

Now I am going to be a full player all day long, but I have to withdraw for some time now because I have not been over to OBO this morning because I had to come over here and meet with the Undersecretary for Management this morning, so we have, as described by the inspectors, a behemoth of a bureau for the State Department, there's 1300 people doing a lot of things around the world so I have to just duck out for a few minutes and make some phone calls and pass on the guidance I've received from Undersecretary Kennedy about some of those activities.

So if you'll indulge me in that I'll be back and just join without any big fanfare. And let me ask who is going to lead off?

Nick is going to do it first. Nick, as you've already heard is from the front end and Joe will have us address the back end in the next meeting.

So Nick, will you?

MR. RETHERFORD: Thank you.

As usual, Dick, you've done a terrific job of laying a groundwork for a widely held --

MR. SHINNICK: See how nice it is to be the Director, they always say that. No matter what you do they say terrific job.

MR. RETHERFORD: For an ad interim Director.

MR. SHINNICK: John Williams could do one thing, train the troops, he did that well. And I want to know one thing, if we find that policy in which we can say things like that I'll entertain none of that. I want to know who hid that in what drawer.

MR. TOUSSAINT: I'll get it at the break.

MR. SHINNICK: That would be a very good response to a lot of problems.

MR. RETHERFORD: One of the things that you'll see today that the discussion where we were initially going to start with the IAP was called Quality Assurance in Planning and the tools that were developed by CII which we have been a member for some years. But fortunately the selection of Greg Knoop to

be the industry participant on the issue of quality really provoked a much livelier discussion that has really gone way beyond what that original starting topic was to be.

So what we're going to begin to discuss today is really more of a catalyst built around those ideas and really move into really the important discussion on the quality -- on the issue of quality and really how critical it is to the success of our program.

I think Dick really talked somewhat about the GAO and the OIG and the things that they found about, you know, our programs, particularly the front end aspect, it does go to the issue somewhat of the claims issues, REA. I think it's very important that we get these important that we get these front-end process correct.

So today will really be part of that discussion. And one of the things that was interesting is -- Greg and I talked about this, that we realized that the broader discussion of quality tends not to be really out there, but if you look at

something that we talked about and focus a lot of energy on, something like job site safety. We put a lot of energy, a lot of training, a lot of program, we grade people on this, we evaluate them, and in the beginning how we score them in the beginning of the process. It's something we put a lot of focus on, but when you look at the issue of quality, whether it's in our process at the front end or to the design and construction phase we don't have the same level of discussion.

And so what today we're really going to do is get into that discussion and sort of the unique problems that we both fact, both in design side, construction side, and the side from the government to really get into that.

And what I'll do is I'd like to turn this over to Greg Knoop who has certainly given this a lot of thought, and then Barbara you can please contribute to this, and please start --

Greg, I think you have some very good perspectives on this.

MR. KNOOP: Thank you, Nick. And to my

fellow colleagues here today quality. Quality begins with ownership, and I don't mean that that means it's all your fault here at OBO, I mean that it's the various participants in a process actually having the ability to take ownership and share in investing themselves in the success of an undertaking.

And this is actually a kind of bigger subject that goes into really what makes us competitive in the world, what makes businesses work, it's really success factors really.

The interesting thing about today's discussion and the way the question was initially couched was that it goes into the idea of the front end of a project. We're used to thinking of quality as how things are being checked when they go out the door, what the end product is, but not necessarily looking at how we inaugurate a project or how the values that we put forward to actually make a project successful from its inception.

You hear, you know, quotes saying what is quality, and it's the cross checks, the kind of things that are reactionary that make the customer pleased,

that make your product meet the customer's expectation, meet and exceed, if you've ever heard that set of expressions. Meet and exceed.

But here we're talking about we are the customer. What are our expectations, what is value, what are -- is how do we define quality. And some of the tools that Nick just referred to are really tools that get into the core basics of what are our values and how can we judge quality and ensure that quality is kept throughout a process.

Nick referred to the project definition rating index, it's an index used by OBO, NASA and other federal agencies and it goes into -- it's a planning tool that establishes metrics around certain factors.

I'll give you some of those. Basis of the project decision, the business strategy, how you're going to use the building, justification factors, economic analysis, long-range issues, site selection factors, and project objectives, ownership philosophy.

Interesting to look at the actually your philosophy as owners, the reliability maintenance. We

just talked about maintenance, we're changing -- adapting and learning from the past. Our operations and design, project requirements, a value analysis, again looking at what is our value set, what are the objectives, what's important.

Design criteria, and you have them, existing facilities, and many of these facilities you have to address in projects, scope, schedule, and cost. And cost is a very important factor because often one that's done very quickly at the front end with bad news at the back end. So we want to really push the quality of the cost issue more forward in our understanding of the values that we're putting forward in the project.

The basis of design, we look at site information, building programming, project design parameters, the equipment we put in there, then the execution approach.

Now once again I think this is one that we often already have preconceived knowledge about our execution approach. But perhaps every project should be looked individually, and we look at procurement

strategies, deliverables, project control, and project execution plans.

Now this PDRI has a set of metrics that you create a grading system, a point system. Perhaps that's a good answer to at least starting to set up a base line so we can grade quality.

There's other tools that are in use, risk assessment tools to understand the risk financially, what's the market doing.

This gentleman brought up some issues that the insurance industry is quite interested in some of these risk factors. And of course we have actual security risk issues too country to country.

And all these things have to be measured as issues of the base values of a project. And in VE we actually -- I represent the Value Engineering Society here today and we look at reassessing these values, revisiting them and actually trying to understand whether you're getting the best value in these projects.

I think some of the things we have to look for is measures beyond just numbers. I mean a surfer

doesn't go to the beach, pull out a calculator and figure out how to surf the waves. They have to assess it with judgment, each wave is individual, each instance is individual, and we need to go beyond just tools that give us metrics but really ask for our judgment as professionals.

The tools certainly help to organize our thinking, but I think we here at OBO want to look at ways to modify those tools to our needs, to our way of thinking to help address our individual approaches to projects.

And certainly groups like the EPA have done that, they use quality assurance measures right from the getgo and write a very long statement at any EPA undertaking for their organization.

And we're used to hearing about quality control and quality management really on the design and execution side of things and we know of tools such as the ISO 9000, PQM, and other corporate tools that measure things like management responsibility, you know, how we're actually doing the project, document and quality management system, the design control,

document control, procurement strategies, implementation activities, close out, all those things that are standard. You see them a lot in architecture firms and in engineering firms. On paper they actually sound much more official, and on the human activity it's a lot of roll up your sleeves and organize the project process.

These tools are more effective when they actually are invested in by the people who are doing them. It's taking ownership of the process.

One of the things we heard discussed today was about the hand off, continuity. And ownership really is couched strongly in someone's continuity, someone's investment in a project from beginning to end. So OBO in looking at the -- taking a project from inception to end must look at ownership of the project, a continuity from the beginning to end, who provides that thread that ties the various persons together so it's not -- that person dealt with it in design, it's not longer my problem we're just here to build it. We want to continue that thread of ownership from start to finish.

I talk to many architects and engineers and I was talking about the management processes. Many are successful at doing good quality management plans, they have an organized approach, they have a scheduled approach to doing these things. And then I've talked to many architects who said under the pressures of schedule and fee crunches they're ashamed to say that it's one of the weak areas that they have to deal with. And so we have to recognize that there are factors that -- priorities shape quality.

What are our priorities. I had a contractor friend tell me, you know, you can get a -- there are three factors in a project, you can get a project fast, cheap or good, but you can only get two of those.

And so when we look at that we have to make sure that -- and that's fine, we just have to recognize what we're buying and what kind of value sets we've put forward in starting a project.

So going back to the initial question on the quality assurance planning I think where it comes into play for OBO and for any project is really

individualization of the project. We have to make sure that we don't put the answers before the question. We have to make sure that we treat every project with the individuality of its own factors. Certainly we have some standards and we have some methodologies, but are we right in choosing design-build for every project. Are we setting up a winning or losing situation for every project?

It's sort of like when you have a child, a baby, you use its name a lot, you individualize it from the outset, a child, a puppy, you have to say its name a lot so that it has identity, it has it's own sense of self, or every project needs to have core values individualized for itself so that it can be -- have measured success for its own sake.

One of the tools also that one has to think about, we talked about management approaches to make quality a significant factor in projects. You hear about wikinomics (phonetic) and quack management processes. If there are barriers in the management of a project, or in an organization, it tends to destroy collaboration in that, and I hear that it sounds like

you're starting to move towards a more collaborative process by bringing individuals and practices into the fold, let's say, and starting to recognize that projects have a bigger and wider reach.

And that's the beginning of establishing some quality factors, widening the perspective of the effect of a project.

We also have to recognize that everybody has a different reason for pursuing quality, the contractors are pursuing quality because they answer for it, safety because they answer for it. You are the guardians of the public trust and are duty bound to make sure that quality is seen through. So there's different drivers and we have to recognize what those different drivers are and make sure every process is carefully designed in order to take advantage of everybody's best intentions.

We're going to talk a little bit later about design excellence but I wanted to just bring that up because it is a quality measure, and it can be measured at many different levels. It's not simply how using our favorite color or some style we really

like but it's actually whether we're meeting the project objectives and meeting the mission.

We had a mission over the last two years to protect our people, to get embassies built, put more people under protection, and we have to recognize that perhaps that is a form of design excellence if it has met the objectives that are set forth.

If our objectives are for a different kind of design excellence factor then that has to be built into the process.

I still want to go back to the fact that we all have to own -- have ownership of excellence. That means that we have to tie a stronger thread of all the individuals, all the various players, contractors, architects. We have to set up processes that allow for all the players to be more invested, to take ownership of the quality and therefore become guardians of that quality. It's about management and organization, but the best companies are quality companies. We remember them for the quality of their products.

So, you know, and finally I just put forth a

question for all of us to consider. Who has the ownership of the quality on our projects that are going to be out there all over the world, and I would just remind us that it is we the people of the United States of America that take ownership of that quality, and every embassy out there represents our values and who we are. So that's a good motivator I think for all of us that we can look at pursuing quality measures.

MR. RETHERFORD: Okay, thank you, Greg.

Barbara, I don't know if you have any thoughts. We briefly talked about this and I think you concluded that this was a very tough, very broad subject that's coming in today.

MS. NADEL: Yes, thank you. Well first of all I represent the American Institute of Architects, over 80,000 members and I take this role very seriously.

So with all due respect this question came to me on very short notice, on about a week and I've been traveling. I do have a very wide network of fellow architects and engineers in the industry and I

did try to do some outreach by email to a number of people involved in public work and civic work both federally and at state level, and I got very, very few responses.

My reaction is that the question that I was asked to champion is very esoteric in terms of what you would want from architects. And so I would like to ask with all due respect to be given more notice to outreach to our members because I was speaking to our staff person and, you know, I could convene a small working group of firms and architects who have done embassies or involved with embassies currently to give me feedback on very specific and focused ideas that would be of value.

So that's one thing. I also outreached to my colleagues about design-build. I took the liberty of asking them to respond to the second question because many people are involved and I think from an architect's perspective on design-build you get very different answers than you might from other people in the building industry wearing different hats.

And so I would want to adequately represent

the views of my colleagues in this kind of discussion, and one friend of mine suggested that, you know, he would be three to four weeks to give me a realistic response and go back to his colleagues, we have a design-build knowledge community in AIA and I could really get you a variety of responses from our group.

Lastly I'd like to put on the table that I think in order for the AIA to make a realistic and valuable contribution to OBO I would like to take a closer look and work with you on the SED. I understand that OBO is considering revising some of the design elements or site planning issues, or what have you for the SED and architects can provide you with some realistic and valuable feedback on how you might approach it because we are the champions of design excellence, that's so important to us. And at the last meeting I heard Acting Director Shinnick say that he was interested in design excellence and design awards and the very important image of the United States abroad and I think that's where we can assist you, especially his opening remarks about trying to respond to changing needs. That's where we can help

you with really the front end of programming and planning and provide ideas on flexibility, just like self and flex down as the population demographics at each mission changes, and maybe it's, you know, related to the site planning issues as well.

So I would like to respectfully put on the table that we look at SED or give me some things to work with you on SED, long lead. And I was speaking to Nancy at AIA and suggested that perhaps if we can brainstorm some thoughts early in July then that would give us plenty of time within the AIA to go back to the folks who are involved with embassy work, or you know, are familiar with some of the key issues working globally, and we can get some feedback. Be happy to work with some of your folks if they want to, if they're able to, otherwise we'll get our working group together and I'll be the conduit to bring back some of the feedback and work with you.

So perhaps that might be something for the next meeting.

Thank you.

MR. RETHERFORD: Thank you.

One of the things that comes to mind of course and sort of bringing it to the government's perspective is when we get deliverables from design builders, primarily when we get design products. I think over the last number of years we've found that we ended up picking up a lot of the role that probably should be a QC role from designers, you know, in an extensive review process.

And I have to say that I think this has been something of a lot of discussion, and frankly a lot of frustration by the government that when we go through an early design submission and do four or five hundred comments we recognize that something's really wrong. Is it a time issue, is it the "C" team versus the "A" team, is it a process that's too complicated. I think the suggestion about a working group is very good.

But I think we also have to also discuss the rules and responsibilities that we expect in this design-build process, the role of the contractor in controlling this, the relationship between the contractor and the "A" and "E", is this a professional agreement, is this a sub-contractual agreement. I

think it becomes very complicated and I know over the years since I've been on the government this issue has I think become more intense, particularly as the time issues become more challenging and, you know, I think that the design industry also needs to think about what this is and perhaps to have -- I think this is very important, and I think that this discussion as I mentioned is more than just a tool it's how do we address this collectively.

You know, I'd also like to throw out what happens with the introduction of BIM (phonetic). We're looking -- we see BIM as a new -- as an opportunity, we somewhat think this may be a paradigm shift, I'm not sure, is it just another tool in our tool box? But is this something that will help the situation and are we really ready to collaborate on that, and have we got the right guidelines, do we have the right contract structure to really address that. And I would be very interested to hear anybody's comment on that.

MR. KNOOP: Going -- and I want to couch this in the issue of quality, which is what our first

discussion is, still with the SED that we've brought up, that any of these programs can be very powerful programs when used correctly, to be quite frank. And there are -- the SED has shown its power in executing projects that we've seen to date.

But again we have to choose the right process for the right project. We've kind of talked about this before but one of the assessments that one has to make early in a project is not simply that we are only doing design-build, but we do design-build for good design-build projects. We do -- sometimes we're going to do design-build when -- design-bid-build when we need a larger amount of leverage over the design, such as a renovation. And so some of these renovations that you have to do are little pick apart projects and how do you define that in a performance standard that you've put out to bid. It sort of puts us in immediate losing situation, and it puts the contractor in a dispute oriented position as well.

So we have to be able to look at projects that require a high level of prescriptive definition

by OBO may be best for the design-bid-build process and therefore -- and then projects -- we've seen many projects that are already successful under the design-build project. That is a way to set up a process to ensure better quality in understanding the way different groups work best.

Or you have to change the way you bid a design-build project for renovations, and simply award it on qualifications and allow that builder and bid design team to carry a project through from inception to end so that they're fully invested not in just carrying through after the bridging documents but actually fully understanding the project, developing a fair budget, teaming up with OBO, and then executing the project well.

Going to BIM I just want to mention, BIM's a great tool, but let's make sure that the tools don't master the architect, the architect masters the tools. We want to be sure that in using BIM we're using it because it's helping, not just because it's cool. And sure BIM's cool and sure it has a lot of usefulness conceptually in it, but we want to make sure that, you

know, we're not obsessing on a tool while we just need to get down to knowledgeable building practices, knowledgeable designers and engineers and architects who understand how buildings go together, and allowing them to use standard tools to do that well. I'd rather see a well done hand drawn project than a poorly done BIM project. And we have to be careful that the tools don't rule the day. Don't put the answers before you ask the questions.

And Nick, I see a red light on over --

MR. RETHERFORD: Yeah, is that a signal from --

MR. FOWLER: I kind of feel like I'm at the big adult table now, like Thanksgiving dinner. It's my first time up here and I'm really happy to be here on behalf of AGC and our 33,000 members.

I guess I'm heard a few things and I'm going to try to put some brass tacks down here from the contractor's perspective, but you know, I heard that we want to get things for free, well there is nothing for free. With material prices right now particularly we're seeing a of pressure on contractors, they're

(unintelligible) projects under budget, when you're all planning these things out they're several years out and we're looking at major inflation on steel and copper and PVC and other petroleum derivatives, so you know, that's factoring into what's happening in the present situation.

You know, fast and cheap and good, you can't get all three. Well, you can probably get fast and good if you have an unlimited pile of money to throw into projects, which you really don't, so I think where the key is here to be able to have other successful projects is to have partnering. I know that there is a term that's thrown around a lot, but collaborative process is very important.

And Nick and I we've talked several times about what can be done on the front end of projects and then we try to make for a better project, maybe alleviate some of the risks associated with it.

