



U.S. Department of Defense

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Presenter: Bill Taylor, The Iraq Reconstruction Management Office; Charles Hess, The Project And Contracting Office

Thursday, October 7, 2004 10:28 a.m. EDT

Special Defense Department Briefing on Construction and Non-Construction Projects in Iraq

Briefing Slides can be viewed at www.defenselink.mil/news/Oct2004/d20041007slides.pdf

(Note: The previously announced background briefing was changed to an on-the-record briefing.)

STAFF: Good morning, everybody. I'd like to introduce the acting secretary of the Army, Les Brownlee; also, Mr. Charlie Hess on the right, on the screen. Mr. Hess is the new director of PCO, who has assumed responsibility for Admiral David Nash. On the left is Ambassador Bill Taylor, who joined the Iraq Reconstruction Management Office.

This will be a background brief. You're welcome to ask questions at the conclusion of it. But we will be talking to you about various points of interest regarding the progress on reconstruction. First we'll start with Secretary Brownlee, and then he will have to leave to go to another meeting.

Q Is this on the record?

STAFF: Yeah --

Q (Off mike) -- background briefing, but it's on the record.

STAFF: Unfortunately, no. It's a background brief, off the record.

Q It was billed as being an on-the-record briefing.

Q Yeah.

Q So why is it not an on-the-record briefing?

STAFF: I was told --

Q These are senior officials, who should be accountable for the work they're doing.

STAFF: Right. I was told this morning from Baghdad that they can be quoted, I guess, as senior

officials from Baghdad. I know.

Q (Off mike) -- so you understand that -- (off mike) -- sourcing issues all the time, and this is not on security or something -- (off mike).

Q Maybe if we could ask the gentlemen in Baghdad if they'd like to change their minds and make it an on-the-record briefing --

STAFF: Gentlemen, would you like your remarks to be on the record?

MR. Hess: Amy (sp), can you hear me?

MR. Hess: What I would recommend is that if they want to come back for specific quotes, we can negotiate that part.

MR. Hess: Amy (sp), let me just -- just to clarify, this morning we discussed this at the country team meeting, and it was, I think, made clear to us and certainly from the public affairs people here at the embassy that they certainly understood that this would be a background brief. And I guess what I would offer is, I think we can take a look at specific quotes that may come out of this briefing and identify those and see if the public affairs people here are willing to clear those specifically in the context of this session here tonight.

STAFF: Right. The bottom line is this. We're going to have the secretary say a few words before he has to go to another meeting. My apologies if this came across as something other than what you had expected. It was -- it came down today that this was preferred as a background because we're giving you some substantive information on what we're doing and telling you the story of what we're doing. And we'll have on-the-record briefings in the future hereafter.

We will -- I'll be happy to look at quotes and seek approval for on-the-record statements. I know that they will each be making some opening remarks, and then I'll be happy to liaise with you on that.

That's the best we can do, guys.

Q But are you aware that their names have already been announced publicly that they're doing this briefing?

STAFF: Yes.

Q Then this doesn't hold water. I mean, nobody can hold us to background when their names have been announced as the speakers of this event.

STAFF: Okay. All right. Let's start off with the secretary, who will make some comments.

Thanks.

Q On the record --

STAFF: Yes, yes.

SEC. BROWNLEE: I just wanted to give you a little bit of background about this and let you know how the Army came to be in charge of this effort and running this -- the part of this that's now known as a project and contracting office.

Last December, Admiral David Nash, who had been asked to head up this effort, came to me and indicated that he needed help. He was having trouble attracting the kinds of people he needed in Iraq to do this kind of very special contracting work and program management. And he said that he believed that the Army should be in charge of this. And so I told him that, given the authority by the secretary of Defense, the Army would be happy to do it, that it was a very important task and the Army would be glad to do it.

Secretary of Defense was forthcoming. He and the deputy secretary of Defense gave the Army the authority to do this, and we responded quickly and stood up a program office in Baghdad with contracting people from the Army's contracting agency. We stood up an engineer division just like our civil works Corps of Engineers has in the United States. We had an engineer headquarters and four district headquarters stood up by January 28th and initiated the work.

Now, I want to make it perfectly clear what the Army is responsible for and what we're not responsible for. The Army is responsible for contract administration and program management. I made it very clear when the Army was given this authority that the establishment of the requirements and the prioritization of those should rest with, at that time, the ambassador, Bremer, head of the CPA, and now, of course, we'll have Ambassador Negroonte. So the Army is providing this capability to the people out there in Iraq and it's being headed up by great Americans, both military and civilian, from the Army's contracting agency and the Corps of Engineers. And for those projects that are non-construction, we get assistance from the Defense Contract Management Agency and the management of those.

So quite frankly, we read in the newspaper sometimes that maybe we're not making a lot of progress and don't have enough money spent and all that. If you look at this in context, we've really been in operation since last January; so, you know, less than 10 months. And we already have over \$10 billion, about \$10.5 billion committed, which means we have those funds set aside for specific projects. We have about 7.7 billion (dollars) obligated, which means we have actually signed contracts for that. And we have over a billion dollars of construction work in the ground.

Now, I think that's even impressive if it were done back here in the United States. And clearly, it's more difficult to do in Iraq because even after you've signed a contract, the contractor, if it's a large project, has to do a design, he has to assemble materials, he has to assemble labor, he assembles his heavy equipment, and that all takes time over there. And then sometimes security is an issue.

So, all of these things put together, I think everyone should be enormously proud of the great folks out there who have been running this office and managing these projects. And recently Admiral Nash finished his year and left, and Charlie Hess took over the Project and Contracting Office, and Ambassador Bill Taylor took over as the IRMO head for Ambassador Negroonte. And before Ambassador Negroonte took over, he came over to the Pentagon and we sat down and talked for a couple of hours, and he asked if the Army would continue to do this, and I said of course we would. So we have a very good relationship with them, and Ambassador Taylor has brought great leadership over there also, and I have tremendous confidence in Charlie Hess and what he's doing.

But you need to put this in perspective when you start talking about how much money's been spent and what's been accomplished. It really has been very impressive, I believe. And so anyway, that was pretty much what I wanted to say. I don't want to take up any more time from the people who are out there on the ground and who really know what's going on, and I want to let you hear from them and then have them respond to your questions.

So here are two great Americans who are serving our country in Iraq, Ambassador Bill Taylor and Charlie Hess, and I can't say enough great things about them. They are serving their country in an extraordinary

way, in a selfless way.

And so Bill and Charlie, it's over to you. Thank you.

MR. HESS: Thank you, Mr. Secretary.

This is Charlie Hess. And I think what I will do is start out just to give the folks back there some background on how I came into this program and my experience and how I think it's relevant to what's going on here with respect to reconstruction, talk a little bit about what the Project and Contracting Office is all about, some of the things that have been of issue in the media, so that we can maybe allay some of the questions, and then talk a little bit about some of the progress, and then turn it over to Ambassador Taylor.

Again, I arrived here in the mid-June time frame. Took over as Admiral Nash's deputy. My background prior to that had been in federal service for 30 years as a Department of the Army civilian employee. My most recent assignment was with the Army Corps of Engineers, where I was director of Operations at the Corps Headquarters, and that involved the management of the Corps' civil works or public works infrastructure in the United States.

Subsequent to that, I went over to FEMA where I was the Response Division director. Spent two years there until FEMA was absorbed into the Department of Homeland Security. And served a stint as the director of the operations for the integration staff within the Department of Homeland Security.

My background in the Middle East; this is my third tour here. I spent some time in Saudi Arabia in the '80s; spent some time in Kuwait City in 1991 helping