And you know, one area to look at, you know, is how can you leverage the diplomatic role of the State Department to try to get in on the front end and try to alleviate some issues that might come in

towards the latter part of the project. You know, State has a very clearly defined set of what is the contractors and what is the State Department's responsibilities.

But are there more things that the diplomatic side of the State Department can do is when they're acquiring properties in terms of negotiating permits and taxes and things of that nature, currency fluctuations right now are pressing inflation, the dollar is not particularly strong, that's a pressure that's put on you and on the contractors as well.

What can you do to alleviate that? Material prices are up there. I know we've talked about escalation clauses as a potential way to try and mitigate some of those costs. It's something to look at. And the Corps is looking at that right now in terms of what they're doing here domestically.

The cost of your project and the cost of doing business with you every year is pretty significant just going beyond your basic waiver and planning costs and for all your resources we have to go overseas to go and bid these things and go and look

at them, there's a great deal of cost involved in that. So anything you can do on the front end to try to get information out there and make it a more seamless process is good.

Now the other issue is, you know, having clearly defined expectations and I think that if you have strong partnering that that's really going to go a long ways to taking out some of the gray areas and who's responsible for what and trying to have a collegial environment as opposed to one that's not.

The last thing I'll say, and just kind of going to my notes here, you know, GSA has a peer review panel that they do with contractors and they get them to interview projects and I think that from our members perspective that has been very successful when examining projects and looking at the front end and determine, you know, what central problems could be there. I know that one of the big challenges you have is the cost of these facilities. You don't want to go in and (unintelligible) every project you have but that makes for problems down the road, and if you don't take care of it adequately it does result in

claims and REAs and things of that nature.

So just a few items that I thought of.

MR. KNOOP I think a couple of things you brought up that are key is that price is too overwhelming a factor. A low bid still appears to rule the day in a design-build process and that's -- is there a -- are we willing to take right big versus the low bid. And sometimes the low bid isn't the right bid.

Also I think we have to remember that the, you know, the role of the architect and the engineer is now in design-build under the responsibility of the design-builder. And so the priorities of that architect and engineer is to facilitate the efforts by their lead firm, the design-builder. If we're looking for design excellence then we have to make sure that the process puts that front load back as a factor in awarding the project versus low bid.

MR. FOWLER: And that's an area where, you know, is best value selection is perhaps a better way to go on this. You know, this is something that we've been getting feedback from our members on and maybe

feeds more into the second topic of discussion. But, you know, as long it's low bid wins and you're pitting contractors against one another you're going to get what you're getting presently. And you're going to get what you can pay for and what people can afford to do for you.

So if that's a better way to go then perhaps we need to explore that.

MR. KNOOP: And I also like your comment on partnering, I think that absolutely should be a key thing that we need to do with OBO projects, tie the team together.

MS. GLADSON: I think several fairly poignant comments have been made.

I represent DBIA but also like you I'm an owner at the University of California who struggle with many of the same issues that you struggle with.

And Barbara, I am on the AIA knowledge community for design-build so I'd be happy to work with you on that.

I think in any delivery model that you're going to utilize as an owner is setting the

expectations with clarity of what do you really want. And if you can get out of low bid award into best value, and I think design-build does offer great opportunities for that, then you're certainly ahead of the curve.

And I think one of the major benefits of quality if you're going to achieve it is to bring everyone to the table at the beginning. And by the entire integrated inter-disciplinary team, it's not just the architects, the contractors, but it's the specialty contractors, it's the facilities group, and it's as much as a client issue can bring and really be able to define and identify those expectations and how are you going to rank them.

And I think that's true regardless of the delivery model that you actually would choose.

So I'll make some more comments when I talk about design-build, but I think those are the issues that factor into quality.

MR. KNOOP: Threading continuity from the beginning of the project to the end, I think again it goes -- a mentor of mine used to say programming in

architecture begins at the signing of the contract and ends at ribbon cutting, not we have a programming phase but actually programming is a continuous ribbon. Quality begins at the signing of a contract and the cutting of the ribbon and partnering also is the same thing. And it means that we have to make sure we look at tools like partnering as tools to thread and make those baton-handoffs much smoother, perhaps almost invisible, but the baton never really leaves anybody's hand because everybody is invested in the project.

MS. GLADSON: Great. And we might want about quality starting before the signing of the contract, so when does the owner decide the quality so that he can communicate it.

MR. KNOOP: In the PBRI the intent of that tool, and if we were to use a modified version of it for OBO that goes into specifics of the embassy mission, the risk factors, the function, the representational issues, the intent for design excellence, intent for lead or other sustainable goals, we put that -- sometimes it's not going to be able to put in numbers, you have to be able to put it

in language in a way that people can actually translate to intent. That has to definitely be started from the beginning because otherwise how do you measure.

I can say it's good quality, I could say oh, that's a good quality, I love that door, that's a good quality door. And some of you might say it's not a good quality door, so we went back and looked and the intent of that door was this, okay, I'm right; or it's missing something because it was defined. But without definition it's arbitrary.

And quality, design, excellence, all those things become just a matter of taste or for perspective and we want to be able to tie that perspective together, we have to record it, we have to build a quality management approach at every project that defines every project and gives it a way for people to translate the intent, the values, the mission of that project into a successful endeavor.

MS. SCHMIDT: I'm Rosemarie Schmidt and this is my first meeting. Thank you, and I'm representing the AOD. I also work for Marriott, and so we have

this opportunity as owners very often to speak to quality. And to me it seems that our best projects, our highest quality projects come out when we can really as the owner articulate to the team what it is we're seeking to do, what does it mean for quality? Are we putting together a Ritz-Carlton so we want that quality, are we doing a Courtyard, so what does quality mean on any one project?

And then the communication piece I think that we've all touched on, it's just so important and unless you have an appropriate kick-off meeting with all the stakeholders at the table, the architects, their design team, the contractor, their design team, all the specialty contracts, the GEO techs, and in our case the operational people, the people who at the end of the day when you finish that project and you're going to turn it over to them, they have bought into what quality means to them because at the end of the day they're the ones who are going to have to live with it.

So you have all the stakeholders at the table at the onset and then you have a constant

ability to communicate, and that's can be something as formal as structured, you know, monthly meetings depending on what the range of the construction is and an open communication so that you can stop the problems, the challenges -- you know, and address the challenges early.

And I think, at least from an owner's perspective that I have, that's the best way to do it is, again, the whole idea of partnering and communication up front.

MR. KNOOP: And the selection of the team --

MS. SCHMIDT: Exactly.

MR. KNOOP: -- to be in that. To be quite frank it's not about design excellence, it's a non player, service excellence is everything. It's the whole root to it.

Now quality and service may seem like the dirty roll-up your sleeves stuff, but it's like the roots of a tree it's dirty and it's invisible but that's really what keeps the tree standing. We can applaud the leaves for their pretty colors but without the roots our tree doesn't stand.

Quality and service are the root of the process and the root of good team building. And in the book Good to Great they talk about the leadership, which you have here, a very good dynamic leadership it seems, and personnel, the team building. You have to have not just our people are our greatest asset, but the right people are our greatest asset, the right teams, the right partners, the right contractors, are the greatest assets.

And then having the right mission, understanding -- a right, achievable mission. You know, don't put the answers before the question. Create the right mission for yourselves and then you will be great, have great undertaking.

MS. NADEL: I would just like to add that on a comment that GSA has a peer review program for design as well, and I was appointed to that as of this year. So if there is an interest perhaps that might be another model to consider.

MR. RETHERFORD: Maybe you could explain what that is with the GSA peer review process?

MR. NADEL: For design will be starting in

October but my understanding is that for key projects like federal courthouses or even a border station GSA assembles a panel of peers that they appoint. They have a group of people they can draw upon with expertise in different areas and my understanding is they assemble the group on site where the project is located so that a number of people are in the room, they make presentations and the owner, the design team and so forth, and they discuss ways to improve the design from the various goals that they've set forth. And it's people who have not been involved in the project who just have a general national understanding of what the issues are, and it helps fine tune what they're doing.

MR. RETHERFORD: Are these design-bid-build projects or design-build projects, do you know?

MS. NADEL: I would imagine what ever GSA is doing.

MR. KNOOP: But OBO does have a form of a peer review process in their value engineering processes which does provide peer review and actually looks at value assessment not simply design or

checking other peoples' drawings as the measure for -- and it opens up the box to all sorts of potential strategies and sometimes acceptable, sometimes not, but the value engineering team is allowed to look at the broader ideas and they do provide a peer review process, and also under Kathy a process was also put in to actually visit the projects afterwards and see whether the practices were effective, and whether it's actually an effective tool. And when not effective to learn from that and improve the process.

MS. NADEL: But I would think especially what we heard last time the emphasis on sustainability and surely security and the flexibility of programming for changing needs that, you know, such an approach would add some value.

MR. TOUSSAINT: As Dick was mentioning -- an other dimension of this -- as Dick was mentioning I now have a slightly different view of some of these issues now that -- I have maintenance, facilities maintenance on support of my organization. The IG report that came back, I went out and looked at something like 12, 13, 14 of completed facilities.

Universally the customers were reporting they were very happy with the facilities, they're very attractive facilities, they didn't use the term "design excellence" but they didn't have complaints about the facilities.

What they did have complaints about was the quality of the finished work, the completeness of the systems installation, the complexity of some of the design that's in the building, automated design and so forth. And actually -- so as we take the beginning of the contract to the cutting of the ribbon I'd hold off on that ribbon and I would extend that ribbon down to -- at least to the warranty period, and certainly through -- AIA I think has a 25-year building award, or they used to --

MS. NADEL: Yes.

MR. TOUSSAINT: -- maybe we look at -- we say we build these for 50 years we should be looking at quality in terms of 25 year horizon at least, something that's going to sustain what happens at every embassy and every building. Insurance, change in functions, change in political relations, and so

forth.

So what was intriguing about this question was -- because we're going to get the second question about design excellence, but this question it seemed to be begging kind of some of the things Perry was talking about. What are the quality issues that we can get into the front end planning, that first document that we are internally responsible for, OBO is internally responsible for putting out on the street in terms of request for proposal, the planning principles, the contract requirements, what is the deliverable. And how do we measure the quality of that.

Now PDRI is a great tool, it tells us the completeness of the package that we're putting out. Do we know the business plan, do we know the objectives, do we know the zoning requirements, do we have all -- how well defined is the project, how do you rate the definition. That's the PDRI.

How do you rate the quality of the planning documents that we generate in house? And maybe it goes to what you were saying, Barbara, you know, is we

have an ongoing review of the SED ourselves, but we could probably have some help from the outside, not by a project but by the actual product that Bill Miner spoke to on managing now the SED.

So I'd like to -- it's a tough one because many of you are architects, myself I'm an architect, I always wanted to get to the design, you know, I want to get to the product. But the quality of this -- the question is about the quality assurance and the planning stage, the front-end mission statement, contract definition, what is the project about and how do you define that for the community that's going to build it.

And if it's Perry saying do we do some more front-end work to remove some of the barriers to performing work in that country. We do that when we get in trouble sometimes. In Khartoum we couldn't do unless we enlisted the highest level of political leadership in the department to open up the channels for us to build there, for our contractor to build there. There may be other things that we need to do in the planning stage when we're buying a site of a

more political nature to pave the road so that we can execute the project.

That's what I was kind of hoping we could get some input from --

MR. KNOOP: I think you're actually right in pointing out -- I mean you have to -- it's not simply, you know, even the planning document, it goes even before that, you know, defining what your goals are. Sometimes these things are -- we're going to build a building here, we're going to build a building there, get me the plans, get me the staffing plan, let's get it going, let's get it out there.

But one has to withdraw for each of these projects, for each of these locations and make an individual assessment as to what are the goals of this project, what's the goals in that country, what are the factors we're dealing with. These early-on discussions before we even begin any, you know, bid documents or planning of any sort that's the planning, that programming to understand really what the factors are in the project, and create a set of value statements that tell us what is the, you know, what's

the success rate. Also doing the research to understand what can the success factors. You know, what is realistic to expect in a project so we know that earlier on in a project, and avoid the tripping hazards later on, like the VAT issues that always seem to come up at every bid and shipping issues that come up at every bid. That way going back to the quality of our cost model early on we really have a realistic cost model, it's not just simply well we're generally at 400 and such and such dollars a square foot and just multiply that we have a planning document, let's get it out there. We have to really understand that the cost is a very dynamic thing and it's a very hard thing to project.

Also scope. As Dick mentioned early on the scope changes over a five-year period from when you decide you're going to fund something to when you're going to actually build something a project can completely change. So you have to build forthwith to GSA and they build sometimes a 35 percent scope swing in their cost models, in their applications to Congress because it's unpredictable sometimes,

especially when the period of performance of a project bridges administrations. You know, bridges political attitudes.

MR. SHINNICK: Let me just make a comment about that scope changes.

GSA has a lot of flexibility that we don't have; for instance Congress has an inordinate interest in minimizing U.S. Government presence overseas. They want the full mission done, that's not the issue, they appreciate getting the mission done, but they've been burned several times with casualties from explosions for one thing, they don't want to see more people put at risk. And I might point out this is over and above the willingness of the Foreign Service to take the risks. And we understand the issues, one of the big battles, you know, inside the department is the people even in the most severe places do not want to go to compound living where they would be protected and gated compounds because they really believe that to understand the country we need to be out there really interacting at every level, at every time, at every moment as much as we can with the population, or at

least with the elites that we get thrown into because the only thing we bring to the table is that kind of in-depth knowledge.

The military has some linguists, we bring a great linguistic capability too, but the military can send people to Monterey (phonetic) and turn out excellent linguists and they can turn area officers, they can send area officers out to get familiarity with an area. But they can't bring the kind of depth and knowledge to the table that the Foreign Service brings from living in a place for two to three years absolutely 365 days and interacting at every level for everything from laundry to (unintelligible) to the government.

And so we understand that Congress won't let us do that, they want us -- with the whole new embassy compound program why are we building out in the suburbs, or even in some cases the exurbs. And we're doing that because we have a ten-acre profile that is required.

Well Madrid. Go find me 10 acres. Do it in downtown Milan, do it in -- we can't find 10-acre lots

in center cities where the action is so what do we do, we're consigned to at best the periphery.

And so I only point that insight to your question is that we can't do that kind of a swing factor in because Congress won't let us. And now we have this right-sizing office to control growth overseas, and a whole NSDD process, the National Security Division Director, where an ambassador has to approve the addition of even one staffer. And the Congress takes a great interest in anything like a build up, they want to minimize our presence otherwise we'd be delighted to build a swing in, but we're using their money, the taxpayer money, they give us the money.

Arbitrarily to personalize this, when I came we were putting five percent swing in, five percent, not 35 percent. And it was great discussion as to whether the political situation would bear -- what would it bear? And the answer was 10 percent which I did in an instant. You know, I said from now on it's a ten percent swing factor, and so far we seem to have gotten away with that.

And so that's the direction -- we'd love to have that, I mean with commencing the bureaucracy, the battles that would save us with people that we grew up with who are now sitting across the desk from me saying you understand the situation in my country, and the ambassador (unintelligible) sees every day virtually he sees an ambassador coming or going or a new guy or whatever, and you know, they're pleading for understanding. I'm going after a mission that's growing by leaps and bounds and you people are already coming out of the ground with a building that's insufficient for my needs.

So that's the answer on why we can't do the 35 percent because you're right.

MR. NAMM: (unintelligible) we have to do because there's money coming out to fund the additional staff from committees other than what the Department does. So one part of Congress is saying we're going to send more people and they're going all over the place in Africa, (unintelligible) the Ambassadors are saying we're building an embassy for 100, and now we have 130, they're not in sync on the

hill.

MR. KNOOP: I think it goes back to the question that (unintelligible) brought up which was what do you do on a site where you've got to put 10 acres in the -- or have a 10-acre site and you want it in downtown Madrid, and that again is putting the answers before the question.

Perhaps SED should be living document, the SED --

MR. SHINNICK: It is a living document. It's a living document.

MR. KNOOP: Then it should be treated as a living document.

MR. SHINNICK: Well we just say -- let me respond to that. I didn't make up the standard embassy design documents so I'm not defending the principle. But the acceptable profile that the Congress was willing to fund had to be something that security was willing to sign off on as having had the minimum requirements, if you will, or the approved requirements by the Overseas Security Board, et cetera, program board. And one of those requirements

was the 100-foot setback that you're all familiar with. I mean that's it, and other requirements on blast standards, you guys know all of this, windows, blast windows, et cetera.

So that's what it took, that's what it was said to take by the -- that was our standard embassy design that we have to this day. But part of the revalidation process is what we call the vertical said, which is if we can't go out this way in center cities we obviously have to go up. We have to go vertically. So we have a group, I don't want to say committee there's such negative connotations to that word, but we have a group actively working on our package and in everything we're sending out internally, and certainly to public groups, we are talking up this vertical said. I only hope that we're not talking it up too much beyond our ability to actually deliver, because our customers want it and we have to provide it, we have to do something. But with the ones that we've built and got funded we're not wrong. I mean even though they're not in the right places, because Joe is right,

everybody loves the building, they think it's functional, they love their new office, they love the fact that they can now operate their technology in an improved way and things don't go down, et cetera -- but the other complaint was the violation of one of the major rules of real estate, location.

I'm told there are two other rules but I forget what they are. But anyway just let me give you one story on the entertainment part.

When I first got here I said why are we building all these, because I grew up in this, I was upstairs in "M" and I saw this, and I was always questioning it and we got the answer that we -- this is why we're doing it.

So I said okay, and I looked on a list and there was a place that I served that was the principal officer in Milan, that was my idea of a hardship post.

But anyway I was in Milan and I know the place and we were on the street, we had a (unintelligible) building so I thought great test case, called up the real estate guy, Fitzpatrick was and is running real estate at the time, and said let

me see the plans for Milan. They said -- came up and briefed me and said we have three sites. The third site we have a zoning issue. So I said what's the zoning issue? They said well currently it's zoned -- what would you think? Residential, light commercial, you guys know zoning lists. It's currently zoned agricultural.

Maybe that's a signal that we're a little too far out. If the site we're looking at literally has cows in it we're not in the center city -- hello.

(Laughter)

MR. SHINNICK: But, you know, this is a real problem, I agree with you. But my answer to you is a weak one, we're working, we have this vertical said and maybe we could figure out some way, since you guys raised this and it's a good issue, that in the next group Nick can set this up and maybe there's some way the group could make a contribution to our examination of our vertical said things from your knowledge of the industry because it's a very important issue for us. If we could deliver the vertical said they'll tear down General Williams statue and put mine up.

(Laughter)

MR. SHINNICK: I mean some very serious -- that's what everybody wants the vertical said. They don't want to be outside, they don't -- they want to walk out the door and see Spaniards or Portuguese or whatever country you're in they want to be in directly.

MR. RETHERFORD: And Dick, with the issue of your legacy in mind I'd like to -- I think -- I don't want to cheat the next group out of their time, Regan has been very patiently waiting, so if you don't mind, sir, and I think there are a couple more, but I do want to give enough time to design excellence because --

MR. MCDONALD: I just wanted to share a little bit of experience. I represent the Society of American Military Engineers and more specifically the Northern Virginia Region there's a lot of base realignments going on that affects virtually every member of my organization, as well as some of the government organizations that belong.

And there's a -- one project in particular

that I was affiliated with before I changed careers, that the National Geospacial for Intelligences consolidation down at Fort Belvoir has a very unique approach to their whole design and build process. And it was probably a surprise to a lot of the architects and engineers that were involved, but this agency really stepped up and drove its own destiny in a lot of ways, and of course they are one big mega project, once in a lifetime, may not apply directly to constructing multiple embassies but I think there may be elements of their approach that would benefit OBO.

What they did is really applied a classical systems engineering approach to building their new building and campus, something that I had not seen done in any traditional construction efforts, and a process not unlike building a satellite to launch is the way that they thanked a lot of the folks that participated on this probably for a year, year and a half leading up to the selection of the contractor, was in a very classical systems engineering approach.

Everybody was involved from the get go that had a stake in it and associated risks, costs and

performance, which you could look at as scope, were really looked at rigorously, and it went through a process of establishing a baseline which crosses over a lot of things that I've heard said today. But everybody has a stake in that baseline, including the security aspects and the IT aspects which we don't mention at this forum very often.

But very comprehensive planning process --

MR. SHINNICK: Could I just respond to the IT issue? Again, washing the laundry. We have an IT imbed in our organization and they were not in the process early enough in my judgment and they are now in the process from day one. In other words the first meeting of any design committee or anything you're going to use, they're at the table. And they're going -- and other people that were not in -- they were in, yes, they consulted, but they were not in as you said right from the scratch.

Now I'm not a military engineer so I didn't know that was systems engineering. But I know it would stop them from complaining if they were in from the beginning. And that's also a legitimate

management response. So that's what we've done, IT is in, we don't mention it enough in this forum, but IT drives everything we do. We serve overseas, the cerebral cortex of the embassy is not the ambassador's office, I point that out to our guys who do this work, it's the IT section, it's the box, it's where the (unintelligible) works out, it's where the servers are. That's the cerebral cortex and if you abandon an embassy or retreat from an embassy the helicopter is going to have -- the last helicopter is going to have three people in it, the ambassador, the security guy that keeps him alive, and the communicator. Those are the three people that are going to be on that helicopter. All the managers, all the political counselors, all the economic counselors, they'll all be gone before that last helicopter takes off. But the communicator will be on that helicopter.

So hand it to the military engineers, move, shoot and communicate and the IT guys are in on the ground floor now.

MR. MCDONALD: Just in closing, managing that ripple effect through all those organizations is

a benefit to that approach.

MR. SHINNICK: We have a lot of military engineers in our shop. I mean we have a lot of guys and when you say actually where do you come from, I'm a civil engineer.

MR. MCDONALD: Yeah, I'm a civil engineer too. And I guess what I have to give credit to here is not the civil engineers or the architects that are on a team, it's the real rocket scientists that do the systems engineering approach to what they do for a living.

MR. SHINNICK: Maybe you could put together, if you have time, you said northern Virginia, and maybe we could get Will Colston who would be our response to this who's a deputy to Joe who built out the wing when the plane crashed and hit the Pentagon, and was Coast Guard officer, et cetera.

So maybe we could get a like-minded little group if you would agree to come down and we would host a lunch and have some of our guys at us and tell us the story of the Geospacial issue and how it got designed, et cetera. And I'll say -- you know, we'll

have the military guys there so you'll be speaking the same language and they can tell the story to the rest of the civilians when you finish.

MR. MCDONALD: Certainly.

MR. SHINNICK: Okay, so we'll take you up on that, thank you.

MR. RETHERFORD: I want to pass the mantle to Patrick Collins who will talk about excellence.

MR. COLLINS: Good morning. About a week ago I was asked to introduce this topic and I'll make it brief because I see we're running late. But Barbara, your comments on the timing are I think pertinent here. Anyway I threw some slides together because I think the issue of design excellence is an important one for us in what we do next, and it also frames the concerns about what our products are in a very interesting way.

Design excellence is not about sufficiency. There's been a lot of comments already this morning about issues of quality. Well the word "quality" is an interesting one because it doesn't speak to whether something is of a high quality or a good quality or a

low quality, it's a very slippery term and I think we need to be careful about how we use it.

Design excellence on the other hand is a very different prospect I think.

Next slide, please. Design excellence -- I'm sorry for some of you may have a hard time seeing the screen -- design excellence really in the recent past when you put those two words together is something that was literally invented at GSA for the purpose of creating public buildings that go beyond sufficiency to put markers out there to establish the federal government as a leader in design for a whole series of issues.

Many of us -- many of us architects on both sides of the table here associate design excellence with the peer review process, and that's certainly a very important component of the design excellence program.

But listed here are a whole series of topics which GSA specifically defines as falling within the design excellence process. Site selection starts it, and I should have also included construction on this

list, it is a part of the GSA process and it's also a very important piece of it. But I think the GSA process really defines the term as we know it in the industry today.

I won't dwell on that and perhaps the panel members can speak to it more specifically.

Next slide, please. Now OBO or FBO as some of you may have known it previously has a very long history of what is the precursor to GSA's design excellence program. 1954 the Architectural Advisory Board was established, in 2004 it was terminated because it was determined by then General Williams to no longer have a role in the process of what we were delivering at the time, specifically the design-build SED projects.

However there are two projects shown here, Beijing and Berlin, both of which will open this summer, Berlin very soon, in a few days, Beijing at the end of the summer. They were both done by a design competition process using the Architectural Advisory Board as the core members of the design jury, supplemented with other experts.

So there was a tradition in OBO for design excellence of our own making. There's a long history to that, some of you have read Jane Loeffler's book which describes it very well. Anyway that's a very long subject I think.

But let's go on to the next slide. So that brings us really to design-build, the SED and what OBO's intent is. The speed with which projects were determined to be needed pushed the process. I question personally whether there is design in design-build today. There certainly the production of design documents for the purposes of construction. And I think there's been a jump directly from a prototype into production documents.

The bottom slide is the current contractor proposal for our new building in Antananarivo. There are perhaps issues that have been put aside in the -- as Greg put it, in the necessities of speed and cost and leaving quality aside, good quality, excellent quality aside for the moment, which really brings us to the list of questions from the next slide.

Now we can talk about each of these

questions but I would like to really pose two questions to the Board to frame this discussion. One of those regards sites. I think this comes back to some of Joe's comments because I think we found that our feeling about projects begins with the quality of the site. It determines a lot.

The sites that we have begun the process with tell us a lot about the country we're in, the ability to find willing people to sell a site, the willingness of the local government to engage with us in helping us to find sites. There are many clues associated with sites that go well beyond just location.

The other issue I would ask the Board to -- the panel to discuss is the peer review process and its usefulness in the achievement of design excellence.

So I don't want to take up any more time. Bill Browning and Rachael Gladson are representatives on this issue so I'd like to turn it over perhaps to Rachael first -- I'm sorry, Rebekah.

MS. GLADSON: Well let me explain that from

this perspective I have some slides that I want to show about the process that we've developed at the University of California, and I'm going to show you a very simple building, but let me frame it in the standpoint that in '92 when I took this position we were facing it sounds like some of the same problems that you're currently dealing with, however I wanted knowledge, I really don't know all your problems or issues.

But basically the Facilities Department didn't like this, the contractors didn't like this, the doctors didn't like this, the researchers didn't like this, the Chancellor didn't like this, the architects didn't like this, nobody liked this.

MR. SHINNICK: OBO world.

MS. GLADSON: And in addition to that over 60 percent of the projects were in litigation due to extensive claims.

So I soon wondered why I had taken the job. But the reality was the approach was to look at an integrated interdisciplinary delivery process. I'm not going to say that it's perfect, but it certainly

has allowed us to build a great deal of work over the last 15 years without litigation, award winning design, and we have satisfied clients and a facilities group.

So I'm going to show you a fairly simple building, the principles are really what I want to communicate, not that these are your particular issues.

Just to give you a little bit of perspective we've done this for awhile, 30 projects over 2.4 billion dollars.

And we do everything from research laboratories to acute teaching hospitals, roads, you name it. So there's really nothing that we haven't used an integrated delivery approach to.

Some of the designs they're not unsightly, they're actually quite award winning. This is actually a fairly technical building with vivarians (phonetic) and so forth.

This is -- as you can see this is a high tech building, has clean rooms, another award winning building all finished ahead of schedule, and all

within the budget.

And a hospital that we are now finishing five months ahead of schedule and well below the budget even with (unintelligible) --

So I would say that an integrated delivery with a good team you can achieve design excellence.

So let me show you this project, and it's very simple again, it's a medical education building. There were some challenges to it and I want to come back to a statement that Joe made about quality. And one of the issues I found when looking at why Irvine was having so many difficulties is that we as the owner were creating many of our own difficulties. So we weren't spending the time to actually document what our expectations were, what we actually knew about our project, that, you know, from years of history we owned them, we operate them, we hadn't really done our research.

So when you looked at all the litigation and problems that we were facing we were actually self inflicting a certain percentage of it. And if we could correct our own behavior we actually could start

to have some successes.

So identifying what are the challenges that you're facing, and these could be anything, you know, technical, programmatic, but what is it that you want to accomplish.

Next slide. And then quantifying that and communicating that in a way that the industry can hear it and understand it. So identifying do you want sustainability, is it deferred maintenance issues, is it a high tech, do you want like cycle costs, architectural excellence, what is it.

Next slide. This project is located in the College of Medicine. We spent some time talking about the conceptualism of the building, talking about the site circulation, what it had to accomplish.

Next slide. Documenting that so that people who were not familiar with our campus could understand what the surrounding buildings actually looked like. This identifies what were the materials, masting, et cetera, et cetera.

I'm going to go very quickly through this. Next slide.

So from this information we then spent the time to develop the site analysis and design parameters. We talked about location, what were the adjacencies, where did we want building entrances, where did we want circulation, what were the issues with surrounding buildings.

Next slide. What were the environmental issues, and these could be security, IT, any kinds of information you want to communicate.

Next slide. Circulation, how did you want to get trucks in, out, deliveries.

Next slide. The public, and then what are the (unintelligible) relationships that we wanted to be respectful of.

Next slide. We actually even spent some time to talk about what did we want for public spaces and how did we want this to look.

Next slide. Even looked at view lines because these are integrating other buildings around and we were creating a sense of community there.

Next slide. And really what this was to do is just show the teams -- now this was a design-build

process, we had pre-qualified design-build teams that would actually submit a proposal on this so that they would have a good understanding of what would be successful.

So we talked about materials, height of the building, circulation.

Next slide. We even talked about building materials.

Next slide. Now this was the successful proposal on this project. Now you didn't see that design in any of the materials that we proposed, we talked about big concepts. We talked about materials and then we allowed the teams to actually respond back to us with their designs. And there were two that were submitted. We actually established for them what the budget was, what the square footage would be and what the program would be.

So we didn't have to do a de-scoping once we had a design, we actually had this integrated process.

Next slide. It's really a very handsome building. It's going to be a lead goal, natural ventilation, actually achieved more than what we had

hoped for it to achieve.

Next slide. So all the expectations met, good floor plans, good circulation.

Next slide. Second and third floor, and we actually were able to achieve an additional floor because they were able to bring efficiencies and economies to the building. This is one of the beauties of an integrated process.

Next slide. I'm just showing you the quality of design that I think can be achieved when you have a well integrated team and you've actually communicated what it is you'd like to accomplish.

Next slide. They submitted their materials board into the -- architects in the room, I think you're quite familiar with this process.

Next slide. Now this is where I'd like to pause for a moment. This is our design-build process and this actually has a best and final offer associated with it and everyone uses different terms but this is basically the gist of it.

We issue a proposal document or request for proposal, and we've very clear, all of this was in it

in addition to our campus standards. We have the pre-bid conferences which everybody has, we then had our confidential one-on-one discussions with both teams. So they were actually able to discuss their designs and development during the course of the request for proposal period. They were able to get responses back from us.

Did this design work? Did it not work? We would then consult with the faculty and the doctors so that when we actually had in facility, when we actually had two designs in hand, I knew that they would be acceptable to everyone.

Now if there was any change in program, scope or performance we issued it as an addenda because that would be required by contractual law so that all bidders could respond to it. Then the two teams actually submitted their proposal and the blind technical evaluation takes place.

Now the blind technical evaluation is made up of a panel of architects, engineers, facility group representatives, in-house architects/engineers, and we actually evaluated against the criteria that we have

pre-established which the proposers already know.

So this is where the peer review becomes quite important and they will spend two to three days sequestered, 12 hours -- 8 to 12 hours a day actually reviewing the proposals and design isn't a large part of the merit that it brings. So what's the added value.

The award is made on best value, it's never made on low bid. So if we're not -- should we not be within the maximum allowable contract amount we then revise the scope and go into the best and final offer.

I could spend much more time on this but I think you get the gist of it.

Next slide. On a campus where you need to have high volume, which at almost every university that is the case, and I would imagine it's the case with OBO, we actually laid out a process with our user groups and facilities on what would be their role in this entire process, spending time developing the program, the expectations and then communicating it, allowing them the opportunity to actually meet with the public and explain what their issues and concerns

are, and then going through the bid and proposal process of it.

I think what's important is that you lay out a process and get buy in prior to actually going out and implementing it. And this includes, you know, whether it's IT, facilities, the doctors, the robotics, whoever is involved in that project.

Next slide. And with this process we've been able to trim 35 percent off of our project schedules from a normal design-bid-build process.

So I think the discussion in the room is in a design-build delivery how do you manage it, how do you communicate it, and what kind of relationships do you set up.

So if the relationships aren't intact, and I was having this discussion with Adam prior, it really doesn't matter what delivery model you use, it won't be successful. But if you can put your relationships and align your goals and expectations you actually could have success with the multiples models.

So I'll just leave it with that brief overview and I believe Bill has some comments.

I listed some tools but in the interest of time I think I'll forsake them, we can talk about them later should anyone be interested.

MR. BROWNING: Rebekah, thanks, you're comments I think were a brilliant way of handling design-build process and the University of California system has a really good history of addressing those issues.

My comments overlap parts of design excellence and also with the quality arena and while I'm representing the USG Building Council as far as this panel I also have been a part of the National Committee on Environment for the American Institute of Architects, and then I have a private consulting practice that largely works on the development of large scale projects here and abroad.

I also am one of the GSA peers so I'm embedded in the design-excellence process there, and over the last two years have been serving on Defense Science Board Energy Task Force for the Secretary of Defense looking specifically at issues related to facilities. And a lot of our work focused on

something that overlaps -- I see pretty heavily particularly with your into Africa, and that is looking at the implications of operating forward operating bases.

The old assumptions within the Department of Defense had been that, you know, what happens is inside the fence is secure and you get the supplies to it and you don't really think about the implications of the supply logistics chain behind you.

That world has changed. Half the casualties in Afghanistan and Iraq are supply convoys. 70 to 80 percent of the material moved in those supply convoys is fuel because of the complete lack of attention to energy efficiency or the end uses of the energy and the demands of the energy systems within those forward operating bases.

I've been involved in the design of one OBO project in which that was the same issue. There had been clearly -- and I'm glad to see this move of bringing your facilities operations folks into the design process because in that experience they clearly had not been talked to because it was very apparent

that the facility that was trying to be built would have a logistic supply chain behind it that was indefensible, and there are all sorts of security measures within the ten-acre compound but getting the fuel to the compound which would be coming -- this was in the case of Juba, this would be barges bringing barrels of oil up the Nile and you could only do that for a few months of the year.

And looking at what the design had called for within inside the fence the energy use of that facility had not been considered in the base design and as a result the supply chain that was going to put that facility at risk was pretty awful.

And so I think Greg hit on the key comment, and that is goals. And this is both for quality and also for design excellence a clear articulation of what you're trying to achieve from a performance standpoint, just from an energy standpoint, and I'm not talking about rating systems, I'm not talking about things like that I'm talking about being very clear about here are the issues that have to be addressed for this to be operationally successful as a

facility. Just from an operations standpoint.

Water on that facility was a simulated complex issue, there was no water on site. And the site was several miles away from the river itself. And that clearly hadn't really been thought about much in the choosing of that site, and so articulation of these sort of performance goals becomes really crucial to thinking about where and how you're going to undertake a project.

The GSA design excellence program -- this is shifting gears slightly -- has been a good model but it has chosen very exciting designs and brought some pizzazz and style back into federal courthouses, border stations and all of that.

The piece that it's missing is a piece that the University of California has done and some of our design competitions have done well, and that is a technical review of the proposed designs to see if they actually work as proposed. And there were a couple of the GSA buildings that are being touted as very sustainable green buildings by very big name designers that from an operational standpoint aren't

working. And you look at the design and you sort of see the listing of green elements of the design and what you realize is two things, one, the green elements were treated as a series of paste-ons, or a list of items thrown at the design but not really as part of a goal setting exercise saying what are we trying to achieve with this building from a performance standpoint, and then those pieces integrated into the design. And that inevitably also makes the cost go up because they are in effect band-aids on the design.

And had those two designs been technically vetted they could have been modified and probably achieved what they were trying to do, but instead they wound up with buildings that because of some of those problems the occupants are not too happy with them.

They look great. They photograph terrifically. They're not buildings I would want to work in.

So from a design excellence standpoint using the system similar to the University of California of a technical peer review as part of that, besides

looking at the quality of design.

The other experience that I had, and this comes from working on a number of military installations right after 9/11 when the force protection standards were being shifted dramatically in those cases.

And then also working on what is the biggest skyscraper just being completed in Manhattan right now, the first one post 9/11, the new Bank America Headquarters in downtown Manhattan which is a lead platinum building, it's 2.2 million square feet, and it is also a key piece of Bank America's branding, it is an iconic building, it is a glass -- it's almost like two shards of glass sitting on the corner of Bryant Park. It's the second tallest building in the city, it is a significant target.

It's similar to the new Goldman building down across the street from the World Trade Center site, is also a glass building. Both are designed to withstand major blast, both of which have systems to withstand being hit by an aircraft, neither of which looks anything like a fortress.

And so similarly if you look at the Houses of Parliament building done right on the bank of the Thames, right on the streetscape, it is a day lit partially naturally ventilated building that also is designed for a bomb blast but does not look like a fortress. And so this is one place where I really would like to challenge some of thinking that came out of the Inman era because what I saw in -- also bidding on another recent facility for OBO, was still a design that essentially is trapped in the fortress mentality when it didn't have to be.

MR. SHINNICK: Also built on the congressional desire to never have another casualty because of political threatening, but this is a very interesting debate.

Sorry, I didn't mean to interrupt.

MR. BROWNING: And I understand where that response came from, but what we're learning now in the corporate world is that okay, these buildings are just as big a target, and in fact some of them now are considered even more attractive targets, but a distinct intention within that world to say yeah, this

building technically is a fortress but it doesn't have to send that message visually. And particularly for financial institutions that, you know, are trying to attract more and more of the public and the market share looking like a fortress doesn't work for them.

MR. SHINNICK: Well when you say Bank of America it's a problem too.

MR. NAMM: Bill, if I could speak to your first point about energy, I just got back from Port-au-Prince Haiti where I participated in the dedication of our new chancery there, new embassy compound. Power is a big issue, power going off and power spiking, and both in Port-au-Prince and I had the facilities manager from Conakry, Guinea (phonetic) in the week before. In both places they are on generator power 24/7, the power is on maybe a third of the time, maybe half of the time, but when it's on it spikes in Conakry 70 times an hour including spikes above 800 volts, so they can't -- they have to run on generators or you're going to fry the equipment very quickly.

At both places we are spending one-and-a-half to two-million dollars a year extra to run those

generators full time.

MR. BROWNING: There's a movement afoot started by a group within the Army that we've been working with called the Rapid Equipping Force that takes on -- that's personally in response to the American Institute of Architects 20/30 initiative of saying can we do zero energy buildings by the year 2030. The military take on this is that certain of their installations are going to have to do this much faster, so they're actually calling the movement Net Zero Plus, and it's can you do zero energy facilities that have the capability of islanding for extended periods, and what they're realizing is that requires several things, one, really, really thinking about the efficiency of all the systems in those buildings, much much more climate adaptive responses as a result as well, and then really, really doing significant amounts of renewables.

And the federal labs are supporting that effort and they've had analysis of potential renewable energy for a lot of the installations that already been done, and it's actually quite good.

Then additionally looking at -- the military is taking an additional step that's quite intriguing and that's saying if we just preserve what's inside the fence that doesn't work, we need to look outside our fence, we need to look at the host community, we need them to be happy with us but also many of our employees and our people live off installation so the island, if the grid goes down around us, isn't just us it's the host community surrounding us. And so that's kind of the core of concept of what they're calling Net Zero Plus, and they're trying to move forward with that both in forward operating bases but also key installations here on the continental U.S.

And it's an intriguing context and you're dealing with it on a smaller scale but that sort of thinking in context I think is absolutely relevant for you because they are similarly continuity of operations is everything.

MR. SHINNICK: Several of the things that you say resonate so closely because, number one, every building we build overseas is iconic in the sense that it represents the United States Government. So that's

a given, and so we have the Bank of America's problem times whatever, you know, and also we have a lot of locally engaged staff. You just mentioned the people who work in the building, the largest number of the employees in any of our buildings will be locally engaged staff and we also have even -- well at least as equally important and probably more the host community is -- we're not there to do a forward operating base we're there only to interact with those communities. I mean you have a primary mission which is to operate out of a base and the host community certainly allows you to perform that mission if you do things right, our host community is our whole -- that's our mission.

So those three things really resonate with us because they're present in everything we do.

Now the challenge is, is our level of addressing these problems equal to the fact that -- how important -- that I'm saying how important they are, we all realize that. And that's what we're looking at now in our validation, and your points are going to be useful to us -- useful to me in the sense

that they are simple -- I don't mean naive, but they're very easy to grasp the way you've laid them out, so you have contributed to that dialogue as we go forward, and thank you for that.

MR. BROWNING: And it's not just energy issues as well, you've got a project going in Monrovia right now and --

MR. SHINNICK: Yeah, you see a lot of signals back here as you raise points you see there's a lot of eye contact here because of the similarities, Monrovia, please.

MR. BROWNING: The firm that's doing some of the engineering on that are friends of mine and we've had dialogue about some of the concepts, and one of them is that they are pushing -- it's similar to this thinking about energy, and that's saying, you know, in many cases energy is not going to be the limiting factor because energy is substitutable and there are a lots of different renewable technologies can address that.

Increasingly water supply is going to be the one for a lot of places. And one of the places where

we can demonstrate American technologies quite well and support the surrounding community is that in our treatment of the water on a site and how we clean that water and process that water. There are plenty of technologies now where we can treat that water to drinking quality and typically and with military installations we'll do that, but then we'll just discharge it. That's a valuable asset to that surrounding community that right now we're just throwing away. That's something that we could do as a gift to our host communities helping them with those issues, and there are many of the countries where your operating clean water is the crisis issue.

MR. SHINNICK: You could make the same point to energy if you had the right systems where you were pumping excess stuff into the system.

MR. BROWNING: Correct. You know, what we're seeing is we're seeing an alignment, it took an extreme project like Monrovia to -- and also the concern we have with sustainability, to kind of cause us to get into, and the kind of in-depth study, of Monrovia that informs us about those very things

you're talking about.

But Adam is just back from Port-au-Prince and he whispers in my ear about what I saw in Kigali and we are wasting a heck of a lot of resources, water in particular where we'll bring it in and for various systems that we have within the building, and we're focused on certain security systems that become very expensive to operate and not -- they're very resource intensive and there's a tremendous potential to capture, short of redesigning them, but to capture some of the things that we're just throwing back, just throwing down the sewer.

I would be interested to hear any observations you might have about the blast protection of buildings in this states here. We have one way at going with blast protection. I mean if you're -- we haven't thankfully had to go through this, but I wouldn't mind being in one of our buildings under a certain level of attack, I know I would survive.

MR. SHINNICK: Yes.

MR. BROWNING: Some others situations the building structure elsewhere, like in the States, may

survive but you wouldn't want to be in the building because you'd be one of the casualties along with the glass. We've even had some questions -- Patrick was showing an example of a project in Beijing, it looks like a very glassy building, it's a transparent building, they have reasons for it. Part of it was the aesthetics, but we were questioned once about the collateral effect of that glass wall, you know, well what happens you have -- you'd have something which may be behind that wall that is a protected envelope but if you're in the wrong place, you know, you could be a victim of some secondary effects of an attack.

These are things that I don't think anybody has, you know, looked at, at least from our side we haven't looked at that, we say we kind of look at this -- you're within the building, you're within the protective envelope and then you're protected. But it's all that other stuff, the neighborhood, not every injury into our questions.

MR. SHINNICK: Very good. One thing, you know, you talked about glass -- when you talked about glass walls in these buildings that met at least the

blast standards that were set in the design process. Our blast standards are met by -- they're actually requirements, they don't flow from the design process they're standard blast standards that are blessed by the overseas security policy board, all the agencies involved with their engineers, et cetera, et cetera.

But we're not accepting that as we try to move forward, saying well that's the standard and we have to go because in the last seven years, or six years, when we cranked these out we're becoming aware and we've been told that there are changes in technology, and you've highlighted a couple of those and I'm going to go back to something and you're going to say is that the answer to everything, and the answer is yes, it is because it's a blanket that allows us to do things.

Bureaucratically I can't -- or my partner in this effort, Greg Starr, who is another ad interim Acting Director of Security, and when I first got here we sat down, we can't say guess what we're going to look at the security standards because every foreign affairs agency that puts people in those buildings,

and our own people, and the Congress, will all say we don't want to look at those standards we want the highest standard of protection for these people.

So what we are doing is a word you've heard several times, we are revalidating the security standards in the face of the new technologies that may have come on line in the new building methodologies in the time we started with our standard embassy design. And we're doing that under the bureaucratic cover also of our vertical said process. We have the vertical said saying let's get a different profile and go up, and part two -- all of which Joe participates in -- part two of that is the group that is looking at the new technologies and the new -- for how we could meet without challenging the standard revalidating it, how we could address those standards, meet those standards using new technologies.

So I would hope that we could follow up with you in our "V" said process and I think it would be intellectually and professionally interesting to you at the proper point to get briefed on and exchange thoughts with us on where the "V" said process is and

is going.

MR. BROWNING: One last comment because we're running into lunch here. Post Katrina there's a mentality that's coming out that's called passive survivability and it's saying how does a building survive and maintain the occupants post an event. And the way most of our security things are thinking right now is we think okay, we survive the blast, everyone inside is okay, but we don't necessarily think about okay, what happens if the systems fail, how can the building maintain liveability conditions for the occupants with the systems failing.

And so to take back to our experience with Juba was that okay, we had a building that could survive a blast, however the systems went down and within an hour to an hour-and-a-half the internal temperature of that building would be in excess of 130 degrees. And so even though the building would be standing there fine it would be uninhabitable, and so it would have to be abandoned.

And so part of the conversation in that case is trying to introduce this concept that's developed

in some of the architectural engineering world post Katrina as saying okay, what elements of that design would allow that building -- if the power goes down and the systems go down that building could be still be secure and occupyable passively on its own.

That's sort the new edge of the securities conversation and it's one that's just starting to emerge.

MR. SHINNICK: That's interesting because our response to that has been response to that, in other words we put all of our thinking on that I think so far into is the building kind of response capability where if the building comes into that kind of a situation that we can get the teams out there quickly with fly away kits and facility managers and engineers in other words to do some corrective, but we have not -- that I'm aware of -- got to that passive survivability, heard that concept of passive survivability.

MR. TOUSSAINT: Have you read any literature on that?

MR. SHINNICK: No, so it's an interesting

thing for us, very interesting thing for us.

MS. GLADSON: Can I make one kind of a comment bringing back to the design-build process. I think one of the things as owners that we often tend to gravitate towards very prescriptive specifications about we want things done, and if you're really going to achieve the maximum value out of an integrated design-build delivery you need to focus more I think on performance.

So how do you want the building to perform afterwards, or how do you want -- what's the outcome you want it to have, whether it's security, longevity, even at a hospital which, you know, you design for, you know, in California to high earth quakes or you design for any kind of terrorist activity. You actually design it for the outcomes and you can be performance driven about that and not prescriptive. And the value to that is it allows the industry to actually bring you the highest technical solutions that are currently available without an owner constantly trying to say this is how to do it.

However I do want to say I think industry

can be very valuable in helping you to even define what those performance standards are. And I think that's something that you might want to at least consider.

MR. KNOOP: I want to ask you and actually Pat -- I mean you've both shown examples, Berlin being one and your example being another, of excellence in design through -- and yours was through a design-build process. What was the customer's investments on the -- at the bid stage in that? Did you guys provide any kind of stipend, because to get the bid community to respond with a high level of design is an investment on their part and an enormous risk.

MS. GLADSON: There's two things that we do. One is to do a pre-qualification so that you don't have a pool of 10 people pursuing a project, 10 teams. We generally have no more than three and we offer stipends of $250 to $500 thousand dollars.

So although it doesn't pay for the entire cost it usually will pay about 50 percent, and I think that's the point of being respectful of our profession to acknowledge that yes, it doesn't cover the entire

cost but we acknowledge that you are bringing value to our process.

So we try to be very generous with our stipends.

MR. KNOOP: I brought the question up because, you know, every building -- even though we have standardization for your buildings, every building is a research and development project. Every building is individual.

MR. SHINNICK: And the way -- we're trying to make them even more so because we're trying to speed up the change requests and the RFP projects so that we can get the lessons learned and incorporated. We've made some organizational changes with the standard embassy designs and moved them closer so we can change the time it takes to get known changes into the process and into the RFPs. So we want to do that and organizationally we've made changes to help speed up that cycle so each one is new.

MR. KNOOP: To capture control of your fate, to capture the design excellence that you -- seek to capture service excellence that will support design

excellence, that will support a well threaded process you have to pay for it, and you have to budget for it and I think, you know, yours is a good example because it points to that investment up front.

MR. SHINNICK: Well let's look at -- we're going to adjourn now and look at another case in which the State Department excellence falls short by moving up to the eighth-floor dining room where we can keep this discussion rolling hopefully over lunch because we don't want to waste our time.

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

MR. NAMM: Dick sends his regrets, he lost a cap at lunch, had a dental emergency so is off to find a dentist. So he's sorry he can't be here.

His loss is my gain, I get the pleasure before we move on with the program of presenting a couple of things to three departing panel members, and let me start with Regan McDonald.

Regan, why don't you come on up. We have for you a letter from the Director, so it's not in person, he's here in writing.

We have a book, which I won't make you hold because it's very heavy, Building Diplomacy, and I thank you -- we thank you very much for your service with this certificate, The U.S. Department of State Overseas Buildings Operations, Industry Advisory Panel member, 2007, 2008.

My second of these, you've made some great contributions in the two that I've gone to and you'll be missed. So thank you very much.

MR. MCDONALD: Thank you.

(Applause)

MR. NAMM: Next to Gregory. Greg Knoop. And Greg, thanks for your talk this morning and again the letter, the Building Diplomacy book which also sits proudly on the Director's coffee table in OBO, and the certificate, thank you very much for your service.

(Applause)

MR. KNOOP: Thank you.

MR. NAMM: And finally to John Woods.

As somebody said this morning -- what was it, speed, price and quality, you can only get two out

of three, you get all three.

(Laughter)

MR. NAMM: You get all three, the letter, the book and the certificate. Thanks very much.

MR. WOODS: Thank you very much.

(Applause)

MR. NAMM: And the fourth member is not here who's departing and that is Clare Archer and Perry we're going to give you the book, the certificate and the letter to bring back to her, and we thank her for her service as well.

So I will go back to this side of the table and sit in Dick's chair and we will move on with the program. And number three, Uniform Service Standards at U.S. Embassies, Maintaining the Department of State's Real Property Assets.

First of all let me welcome Larry Richter who's from our Office of Management Policy Right Sizing and Innovation NPRI.

Dick discussed that office this morning which is involved in the seminal task of coming up with staffing figures for our embassies, and Larry

will participate in the next -- in this part of the discussion. But we're going to lead off with Jim Johnston from our Facilities Management Division who will address this subject of uniform service standards. I'll turn it over to you, Jim.

MR. JOHNSTON: Well welcome back from lunch, it's been a great panel and I'm glad you returned, you know, after a nice lunch.

Larry and I are not going to bore you with a long presentation, we'll do it with a short one, so we'll start that off -- if I can get the next slide, Michael.

I wanted to give you a picture of exactly the OBO Overseas Real Property Assets that we have overseas, and you know, essentially you're looking at about 372 different embassies, consulates, or other locations and there will be satellite repeater stations and various types of things like that.

Over 17,000 individual buildings or properties that are valued at 14 billion dollars, and there's over 80,000 U.S. Government employees, not just State Department but other agencies and locally

engaged staff that we're out there trying to protect in these new buildings that we're trying to build, and we've got a lot of properties that have been going up over the last years and so now we're moving into the investment protection phase of that, you know, and so we've got all these properties overseas that we have to maintain. And so now this morning we had the front end and now we're moving towards the back end of things.

MR. RICHTER: And of course this is the point where the rest of the building starts getting involved and has a real stake in this because a lot of the money for operating these buildings, for maintaining them, all the manpower and that sort of thing, comes not from OBO but from the regional bureaus and from other parts of building. And so there is a real need for collaboration, it's a joint responsibility.

And so we've been really grateful for the opportunity that Dick has offered to come in and be part of this presentation but also in so many of the things that OBO has been doing recently so that we can

improve that collaboration.

At the same time OBO began its drive to do a better job of building buildings about several years ago now, we've been a little bit slower than the rest of the building to catch up with that. The State Department has always had a very decentralized model, and kind of a ship at sea, if you will, where each ambassador is Captain of their own mission, each mission has been responsible for determining its own way of doing business, for setting its own priorities, for allocating its resources however it seems fit, even though so much of what we do is similar.

We've really focused on the 20 percent that each embassy or each mission that is unique to each mission rather than the 80 percent that we have in common. Good historical reasons for that. Of course it used to when transportation was slow and communications were difficult it didn't matter at all to London how they did things in Paris, they didn't have any contact with each other.

But of course with the improvements in communication and technology that's changed, and it's

required a real serious culture shift for us to begin to change the way we think about doing business as well overseas.

Just as OBO has gone through what has at times been a wrenching transformation as they've streamlined themselves and made themselves able to accomplish the things that we do we're going through that in State right now as well throughout the building. And the main vehicle we have for doing that is called the Collaborative Management Initiative. And this is really the purpose of CMI is to move us from that model in which every post was independent, in which every post figured out what it wanted to do and how it wanted to do it, to give us a platform where we focus on what we have in common, where we can deliver consistent services, just as Marriott does. When you check into a Marriott around the world you have a pretty good idea of what you're getting. You know, one may have Chinese food, the other might have Mexican, but you know it's going to at a certain quality, a certain price point, a certain standard of excellence.

We have been all over the map from Motel 6 to you know, Ritz Carlton and we're trying to bring those levels together so that people don't have to work as hard so that we can find out where our shortfalls are, and start to deliver a much more consistent standard.

Next slide.

MR. JOHNSTON: Now the problem has been, as Larry talked about, a lack of consistent standards and the SEDs have gone to a certain degree of going out there and putting a similar product at many of our embassies and we're going to continue that over the next few years as we've got another hundred to go.

But some of the problems that we've had is the maintenance needs and response times. You know, some posts are responding to a certain maintenance need in three days and some are taking 12 days. And the same thing as the dispersal of our funding is not consistent either. Some of our posts are getting $35 a square meter to maintain those properties, while some are getting .49 cents.

And so we're going to essentially move

forward to try and develop consistent standards so that all the embassies overseas, especially as we just said, are being maintained in a similar fashion.

There's various different examples that I can give you, you know, as far as like training needs. If you take a setting you build it in Europe you're going to have a high quality local work force, but if you build that same exact building in Africa you're not going to have the same abilities and capabilities in the local work that you can get in Europe versus Africa.

And so we've got to look at this developing training programs for our staff, developing all different kinds of methods to ensure that the product that we're putting out overseas is maintained in the same manner and protecting that investment.

MR. RICHTER: Yeah, and just to expand on that a little bit, historically we've had our service standards driven by what a post could afford. A post that was relatively well funded might fix a sink in three days, a post that was poorly funded might do it in three weeks because their staffing was different,

their resource base was different.

What we're trying to do is bring that to a consistent standard. And I think it's really important to note that what we're not trying to do is say every post ought to have three plumbers for every two hundred customers. Paris may be able to accomplish this with a service contract, Kigali might need to bring in all kinds of expertise or develop in-house expertise, and each post may have different way of solving their problem, that's where the real art of management comes in each place.

But just as with Marriott we'll have different staffing levels at different places and different things that they need to bring to each hotel, we need to be able to do that same thing, well maintaining a consistent standard.

MR. JOHNSTON: And so it's Larry's Office of Innovation and Right Sizing and Policy is looking at developing these sort of standards right now, and he's been working for awhile on developing those standards and we're going to get to that a little bit in the program.

But uniform standards -- if I could the next slide, please Michael.

Now uniform standards are providing benchmarks and measures that allow us to determine exactly how we're doing overseas, and by collecting this data we're going to be able to move forward with that.

Go ahead.

MR. RICHTER: Yeah, one of the problems we have of course is we don't have a pricing mechanism, customers don't have anywhere else to go and so they're going to come to us regardless. But what we've never been able to do is get good insights into how we're doing, what we're not doing that we would like to be doing, and attaching prices to that.

So as we're having conversations with our customers, as we're having conversations with Office of Management and Budget, with Congress we've never been able to say if you give us more money here's what it will mean to our customers, here's what it will mean to our ability to maintain our facilities, or to expand our programs.

You know, what we're attempting to do with not just uniform service standards but the other elements at CMI as well is get us to the point where we've got a real insight into what our posts are doing, how they're allocating resources, ensuring that posts are making common assumptions about their training needs, about the way that they're doing things so that we have a basis for comparing and we have the ability to go to OMB and to Congress and to our customers and say here's what we need, here's what we can't do, here's where we've been able to save you money, here's how we've been able to demonstrate the relationship between inputs and outputs.

Still there's a broader context for uniform service standards. Uniform service standards are a really important part of this from the customer point of view, but it's really one of four areas where we've been trying to put together this initiative.

The first thing we had to do was come up with standard definitions, we had to make sure posts were defining things the same and counting things the same. And with 265 posts we were finding 262

different ways of doing that.

So it was very difficult to say this post is efficient, this post is cost effective, because if we looked at it closer we'd say oh, they're not including these costs that everybody is so of course they look more efficient.

So we've completed that now to what's called the ICAS (phonetic) Executive Board which the executive board of all of our customer agencies overseas, all the other agencies of the U.S. Government. We worked with them and with the group that administers ICAS to put that together, which made for the first time every post used similar standards and similar definitions to enter their data and we're going to start getting data that we can actually use to make comparisons.

And that's going to help us create that standard playing field and that standard rule book.

Uniform service standards was the next thing we did. We pulled together representatives from about 60 posts around the world to come up with standards that everybody could meet, and the idea on this was

not to say whose got the worst standards, we're going to make that the standard for everybody, rather our rule was we want 75 percent of our posts to be able to hit these standards 75 percent of the time. And that should be our mantra for the initial effort to put these together because of course we want to see where the stress points are and we don't want to be lowest common denominator. We hope that a number of our posts are going to be able to exceed these standards but we want these to be achievable but stretch goals for many of our posts. And if we find that we get to that level where 75 percent of our posts can meet them 75 percent of the time we'll raise them, or we'll take resources away and put them into another area that needs more effort.

So following that in May we pulled together about 80 or 90 people from 80 or 90 posts around the world to put together a standard play book. We've always had this model that every post has to think of everything and do everything for itself, and we've forced them to figure out how to do it as well. We haven't had a good mechanism for transferring best

practices, for transferring good ideas. That was the initial role of my office when it was called The Center for Administrative Innovation, and what we found was we simply were not successful in doing that. In fact one of my favorite stories is when the Undersecretary for Management asked me about three weeks after I arrived to give her examples of best practices that had originated at a post and had spread throughout the world. And we looked and we looked and we looked, and we realized that not only was it very difficult to find any best practices that had spread from one post to another it was very difficult to find a post where that best practice originally suggested was still in place.

We realized we had a problem in that the model that we had wasn't working properly. So we pulled these people together to come up and to get together and to come up with standard operating procedures with process maps that would be applicable to that 80 percent that we have in common.

So they've done that and we're now in the process of putting that together. The Foreign Service

Institute is going to be teaching off of it, we hope that it's going to become a real living document for the Department.

And of course this is also where -- this is happening now on the budget side, on HR, on General Services and of course this is an area where it can also come together for the things that OBO has as they're working out in the field. We want to get together with them and help develop these same things and put them into a way that every post can contribute to and borrow from these procedures so that every post doesn't have to keep repeating its own mistakes, we can make mistakes together or learn from each other and improve together.

So that's our goal is to start acting as a separate branch offices of a common organization rather than as 265 separate entities that have very little contact and very little in common with each other. And we've started.

MR. JOHNSTON: Next slide.

And so again, you know, we've moved back to the uniform service standards and what we're trying to

do is develop it so that every post out there is doing almost the same thing and maintaining this properties the same way.

You know, not all posts out there understand how to do a building permit and make sure that we get a project, you know, done correctly according to OBOs needs. And so what we want to do is do the process maps that Bill was talking about and educate the management officers and the facilities managers as they come through Washington and go out to these 265 posts to ensure that they understand the processes that industry needs and our contractors need so that they get a good quality product at the front end during the initial planning stages, and then the maintainability, sustainability and all that will be affected in the long run and at the back end of the products.

MR. RICHTER: Yeah, just to kind of put a cap on it, right now there's really no way for a manager at post to know if they're doing well. There's no comparison available with other posts. All they can really tell is they're busy, and if I'm busy

I must be doing well. But we're like Lake Woebegone I guess, everybody figures they have to be above average because they're busier than average.

And so this data that we're getting together now and beginning to be able to put out to the field we hope it's going to show managers at posts where they need to apply effort, where they are doing well, where they can contribute to the body of knowledge that we have, and ways of doing things, but where they need to focus their energy and attention as well.

And at the Washington level and throughout the organization we want decision makers to have the data that they need to allocate resources effectively, equitably and transparently. From the point of view of the field and the regional bureaus I think equitable and transparent are the two paramount concerns. We want to be able to know are we getting our fair share, are we staffed equitably, are we getting the resources that we need.

From the point of view of Washington I think effectively is as important. We need to be able to target resources where we have particular priorities,

particular foreign policy concerns, particular needs to target resources and know that there is an outcome that we can expect based on that.

We've been referred to as a data-free zone and in fact that's been a pretty accurate description. And so what we're trying to do now at the most rudimentary level is get data out there that managers at all of our levels and at every level can use.

And from the point of view of our customers that means that they're going to be able to expect a level of consistency when they go from post to post.

MR. JOHNSTON: And that's been also one of problems that we've had is, you know, as we get the various different officers transferring from post to post all of a sudden they're arriving at one post that didn't have the same standard and so they left the Motel 6 and arrived at a Ritz Carlton, or they left a Ritz Carlton and arrived at a Motel 6, and then they're up in arms about the kind of standards that they have to live with at their new post.

And so what we're hoping to do is level the playing field out there.

MR. RICHTER: And of course this -- next slide -- this is also making it much easier to start developing common software, something else that we've had very limited amounts too at the management level at the field. We had developed software in the past but it was optional -- with this emphasis on common standards and common ways of measuring we've been able to get support from the building for the first time to develop common software, to start collecting the metrics and giving us the tools that we need, something that we didn't have before.

The time line on this is pretty aggressive, as we've been able to get the pieces in place we're really looking at an implementation date on a lot of this by October 1st, which is the beginning of our fiscal year, with phase-in on other pieces of it through January 1st. And then over the next year we hope to get it fully implemented. But we've really got the pieces in place to cover the full range of management areas by October 1st, and we'll begin gathering the data and people will begin to actually make decisions based upon preliminary data by that

time.

And all of this of course is an order that we can change our culture to one -- we've always had a culture of innovation and quality at the post level, what we haven't had is a way to transmit that culture across posts and to work collaboratively together.

And so our goal is to create a more unified culture of innovation and quality where we really are working together trying to do things better.

MR. JOHNSTON: My question though I guess to open up the discussion in this portion, is, you know, how is private industry doing? In other words international firms like Marriott here and other -- and how are you guys ensuring that the standards are being maintained at a certain level around those different worlds?

MS. SCHMIDT: Let me speak to a couple of different things, and maybe one the development of the standards and the way in which those standards are maintained and constantly upgraded and modernized which you'll need to do.

And then the implementation of those

standards and how that's done, and I welcome -- John is my co-sponsor here and anybody else who's had experience I'd love to hear them and please jump in because I can just share our experiences, or at least my perspective on our experiences.

Obviously the standards as you've said -- and it ties in nicely with these other subjects, the standards are there to really achieve the quality, however you have defined that quality, and then the program, how to make sure that program of your mission can be implemented.

And so from that perspective I think standards are, as I think as you've discovered it and correctly decided to go, just super important. I mean Marriott is known or notorious as the case may be for implementation of its standards, and I think that leads to sort of a cautionary warning which Marriott as we went internationally more globally had discovered for ourselves, and that is -- and you haven't had to face this, but from our perspective, you know, most things that work in Dubuque are going to work in, you know, some place in Massachusetts.

Yeah, you're going to have to worry a little bit more about hurricanes here or earthquakes there when you're working on design standards or construction standards. But generally standards in the design, construction and certainly in the operation in a domestic or even a western European or Canadian regime can be very consistent and sometimes almost to sort of the cookie cutter, the true program.

Well we found that that doesn't translate well necessarily overseas, and it's not to say that you can't or you shouldn't have standards because we do have brand standards, and there are some brand standards that we do not allow deviation on regardless of where it is. The big boss is fire, life, safety. We receive lots of pressure from owners all over the world as well as our own developers who say well, if we're going to meet the standards, the code and the regs and the standards for Beijing why do we have to build to a Marriott standard, you know? Why? Because Marriott has -- at least in the fire, life, safety exceeds even U.S. and local standards.

And the answer is there because our

customer, and our customer while in your case it can sometimes be foreign nationals, are mostly U.S. citizens. And when a U.S. citizen walks into our brand, just as one of the government's employees walks into its place of business, it expects a certain level of safety.

So that's the one thing that we haven't deviated on. However there are other things that we've become more flexible on, and by that I don't mean to give you the impression we're deviating from either operational standards or our program standards, our construction and design standards, but we figured out we've got to be able to implement those standards successfully in the part of the world we're developing in. I mean some of the things we've already talked about, or at least mentioned.

What kind of equipment is available? Maybe the chillers that we would prefer, you know, for Florida although they'd be perfectly serviceable and perhaps even better in some equivalent place in southeast Asia might not be available, may not have the technology either to service them, repair them,

and we may not have the staff, the local staff, to have the expertise.

So we had to find out ways to keep what we call brand stans, to keep standards at the level to meet our guests, our customers expectations yet be flexible on what we're allowing to go in. You know, maybe the elevator system might have to be different in a particular place, maybe water is in short supply, we've been talking about that, fuel, electricity.

So I caution you simply because we've learned the hard way many times to be -- once you've done the admirable task of having these grand standards, having these standards so that you do have the consistency make sure that you don't lose the need to be sensitive to where you are. And I mean that's common sense, but we didn't pick it up for a number of years, so I'll share that with you.

And this is something else that's been mentioned, sort of the cultural sensitivities of the area we talked about, maybe sharing water and electrical, you're going to have folks in the embassy

who may not -- or the mission who may not be part of our culture, or likely won't be part of our culture. So we found that in order to empower and to include and to sort of foster the teamwork of our mission, if you look at our hotel property as a mission, we've done things like if you go down to our properties in Latin America and you go back of the house, you know, where all foreign employees are, or foreign nationals go, you'll see a statue of Madonna almost at every property where, you know you're not going to see that -- you know, you're not going to walk over to any our properties here, you know, in D.C. and find that same thing, something that we found that makes our employees become more -- feel more included so therefore they can serve our mission better.

You know, we have altars in certain parts of the world where there's a number of Hindus and Buddhists. In areas where there's a number of Muslim guests you may see on our desks or some place direction for prayer.

So we've tried to be sensitive without changing what a Marriott standard, it's a high level

of service, or the ability to operate our building we've tried to integrate those sort of local touches. Similarly more and more we're trying that with our architecture, our design, the art we're putting in. And as I look at some of the properties around the world that you're designing and building that I think is an important thing because it says you're holding us up, we're the United States of America and to the extent you can give, you know, in the current state of safety, you know, we're here, we're part of the community, we're out there.

And I think it translates well from the business perspective and from, you know, hey, we're the United States kind of perspective, and we're going to be good corporate citizens in your home.

So those are the sorts of cautionary things I'll throw out there. Then just in general some of the things that we deal with and have struggled with, and you may have even heard some of this because I know you've just been through a Marriott presentation on quality control, and that's once you get these standards in place, you know, all these new things

that we've talked about, you know, with the leads, with the different developments in technology that we're seeing, you've going to have to keep them updated. And to keep them updated we found, you know, because we have the same kind of -- we have operational design standards, all these standards, you're going to have to have one group of people, one person or one group of people, who has ownership of making sure all these new and good ideas and changes and best practices that you're picking up from all your other missions to be able to integrate those and to keep those updated because it's a living document as you said, and that's your goal.

And a huge challenge for us is to make sure we keep our living document, our standards, updated because it comes down to -- just like you, comes down to budget. We don't have budgets to pay somebody to sit there and do this very time consuming work, yet without it we've lost the integrity of our brand.

So that's probably going to be a challenge I would think. And then the final thing I'd throw out there -- well I guess two more things, one, how are

you going to disseminate that? Not only to your employees, the people out in the field but also to make sure that the architects and the consultants and the contractors, people who are working with you either on a new ground-up project or in a renovation, which you're going to be doing, you've got all these beautiful new properties and they're going to have to be renovated over time. So you're going to have to make sure you have a good way of up front communicating your standards, what your expectations are.

And the biggest problem we have sort of on this is when we don't get in the door to our owners, architects and engineers and contractors at a very, very early stage to set expectations to let them know when they're doing their pro-forma, their budgeting, their scheduling, what we want, what that expectation is going to be, what you have to do to be successful.

And one of the things we're doing, and which the government probably ahead of us on, is just making these things internet and/or web based so our different constituents can access this material very

simply rather than the big thick documents we used to throw on an architect's and owner's desk years ago, and you know, we then went to the CDs and now we go to internet sites so that people can be, you know, the next step for us is the collaboration with it so that there's an easy method for everyone to get that information, for your folks who are trying to run your plant, physical plants, can go on and find out what the best way to do whatever their particular task is.

So those are the things I would thrown out from the learning that I see my architecture and construction folks dealing with on a day-to-day basis.

And John --

MR. WOODS: Well being a structural engineer when I saw that Rosemarie was going to be my partner I said, oh, this is terrific she's the gold mine of information.

Representing the American Council of Engineers and the Coalition of American Structural Engineers and a number of years ago I participated in the writing of what I'll call the guidelines of practice for the structural engineer. And we

specifically made them guidelines for two reasons, one, we did not want to create something that the legal profession would take us to task on every time somebody deviated from a syllable or sentence, so we call them the guidelines of practice. It gives every structural engineer practicing in this country a manual of acceptable practice but it does not discourage innovation.

Rosemarie is talking about flexibility, I remember many, many years ago with the previous head of the mechanical engineering group at OBO I helped write and create the swimming pool design guide. And one of the things that he was adamant about was that the filter system had to be a standard because he didn't want the person in Nassau going out on the local economy and buying a filter system that was not prescribed because the next person that came in would not know where to get it fixed if that supplier was out of business.

So this goes to the point of allowing the flexibility or innovation to use a better product but having a database or a list of approved products that

the different posts can use. And I'm going to use an extreme in terms of people showing up at one post and knowing what to expect.

Ottawa as I understand it is the snow capital of the world so snow removal is going to be one issue there, but it sure as heck is not going to be in Khartoum.

So there are certain things that go into the different -- into the, and I call it internationality of what you do. I just really get concerned with government at all levels of creating widgets and believing that every widget is exactly the same. That's the way Medicare is, that's the way a lot of things are, we're not individuals and we all get treated the same.

Your idea of having a web based data is good. GSA I think is trying to accomplish some of what you are with the whole building design guide where people at any GSA office can go on and see what someone else has accomplished.

That would be one of my other recommendations. And also to use the organizations

that are out there, don't reinvent the wheel. I expect some of what you're looking for is available through the International Association of Facility Managers, groups like Rosemarie, so take advantage of industry and what's already been accomplished.

MR. NAMM: Any more comments? Greg or -- Bill, go ahead.

MR. BROWNING: This came out a few days ago, this is GSA going in and doing a post occupancy evaluation of the green building characteristics and other operating characteristics of 12 of their buildings, and then sharing that back through their system.

That's a good way of doing it. I mean you're putting in some pretty sophisticated software systems in a lot of your buildings now trying to do energy monitoring, monitoring all the -- and you are potentially going to have a very huge data streams. And what we find out of those is that those are useful but they're only useful if the data is displayed in a way that people get it.

So one of the innovations we saw a company

in Singapore do was just simply take the data points, and they were taking data once a minute on their facility, and do a line graph and paste them together. And what that gave them then was over the course of the day a three-dimensional shape starts to form as all these are pasted together and they could then optimize the operation by not looking at numbers but actually looking at the shape of the surface that was being created and knowing the weather patterns in that place they could model an advance thing, okay on this sort of day, you know, you should see this sort of pattern. And if something is wrong you'll see spikes or a toss that aren't there. And so as a way of conveying a lot of information but in a way that people got it very rapidly and could act on it.

And then those could be picked up and shared anywhere in the world. And in fact in one case a hotel was having -- something was not right and they couldn't figure out what so they literally just gave the engineer a call-in number, went in, looked on line, looked at the shape and said oh, you've got a spike right here, that's this pump going out. From,

you know, call in process from anywhere in the world.

Related to that is this idea of keeping numbers and keeping track of numbers we're doing a number of resort projects now with the former Disney folks and Disney has this very interesting culture where they quote Denning (phonetic) all the time and they say what you can measure you can manage. And so where they can find a number to track they will track those and we always use their climatic differences or cultural differences but you should see what you track is a pattern, that if the pattern is consistent then you know something is right.

And then story telling is really, really important and so not only showing the data but then sharing stories back through the system because we learn best when someone tells us the story. And the company that I think does that the best is a carpet and textile manufacturer called Interface, based in Georgia, and they've got operations around the world making carpet, making fibers, making fabrics and they have a metric system that everybody participates in on the shop floors, the loom weavers, everyone tracks

their environmental metrics, they're posted on the south wall and then once a year they share stories through the system and people get awards or bonuses partially based on their performance, but also on the best stories that are shared through the system that people learn from.

And doing that through internet can be pretty effective.

MR. NAMM: And if I can we do have several list-served communities in the Department, facility managers, do you want to talk about that a little bit?

MR. JOHNSTON: Yes. We've got lists that we're sharing information sort of thing like that, you know, best practices through an informal email list served that the, you know, the share point -- are they aware of share point, and so we're using share point now. I think that you have a share point site that's set up and we're looking to set up our own share point site where we can share documentation, data and (unintelligible) -- there is different policies and papers done (unintelligible) --

MR. KNOOP: I think you brought up some

interesting points and what you should see is that you also are an empowered entity. And I think I've used the example before in past meetings of Kaiser Permanente has about two to three billion dollar a year building program upkeeping and increasing their properties, and they are delivering health services and they have to deliver the same health services all across their customer base, but also they have to -- they're responsible for delivering it in an economical model.

They run a very strict internet based standards system called info-zone and require all their qualified -- they carefully qualify contractors and put them on multi-year contracts just to be able to do the work. And we're required to actually attend education sessions, know what's updated, we get regular reminders of there's been a new detail on the endoscopy suite and you have to, you know, that has been posted and these are all geared also around their enormous buying program, equipment and also their upkeep, it has to be -- standardization has huge economic benefits as well as enables them to do

service excellence.

Now I think you have brought up a great point, education, bringing that not only to your own personnel but actually deepening it to the people who are administering the project, who are in our education sessions, and contractors and architects and engineers sitting all at the same table learning about some of these things, including -- they had a session where we brought in our comptrollers to learn how to bill correctly as well.

But they also have a system of allowing for change. If you want to introduce a modification to the -- you can apply to modify something that is --

MS. SCHMIDT: We have the same -- exactly on line --

MR. KNOOP: -- specific to the area. And it will be considered, and because it's done in an organized management fashion -- who said you can only manage what you can count, I mean that's brilliant because this way they already have a metric, they already have an understanding, a full understanding, a very controllable way to understand it and so change

is very easy to consider because it's not so foreign and so out of control.

MS. SCHMIDT: We used to play off that, that's what we do with our properties. If we have an owner or somebody on our own property team that wants to go in and deviate, if you will, from brand stans or if they have a better idea or a different idea they can go on our internet, they can make that application, if you will, provide the detail and one of our folks back at headquarters in the ANC Division who is empowered to take a look at those and to approve or disapprove can do that and there's a very quick turn around on that so you don't have lag time if you're in the middle of a construction project or if you're in the middle of trying to repair something you can get a very quick response back. In a streamlined -- we found it streamlined and we also knew because of that reporting we knew far better what going on with our properties. We were able to keep a measure of what kind of improvements and renovations and what kind of thresholds were being met.

MR. JOHNSTON: And I think that that's

somewhere where the Department of State is lacking is in making sure that the word gets out. And you know, we've got to work on a better collaborative effort both at OBO and State making sure that we've got, you know, the training methods are out there, that everything is coordinated and I think that's something that we've been lacking.

MS. SCHMIDT: You can have the best standards in the world but if they aren't disseminated and if people don't have the tools to be able to follow them they just sort of --

MR. NAMM: And we are -- and then I'll go back to that -- we have for the first time a program planned at the Foreign Service Institute, our training organization and we're going to put a facility manager position there to teach facilities management and that should help get the information out.

MS. GLADSON: I wanted to tag onto something that Rosemarie said. As our buildings become more and more complicated and as you're dealing with local issues you've also got the -- you know, you own these buildings further and staff changes so how do you

train the staff that's going to be coming in. And one of the tools, and perhaps you're already using it, I think Marriott is using it, but is to actually have video operation and training manuals so that, you know, you can read that manual and it says turn this valve and then do this and then do that, it's amazing the number of people that read and don't see three-dimensionally. So if you actually have a video that shows the person turning, doing step one, two and three when a new employee comes in you can use that as a tool.

So there's a lot of interactive tools that are very beneficial these days and that are really kind of essentials, our building get so complicated these days.

MS. SCHMIDT: And it gets you over that -- the language barrier, you know, whether we're here and we're dealing -- we have maybe a Spanish speaker or internationally where English isn't the main language, that they can see it, they can do it and it really helps a lot.

MR. NAMM: And some of these systems I would

imagine are so complicated that even if it's in your language and you can read it you might not understand it.

MS. GLADSON: That's exactly right.

MR. RICHTER: So we've actually tried a couple of pod casts for the first time and are trying exactly that sort of thing, but I hadn't thought of in the building context.

MR. BROWNING: And we're physically involved in a lot of big corporate projects and not giving a manual to the building operators but what we're doing in a lot of our projects such as the Bank of America towers is people are moving into the building now, several thousand of them, they arrive and there's a little book sitting on their on their desk and it tells them how the building operates and if they have a problem with this or that person here are the contacts and here are the routes for contacting, and you know, it changes expectations, it also makes things happen quicker, and when you think about it I mean the manual is just this little ring-bound book, it's about 30 pages, little box of graphics in it,

very simple, and you know, when you think about if I buy a toaster oven I get more instructions with that toaster oven than I get with a multi-million dollar building. And so one of the things we're doing in the corporate is extending that.

The other, you might at some point want to have a conversation with the facilities folks in Wal-Mart and the reason for that is that Wal-Mart is covering the most extreme of centralized management. They don't have facilities people in their stores, zero in any of their stores. The entire system is electronically controlled from Bentonville so if someone leaves a refrigerator door open for more than 10 to 12 minutes in a store in Kentucky the store manager gets a call from Bentonville saying did you know this door is open. And because -- and it's tied to their system on (unintelligible) -- and literally if something goes out they then schedule (unintelligible) so that's the absolute, that's sort of the absolute extreme but if you wanted to sit down and talk with Chuck Zimmerman who heads their engineering and also is heading a lot of the

sustainability from the building they're more than happy to sort of share that and it can give you a sense of how far you can go with that monitoring and information log on.

MR. TOUSSAINT: I was just going to add something, the description about the little manual of how the building operates, it's something that's always driven me nuts because the closest we've gotten is we will put in the work station, our interiors people are very good about putting in the work station how to operate a chair and how -- because it's a new environment, but there's this other leap to the rest of the building that you could do in a very common sense type way to the people that are in there.

We have also kind of diffused responsibilities in operating that we're trying to bridge now between who's responsible for the security system, who's responsible for the building systems and so forth, and we're going to be making progress in getting that done I'm sure.

But these are great things.

MS. GLADSON: Well I think as buildings

become more sustainable there's a whole educational process. I know even with the faculty at the University it sounds very simple but having a manual about how the space works like if it's this temperature turn on your ceiling fan, open this window and do this. It sounds terribly simplistic but many people don't think of how a building actually operates and if you're having more sustainable buildings you have to teach them something about the systems. I mean these are very bright people, they just don't understand what a ceiling fan does for you versus an open door, an open window, et cetera.

So you kind of have to shift how you think about that.

MR. KNOOP: In fact if you look at these lead points I mean they're about giving control to the occupants, but if the occupants don't know how to control it then we've just wasted effort because it falls short.

MS. GLADSON: And then they get angry.

MR. KNOOP: And another aspect, I mean you have a lot of foreign nationals in our posts and of

course we have our own foreign service officers, but we talk about transformational diplomacy and we talk about cultural change and if we're really going to make sustainability, this is leaping back to an older subject of ours, a understood and actually deeply woven into our society we have to have the people participate. And, you know, it's one thing if people say well, I think they told me it was a green building that I'm working at down the street, some foreign national, but it's another thing if they really -- you should see, it's cool, my desk does this, I can control that, you know, this is an instrument for societal change.

MR. NAMM: And this strikes me as even more important, we were talking about this a little bit at lunch when we put people in buildings where the windows don't open, and having just been in Port-au-Prince where it's a very well air-conditioned building but one of the negative by products are a lot of the local nationals are not used to being in well air-conditioned buildings and they're cold. And some information about how the building works might go a

long way to allaying their concerns, and the last thing we want is what happens here every summer which is a lot of folks who are cold in the air conditioning hook up space heaters and there is always a department notice every summer don't hook up the space heaters because you're pulling lots of amps and that's a bad thing.

Anything else?

MR. JOHNSTON: No.

MR. RICHTER: No.

MR. NAMM: Thank you very much Larry, Jim and Larry, excellent presentation.

We'll move on now to topic four, Warranty Management, and Operations and Maintenance Transition, and as Dick mentioned this morning a major thing that we've done at OBO is to move facilities management into Joe Toussaint's area into project execution for a cradle to grave, if you will, approach of building the buildings, warranty and then transitioning to operations and maintenance.

And for this we've got David Hammes, one of our architects. David, welcome.

Alex Willman from facilities management, and Adi Kanga -- oh, I'm sorry, Emile you're sitting in for Adi, okay.

And I'm sorry --

(unintelligible) --

Okay, so who would like to lead it off?

MR. HAMMES: I'll lead off here and certainly encourage my co-champions to chime in at any time.

Again what we're looking at here is how do we make that successful transition. I went out at lunch time and tried to find a baton, you know, for the runner between -- but I couldn't find one, it's too hot outside so we'll just have to move forward here.

Next slide, please.

When we're looking at the one-year warranty period I just wanted to give you a flavor of new embassy compounds that are currently in this one-year transition period -- it's not transition it's really the period between the time that construction has ceased and the post is now under the operational

control of the facility manager but the one-year warranty that's in the construction contract is in place, so as you can see there are lots of places there where is no Home Depot down the street, so we have the challenge of finding that out.

Next slide, please. Prior to the turn over there is a process in conjunction with the project director to look at obtaining quality O&M turn over materials from the construction contractor and these things are the as-built drawings so we know exactly how the building was constructed, a detailed equipment inventory so we know whether we have a Trane chiller or a York chiller, the actual maintenance plan, which again are from the manufacturers that are providing equipment, they know how they want their equipment to be maintained so we need to get that as well.

And then a review and acceptance of that maintenance plan by both the project director and the facility manager so they know that this really pertains to this particular model and not that model.

Then that maintenance plan is loaded into our computerized management software which surely is

many generations below what Wal-Mart has but we are in the process of upgrading that as well. Then there's an inventory of all the spare parts so that we know if we need more washers for those Moen faucets what those part numbers are.

The O&M manuals have to be bound as well as put on a CD rom so that they're in electronic form for hopefully a number of years. The terms and conditions of the warranty for the equipment that has been installed so that if there is a problem we know exactly how to look at what the manufacturer's requirements or a call to see whether it can be replaced.

Then the assignment of a cleared American warranty representative so that this is an individual who could go up into the classified areas and in conjunction with the facilities manager look to see that there is a valid warranty claim and the equipment does need to be replaced.

Then the O&M training plan so that we can impart the information to the locally employed staff so that they understand what has to be done for

maintaining the equipment per the manufacturer's requirements.

And then finally a familiarization to the facility manager who currently is going to be at this new property six months prior to the time of the completion of the project so that individual can understand from a managerial point of view how to maintain the equipment and understand the big picture of what those responsibilities are.

I think the video training is an excellent idea, that's a way in which many of our local staff who again only don't read English but don't speak English but see visually and getting a much better perspective of what they're supposed to do. And the little black book I think is a good idea also, we'll see if we can sneak that into next year's contract as well for the contractor to at least give us a blank book and we'll fill in the pages.

Next, please. So in the transition obviously one of the most important things is the punch list which is, as everyone knows, is a living document. What is on the punch list today is not

going to be what is on the punch list tomorrow but at least it's along as both the project director, who has clear responsibility and authority during the construction phase, as well as the facility manager are in concert about where the punch list stands today because as we all know it's normally that drip over the ambassador's office is the first thing that has to get fixed rather than painting the baseboard.

And then really it's a relatively new requirement is that the project director stay on the site for at least 30 days after the actual official turnover to the post so that the project director is still there as the person who has clear responsibility to work with the general contractor to finish up everything that's in the commonly agreed upon punch list. So this way we're kind of holding his or her feet there at post to make sure these key items get done and the project can be truly cleared up in a quick fashion. And then obviously to try to ensure that everything on that punch list can get done in six months.

Next slide. I'm sure as you've seen before

that there are specific requirements in the specifications and I don't want to bore anyone with that, but this again changes with the type of equipment and even we found in (unintelligible) major consulate there was an agreement at the last point to increase the terms of -- or the time period of the chiller warranty period so there is some flexibility with that as well. So we're looking to be able to make that more site specific as opposed to just having a one-size-fits-all kind of mentality.

And then the commissioning agents have been -- now are under contract for the FY '07 NECs any that went out at the end of last year at the independent company, the report directly to the project director so that there will be a more in-depth analysis of how the building equipment and systems are actually working compared to the design intent and as such the commissioning agent will be providing information back to the facility manager and the PD as the project transitions from construction to completion and then will then go back to this embassy within the one-year warranty period to really look at how things are

working at that time in terms of the performance and O&M so that can feed back into our lessons learned activity so that we can see if the specs need to be tuned up or whether it's a higher effort on the part of a FM to get the local staff to understand what their mission is when they take over the building during that warranty period.

Next slide. So in conclusion at this point we still have a facility manager at each one of these new properties, I think we're a long way from having everyone directed from Benton, Arkansas, that's going to be 2030 I think before we get there. But construction and commissioning again is our partner on this who work with the facility manager in making sure that if there is a valid warranty claim that the contractor is properly notified of a legal means to get that issue resolved as soon as possible and then of course the bigger issue of the warranty of construction -- I don't think we have any lawyers in the house here, that's something we have to have lawyers involved if it gets to that stage and of course it will be managed by that construction phase.

Anything else to add from my compatriots here?

MR. HAMMES: The one question outside of the construction warranty I expect and it's very limited, is looking at extended warranties and we don't have many products in which you have extended warranties. In addition to the construction warranty we have extended warranties. As a relatively limited topic there are extended warranties for example for roofing, and one question would be in the context of our international work which type of systems would make sense to try to have extended warranties.

And the second question, and it's actually kind of tied in with the uniform service standards, is response time. If you look at the example of the uniform facilities guide specs give examples where they show different systems in terms of how quick the response has to be for each of those systems, like you need to be there in, you know, one day, you need to be there in three days, or something else.

Would some system like that where we have extended warranties make sense?

And the third thing is in terms of qualifications because normally in the U.S. you wouldn't really have to worry about thinking who's coming in and doing your warranty, but in some of our overseas facilities you'd really have to think of we're not going to get our normal person there if we want to get them quickly.

What kind of minimum qualifications should we have for them, and we should understand though that they actually build these into our specifications to, you know, get better consistent quality?

MR. NAMM: Corneille?

MR. CORNEILLE: One remark I'd like to make is that number one I think Director Shinnick mentioned that we are now -- construction and facilities will be under one roof and I think that's going to help in our program and we'll have better communication, and having the facilities managers coming onto the site six months earlier will definitely help in facilitating turning over the completed facilities to the facilities manager because he will be able to see it as it's being built, or at least -- excuse me, as

it's being commissioned.

But I want to ask the panel is that in the private sector what kind of qualifications do you require for your facilities managers and also what kind of training do you put them through, or do you have any specific -- for example (unintelligible) -- so you have a specific program that you put your facilities managers through so that when you build a top of the line hotel you build a Ritz Carlton, and in OBO that's all we're building. Our buildings are Ritz Carltons, we're not building Courtyards. And our systems are very sophisticated, so what level -- how do you determine the respect that you want to put your facilities manager through such that when you're done with your Ritz Carlton it is always at that standard?

MS. SCHMIDT: That's obviously not an area that I do a lot with because that usually falls to our HR, but I can speak to it in general knowing our practice. And you really hit on it, the qualifications and the experience level is largely dependent on whether it's a Ritz Carlton, a J.W. Marriott, a Marriott, or one of our select service-

type products.

When you're talking about a building with very sophisticated equipment and technologies we require -- usually these people are in most cases degreed building engineers. I mean they've been through various college-level programs and have degrees, they've also had significant experience in operating buildings and systems of that type, and in addition they're required to take mandatory training classes on an annual basis. There are certain requirements that they have to keep up with and they also have to be certified on the various equipment.

The challenge for us as you may guess, just as you would have this overseas, and the truth is a lot of times we will -- if we can't find somebody who is qualified in that nation we will bring someone in and until we can train someone up from the ranks.

So a number of the people in our properties whereas you might think GM is not is not an Egyptian national in some cases it's really the folks that are the hardest to find qualification for are the more technical oriented people and we'll reach and we'll

relocate.

So we have fairly stringent academic and probably as importantly hands-on kinds of experience. I think you have to. I mean the days where you can give somebody who knows how to turn a screwdriver a job is a senior person in one of these buildings is long gone and not just for hotels but universities and hospitals and office buildings and anything else, it's way too sophisticated. And in many cases -- or in most cases the one person can't do it all and they have to have a staff of people, or at least resources if you don't have the sort of staffing budget, to reach out and help them out with this other things because it's not just a Mr. Fix-it anymore.

MR. NAMM: I'll give you one tale of woe, back to Conakry, we had the facility manager in last week and the new embassy opened there -- what, two years ago? 2006. And they hired the best technical local folks that they could, the problem is there is a big bauxite mining industry in Conakry and they pay higher than we do, and we can only pay so high and especially in something like mining, oil, the oil

industry has gotten us in other places, they steal away our best people and I don't have an answer for that, but it's something to note as an issue.

So you want to give us a field perspective on any of this?

MR. KARAMAN: Yeah, I'd like to --

MR. NAMM: I'm sorry, is that on? Hit the button -- you have to turn somebody else's off.

MR. KARAMAN: All right. Yeah, and before I went to Jeddah I'd been working with Alex on a lot of issues that we tried to get this streamlined, and right now for example I'm staffing my office and I'm talking to post when I hired the local staff is can we work together, maybe you can use these people once we're done because by the time we're done they should know the systems, there are there every day rather than the facility or the post people that cannot be there every day.

So we're working on all kinds of -- we developed a new computerized maintenance library that's going to be developed at all the information is almost like that book, and on the table is all the

information there on the pieces of equipment, whether you need for spare parts, the warranty information, who to call, who not to call.

But the major -- the biggest challenge, and we talked about that yesterday, is the level of training, the know how, the knowledge that comes with our new embassies is not available everywhere. So it has to be divested either through outsourcing or expensive training in the next few years otherwise we're going to have, you know, the Conakry or the other properties --

MR. NAMM: A good point about the locals who have worked for the contractor coming on after the contract is finished to be permanent employees and I saw that in Port-au-Prince. The Haitian operating the very sophisticated building application systems, BAS, which shows all the chillers and blowers and the electrical system had worked for the contractor and then we brought them on. How long we keep -- well, there's no oil in Haiti, there's no bauxite mining in Haiti, so hopefully we'll have them for awhile.

MR. TOUSSAINT: It's nice to know we can

recruit from Marriott though now.

(Laughter)

MR. BROWNING: This is a slightly different take on the warranty system but the Congress allows DOD to do what's called ESPCs, and they're essentially energy service contracts but they're enhanced in a larger form, and the way the DOD is now using them as a way to renovate buildings and have chunks of the building paid for and operated by third parties. And so you'll even see buildings being reglazed where the new glass is being put in as part of these service contracts.

In private practice there's an even further extension of that. We're now seeing companies that come in and will put in energy systems for buildings, photo opaque systems (phonetic) or microturbines and co-generation systems where they lease the space in the facility and they build and operate and maintain that system as a third party that's associated with that building. And the economics of those have been pretty attractive.

In the California prison system and in some

of the -- looking like it will now happen in some of the warehousing facilities in the Navy in California there's a contractor that's coming in and is leasing the roof space to install (unintelligible) systems, and a part of that they have to take over maintenance of the roof as well.

And so it's just pieces of budget around and then they have an agreement about how the power gets sold off of those. And it's really a different model of thinking about okay, what's on my bottom line and what's off my bottom line now. But it comes somewhat out of the thinking about extension of warranty management and just saying, oh, I won't even worry about this now it's shifted completely to the third party.

MR. NAMM: We have actually -- we have done a couple of ESPCs. Bill, do you want to --

MR. MINER: Well --

MR. NAMM: Come up to a mike --

MR. MINER: In the course of negotiations with the Department of Energy and on the verge of signing a memorandum of understanding with them to

take advantage of their federal energy management program. And are looking at how to use their so-called super (unintelligible). We have some international pick ups that make things difficult and portions of our building being highly sensitive and classified means that we can't just lease over the roof to any old body, but we're working through that. DOD I think has some of those same issues and we have talked to the folks at the Bureau of Prisons who have been very, very active and very successful in employing those public/private partnerships.

MR. FOWLER: Getting back, and the original topic I think was that we're talking about expanding the construction teams role on site and requiring personnel to be there a little bit longer. And I guess, you know, just as a word of caution, you know, on these already sophisticated buildings I think they're trying to incorporate the facilities manager into the commissioning process, but you're going to provide a lot of value, you know, and withstanding privatization issues and all sorts of other things you can do to incorporate the private sector early in this

to get back to reality this is where you are right now, and then trying to figure out what to do this year.

So, you know, if you're going to extend the presence of key construction personnel, one, you need to consider that this may affect the number of contractors that can bid on your projects because that's going to extent their personnel, they're going to be required to be there and their commitment to the project, so you need to keep that in mind.

There are going to be costs associated with this that will be substantial, and you know, if you want somebody for 60 days that's fine, but there's going to be a mark up on your cost, there is a cost for that. And if you're going to say you need key personnel there you better determine who they are, is it a superintendent, is it a laborer, is it a cleared worker, you know, be very specific in what you're asking for there so there's not an issue of who's responsible for what when all is said and done.

You know, contractors are going to be concerned that everybody is going to leave a

description too wide open in terms of what's required of them so you need to be very specific in terms of what you want. And consider that in terms of the contractor, these costs -- if you have to pull somebody off another job that costs you money, if you have to pull somebody in and fly them across the world that's going to cost money also.

So these costs are going to be incurred, you know, back on your end so just be prepared to work with that and deal with it.

You know, most general contractors frankly aren't set up to be maintenance contractors, they're just not. So be careful what you're asking for. If you're going to require it of the GC you might very well have a situation where they're going to hire an off-site contractor again to come in and do that work for you. I know that you're looking at bringing in facilities management people and that you all put some contracts out to do that, maybe incorporating them into the process, you know, earlier during the commissioning phase might be the way to go perhaps.

But when it comes down to it, you know,

there is a correlation between the building and your maintenance costs and that's been very much on your minds, but let's also try to be realistic in terms of you want there to be a smooth transition, and that's important for you and it's important to have those facilities operated correctly. But you know, maintenance and construction are going to be separate issues and so just be leery of what you're asking for I guess, you know, at the end of the day.

MR. NAMM: Okay, thank you.

And then we'll go to Regan -- Joe, you had a comment on that?

MR. TOUSSAINT: Yes, let me just follow up because you just can't sit me out on this. Because you're right, we keep loading things on to our design-build contractors, do this, do this training, do this, do that, do this, we keep loading it up. Actually I'm not sure we do, but the inclination is because you're the only act in town, right, and you build it.

Now it was suggested the other way, what if we have like a two-year warranty. My counter to that was what if we just eliminated the warranties

altogether. All we're asking you to do is this is a lunar landing, right, you mobilize, you go out, you build this space ship out in the middle of some place, just build it right. We're not asking you to maintain it, we're not asking -- we're only -- to call a warranty back. Anytime anybody offers me a warranty, or to extend a warranty plan on an appliance I say forget it, I'll take it as it's manufactured.

So what if we were to take this with the construction community and say just build it right, we don't want -- we're not -- as a matter of fact you probably give back to us a savings.

Do we have any examples within the industry where owners say forget about the warranty, forget about all this stuff, give me the money and I'll take that myself. We used to do that on insurance I know.

MS. COOK-LINDSEY: I can tell you that in preparing for today I talked to one of WCOE’s former members on this panel, who is Ida Brooker, who is with the Boeing Company. And her comment to me on warranties was we don't ever call the general contractor back, we build it, they leave, we do all

the warranty stuff, it's not worth our time, and she said what I wish we did is that we kept the pool of money and that we had the pool of money to spend to fix the warranty items ourselves and we were done.

She says Boeing's not at that spot, that's her personal opinion on what they should do.

But Boeing according to Ida does not call the contractor back to fix warranty items, it's too much of a hassle for them, and it may be that it's the same situation for you for a lot of different reasons than it is for Boeing. But she also felt that that was an inducement to have it done as completely as possible, and particularly if you were holding back money.

So that is a comment, it may not be beloved by my contractor brethren but it was a comment from somebody who's in an ownership position.

MR. NAMM: Okay, thank you. Regan?

MR. MCDONALD: I think that we haven't kind of stated it as such, but I guess it's a design-build commission train and transfer model with some additional hand over from the contractors, probably a

good hybrid as opposed to thinking a design-build commission transfer kind of a cold, and then the other extreme would be design-build commission operate and maintain by the contractor, or some third party, and there are models that are done stateside that had a transfer some time in the future, five or ten years down the road, or operate and maintain forever. And I think it's to OBOs credit that you step up for the hard mission of operating and maintaining it yourselves where you could sell that risk or had a contractor come in, third party potentially, but operate facilities forever. And what I've seen in organizations particularly other government organizations who have chosen to do that have some unintended consequences of a very rapid fall off of in-house expertise to the point where you don't have enough knowledge to put together an RFP for a recompete five years down the road because you are that lean in that area. The dependency that you create by doing that is something to be, you know, cautious of very much, and it doesn't sound like there's any movement in that direction on your part.

I'm sure that it's been brought up in conversation but five and ten years down the road you find yourself very dependent upon that model to the point where you can't really turn the clock back and recapture those skills.

MR. NAMM: And I'll go back to Conakry, and again the meeting with this facility manager is sort of etched in my mind right now, something went wrong with the HVAC system, they had to fly in contractors from -- I think it was Nairobi because there was nobody in country. They needed some welding done, there were no welding masks in country, they had to bring in -- there were people with the expertise so they had to bring people in from Ghana.

MR. FOWLER: That brings up another issue is, you know, before you can get to the back end of a project, you know, if you have a successful team that's working together during the course of a project and you're getting towards the back end of things and you're ready to commission you're more likely going to have a smoother transition. If it's a rush at the end and you have, you know, fire inspections that aren't -

- things aren't working out, you have, you know, you have people that are at best in disarray and hurry, and whether that's due to a shortened schedule or just, you know, the things that generally happen on a construction site. Anything that you can do to mitigate that sense of panic and urgency at the end of a job where there are real consequences to finishing is something that you need to look at. And again, I think that that goes back to partnering once again during the course of the actual project and being successful in what you're doing, and working with one another and not having it be a situation where there's finger pointing at the end of the project, and bad feelings amongst the contractor personnel and the people on site.

MR. NAMM: All right -- Kevin, any comment this? Why don't you comment, and then Rebekah.

MR. KARAMAN: Just what you just said about the -- when we mention about the commissioning agent which is hired now by the government we thought we are having them involved in the design phase, we are sitting on the integrated design interview, they are

providing comments to the design, and for example for Jeda in August or early September I'm going to have that commissioning agent come out to the field and start the dialogue with the commissioning representative of the contractor to lay the groundwork on how they're going to go with the commissioning execution.

So we are addressing that issue and they're going to keep working together until about six or seven months before the project completion where the commissioning agent now from our side is going to be full time on board on site to manage the process.

So that teamwork is -- we're putting it in place and we'll see -- I hope we'll see the results in a year or two.

MS. GLADSON: I think what you're struggling with is something that all owners struggle with and I don't think there's one solution for all projects. We've tried everything from -- we do design-build, maintain-operate, we've actually bid warranty as an alternate to see how much a warranty would cost and then you can take that money and set it aside, so I

think there's a lot of different strategies.

I think the most important thing is to have a plan that's germane to the type of facility and where you're at, and then if you are going to do it yourself I would suggest that maybe six months is not early enough, going back to what was mentioned earlier. And my experience is it's been most successful when they've been involved from the very planning of the project and they're at the construction all the way through the project so that they intimately know the construction of this building, where the piping is, the valves are, the dampers are, and they can actually -- they know three-dimensionally how this thing was put together.

MR. KARAMAN: Actually that's the eventual aim of having commissioning process at the planning, but when we instituted it in FY '07 the project were already planned. So we have to start from the design-phase and move in. But they are involved from day one, once we award the contract we get them on board and they start. It's the physical presence now that we're asking for them to be six to seven months,

that's when the equipment starts coming in, that's when we start putting the equipment in. But they are involved in the design review of missiles, everything.

MS. GLADSON: Could you get them to the site sooner than six months?

MR. KARAMAN: If Joe can get me the money, yes.

MS GLADSON: It always come back to money.

MR. TOUSSAINT: No, we've got some -- actually some very interesting possibilities that Jim and I have been talking about. The intention is to -- the problem we have is getting facilities managers to cover the globe and cover the stationery sites where we are, and the positions are permanent so there's a regular summer cycle that the Department goes through. Now construction engineers such as you've seen in (unintelligible) they don't have such a cycle, they go when the job starts and when the job ends. So that's a part of the tension of keeping the PV beyond, you know, 30 days beyond, so our challenge now is to start to align these and we also have discussions about how do we recruit and how we compete and what are the

educational levels and what are the background, and you know it's a very tough market out there.

So if we want to bring in a cadre and grow them up through the system that takes time and opportunity and positions that we may not have. But we've got some ideas.

MR. WOODS: Sort of a real life experience, and I mentioned this in previous meetings. I just finished running a five-million dollar mechanical electrical upgrade of our church. The church has 25,000 events a year which was mind boggling to me. One of my project reps from the church was on the job from the beginning, he is now our facility manager. But what we have done is we have required the contractor -- it's a heck of a lot different when we're in Alexandria, Virginia and that's where the contractor is. We have held back the money but we've gone through two seasons because you have to go through heating and cooling when you start looking at the complexity of the control system, the HVAC. It is not on the contractor solely, it is on the mechanical engineering firm, it's on the control, the firm that

sold us and put the controls in, and it's also on the contractor who built it. And so it's a tri-party of people, but I'm right on when Perry says it's a heck of a lot different for me managing this in the City of Alexandria and you managing it in Conakry.

But Adam, I'm sorry to tell you every contractor I know says when you have good people there's somebody else out there seeking them, and what you have to do is build a quality of position where you are that they enjoy what they're doing with you and money is not what makes them leave to go somewhere else.

MR. NAMM: True, true. And we have one other thing going for us at the State Department which is something called the special immigrant visa which --

(Laughter)

MR. NAMM: -- that speaks for itself, but essentially if you work for us, and this is a huge incentive, all kidding aside this is a huge incentive and we do keep a lot of good people essentially after 15 or 20 years of service so they can get a visa to

come and live in the U.S.

But thank you.

MR. KNOOP: Don't you have sort of the tale of two buildings, you've got really the sensitive building and the non-sensitive building and that, I think, puts a wrench in the works at probably many of our buildings that we're talking about don't deal with, and restricts your employment pool and restricts the capability of who can react to certain problems and maintenance and in fact how you store and handle materials, just like the contractors bring materials to a site with a two-thirds/one-third selection of materials, you probably have to do similar things to sensitive areas when you're building which means you have to have a very, very careful operation and it's not for the light-hearted let's say.

MS. COOK-LINDSEY: If I could just share with you a few things that our -- a program that I ran across when I was looking at the topic in preparing to come here today. Because in my day job I'm with a commercial roofing contractor, O&M transition required me to sort of go out and search and see how most

people do it. And when I went out and did that what I found was a lot of discussion of commissioning. And then I ran across a program that the facilities maintenance operations at Harvard University is running called the owner services program, which they bill as a program that fills in the gaps between design, construction, commissioning and final turnover of the building.

And essentially, if I've got it right, I wasn't able to talk to the contact person but I read all of the information that was available to me on their website, is that it involves getting the facilities manager or the facility maintenance people, who I kind of think of as the ultimate end user of the building system, involved from shortly after the design phase. And they found a couple of things with it, they did it as a pilot on the Blackstone Office renovation project in 2006, which is a lead platinum certified building. They have since expanded it to six other capital projects because they felt it was such a success.

The facilities management that gets involved

actually has deliverables throughout the course of the construction, they're not just coming in to sort of see. So they'll be setting up the preventive maintenance plans going forward. They're involved in the review of the turn over documents.

They found that having them involved at design and then being able to watch the installation of the systems allowed them to understand how the systems were designed to operate.

And I apologize for all the "ums" I swore I wasn't going to do that, but you never know.

And it's not a replacement for the commissioning, so instead of having the third party commissioning person come in earlier these are your own personnel involved in the process earlier.

But it was the results that hit most home for me. Because they were there during the commissioning, during the testing, watching the installation, they found on the Blackstone Office renovation project that the office service program personnel identified more than 180 deficiencies not found by the contractor design team or commissioning

agent. And that virtually no building problems were encountered upon initial occupancy.

Now obviously Harvard University is, you know, sort of contained in Cambridge, Massachusetts. They have less technical things to overcome to get facilities personnel there, but when I was reading this I thought to myself there's got to be something in this program that can be helpful to OBO because when I read the topic it went like this, construction, construction, construction, stop, turn over and now you're going to operate the building. And it didn't -- as a person who doesn't have a lot of day-to-day to background in that process it seemed sort of -- it seemed sort of the least practical way to do it because you're trying to at this point in time when the contractor is busy trying to button everything up, his personnel has been there for a very long time, they're looking forward probably to their next assignment or to going home, and you now want them to stop and tell you everything that you've learned through the entire course of the process. So it seemed like a valuable idea to me to share with you.

And on a final note, we did start talking about the warranties and the second portion of our topic covered some standards for operations which is kind of tied to the third topic today. I believe that preventive maintenance is one of the areas where you can regionalize your service standards, especially from -- if I go back to my everyday experiences and roofing, in the United States here preventive maintenance for your roofing systems is a very big thing. It is -- there are a lot of people who have developed systems, our company is one of them who's developed a system on how to help owners manage those assets.

Whatever your philosophy is on warranties roofing warranties in the United States are valuable to owners, they like to get 20-year NDL, full system warranties. My understanding is there is a manufacturer that has been willing to do that for OBO overseas, I could be mis-speaking but I believe Suprema has stepped up and offered that, and that has a lot for you whereas somebody was saying there's photo-opaques (phonetic) when they're put on the

system that person becomes the owner of the system and the roof, that's what Suprema's offering to do for you. That's what that NDL warranty is. It's they own the system after the first two years where the roofing contractor picks up the first two years. They're responsible because they're responsible for the manufacturer, we consider you have to go through that many life cycles in the building to make sure you've gotten all the glitches out that could be the contractor's fault, could be a workmanship issue. But after that Suprema owns your roof, is going to take care of it for you. And I think that's a valuable offering that's available to OBO.

MR. BROWNING: The only way that the Bank of America was achieve platinum for their tower was one of the key pieces that is going to make it work, because it's a nominally complex building, it's got 3000 traders in it, massive data centers, a five megawatt power plant inside the building, a gas turbine. The partner in that project is a Durst (phonetic) organization, co-owner of that building. Their maintenance staff, the guy who is the head of

maintenance for that building was in the design meetings from day one, and so -- and as a result a lot of changes were made in the design to make sure that the building would be maintainable. And I'm quite convinced the building would have not gotten through the performance level that it's going to achieve if that hadn't happened.

MR. NAMM: Well it sounds like we've done the right thing moving facilities to project execution because you do then see the entire trifle.

Anything else?

MR. FOWLER: Are we still going to brush the topic of local materials and systems and things of that nature?

MR. NAMM: Sure.

MR. FOWLER: Well I did want to comment on that, it's portion "B" of what we have on our topic here. You know, at the end of the day I think the feedback that I've gotten and what I've seen here over the years, because we've been seeing a lot of this and so this shows up, and frankly some of the projects that OBO desperately need to explore, how to find out,

how they can utilize local products that not only can be maintained but they can be serviced without compromising security. Obviously security is going to be, you know, your primary emphasis. But to do this there is some flexibility that's going to be required on your behalf.

I think in the private market you know contractors and designers are trying to incorporate local materials and systems into their projects but it's going to require a major adjustment in terms of what you're doing now at OBO. And if it becomes a standard and not the exception it's going to take a great culture shift for you to accept this.

There needs to be a "D" point I guess where a contractor and their design team are able to exercise their expertise and if you're going for alternative materials in OBO you really need to be prepared to respond. And make approvals, one, in a timely manner and two, to be able to accept those decisions. You know, on a lot of occasions AGC has highlighted our concerns in reference to issues with material substitutions where in some cases materials

have been allowed and others they haven't.

And there's an assumption on behalf of the contractor that if you do allow materials in one circumstance it's going to be accepted in another. And I think that that's something that you need to be wary of where they might be some cost savings and the inability to incorporate some more local aspects of your project. I know that there's been mention of a database being created that, you know, like catalog all of these things that have occurred over the years and I really hope that OBO is serious about using that and somehow putting that out there for contractors to know that there are options and designers will know when they're going into these projects.

You know, at the beginning of a project if you expect certain things, that you have a preference for certain systems that's what you're going to get. But if you're requiring a system that's going to fail if you have bad water quality or if you lose electricity or things of that nature then it's going to be really hard to resolve those things locally.

And again at the end of the day the

insecurity if that's your number one priority and there are materials and systems that will allow you to maintain that and look at other options then by all means you need to seriously consider that, and there just needs to be consistency. And you need to let contractors know what's expected of them and not allow for situations where claims are going to be, you know, the result of a miscommunication or expectations I guess.

MR. NAMM: Thanks. Anything else?

Have we reached the end?

Yes, please.

MR. WALDSCHMIDT: You were talking, I agree so much with Joe that to build it right is the right thing, that's our philosophy. That's how we are doing our (unintelligible) windows and doors and so my suggestion would be if we would in the bidding process you had the bid first, the material, then installation by the manufacturer and then the maintenance. So since we do 97 percent everything right, so the number for the maintenance is very little so we are not scared to put a number into the last piece of the bid,

the same thing on the installation. So at the end if you're talking about sustainability I think you have to invest more money in the beginning, but you tend not to take the best value you tend to take the lowest bidder.

Thank you.

MR. NAMM: Any comments?

MR. MINER: Just a few thoughts about what Perry raised. I didn't want that to go un-discussed in a little more detail.

You're exactly right, it's a topic we've been discussing for over ten years and that is to what extent contractors can use local or near local products and how quickly can we review them and accept them as approved substitutes.

And tracking prior decisions making them available across the globe to all of our various projects, it's quite a task to do.

We have found that I think your constituents to some extent have a pallet of materials that they use and we've approved, and so to some extent I think -- I hope most of your constituents have their own

database of materials that they've successfully employed. Of course if they remind us of the fact that we accepted this three years ago on a project in another part of the world, we certainly would honor it.

But we have some other concerns. One is being the U.S. Government we do have a preference for U.S. source products. This is a program funded by the American people and it should stimulate our economy and it should help our small and large businesses including our manufacturers. So that is an expressed part of our program.

So we, as is customary in most model specifications in this country, list U.S. products or in some cases allied products that we know are acceptable in terms of performing the task at hand and then put the burden on the contractor to prove that an alternative has an equal status.

And that's I think where there are issues. We through the years have seen other concerns appear on the horizon, for example the proliferation of counterfeit products, lots and lots of counterfeit

products out there and your members have unwittingly been duped like us in accepting those and, you know, it's something that we try to resolve. So we're very concerned about that, we're very leery about that.

Someone mentioned the fact that there are very, very sensitive portions of the building where we cannot leave it open ended we are given a prescriptive solution, a preferred product for a whole host of reasons and we can't deviate from that even though we know your members could find us a better deal, but our hands are tied.

So there are a lot of levels of complexity to that, we want to continue to work with you on that, and as you see opportunities please continue to bring them forward and we'll try to address them as best we can.

MR. FOWLER: That was a very extensive conversation we had about Indiana limestone one day. At any rate I know that you all are trying to do the right thing.

MR. MINER: Limestone outside of Indiana is acceptable, yes, we verified that --

(Laughter)

MR. NAMM: Rebekah?

MS. GLADSON: I want to share just a personal experience that we've had at the University, and to some degree it's quite different because we're not doing work outside the country, but in another sense we are using taxpayer money, so much like you we prefer to use local products.

And in the design-build process I certainly am aware of why contractors want decisions quickly and how it impacts their budgets. So this is telling a little bit of dirt about our own organization.

But I actually went through our contracts and looked at our review times and it actually totaled over five months of owner right to review, and when you're doing a very fast delivery model my experience, because I don't want to speak for the general contractors, the issue wasn't so much that a substitution wasn't accepted it was that they were continuing on the process under an assumption that it would be accepted. So I challenged my staff to actually start reviewing in 48 hours. Now I almost

had mayhem, you know, and no one spoke to me for awhile, but ultimately once we could align what we were able to do we implemented shoulder to shoulder reviews, so rather than waiting for the products to come in we actually had our staff out in the field and I realized it creates logistic issues, but they were out in the field working with the team shoulder to shoulder to see what was going to be submitted, and now we're actually able to review metals and drawings in 48 hours or five days, and five days is actually a long time for us now.

But that went a long ways towards mitigating some of the issues that these teams are encountering. We're not accepting substantial or inadequate products we're simply working side by side with them and that went a long ways toward addressing some of these situations where time is critical and if they can't substitute then they can look some place else to achieve a savings, and like you we have some systems that are proprietary and we simply can't.

So I just offer that as a suggestion and I should probably duck.

VOICE: It's another vote for partnering and I'm with you on that.

MS. GLADSON: But the ability to do it real time.

MR. CORMEILLE: And I want to comment on that, and I think that's an excellent idea and I do want to let the AGC know that our directors in the field that is exactly how we operate, we do get together with the contractor and try to look at the substitution and see if we can at least look at it and see that it's a viable solution at the field level, and then at that point we will send it to our headquarters to the design folks with our initial review that yeah, this is a viable solution and they would look at it into more I guess more specialized areas to make sure that we're not compromising anything. And in this way that's how we've been working really.

And also in our contract we do have a 14-day turn around for our reviews and we basically operate and really try to get everything out in three to five days.

MS. GLADSON: We actually saw cost savings when we limited that to a limited number of days, the contractors started giving us much better value in the overall price.

MR. FOWLER: A promise to Rebekah I did not need before today, and -- but I agree with everything she said.

VOICE: She just signed you up for some cost savings --

(Laughter)

MR. FOWLER: Let's have a talk after.

MR. KNOOP: A lot of the things we've talked about today is the cultural and has shared risk changing the mind set to get to shared success whether it be always kind of aspire for not just the lowest bid but the best value, and changing the culture of the way we analyze things. But the concept of shoulder to shoulder activity -- you know, have you ever noticed that people will say things in an email that they won't tell you face to face. The interaction that we have is people to people and if we strengthen the bond of the activities that we do

people to people is going to lead to a greater amount of success in the institution of projects. And most of the subjects we've talked about value has been directly linked to the process, the interactive process between the various parties not necessarily technical issues. It's the people issues. You know the old saying, you know, bricks and mortar don't build buildings, people do. It's true here and bricks and mortar won't save you money it's going to be people, it's going to be the interaction, it's going to be the partner that we talked about. I think that's the key aspect.

And understanding where value really is, is it in just getting a low bid? Or is it in getting the best bid?

MR. NAMM: Good words to end on I think. And we will reconvene again September 18th.

I want to again thank outgoing members Regan, and John and Greg and please thank Clare again for us. Welcome new members Christine, thank you, thank you for your participation, Rebekah, Rosemarie and Bill.

A lot of turnover this time. It feels like an election cycle. But we'll see you again September 18th, and thanks very much.

(Whereupon, at 3:35 p.m. the meeting was concluded.)

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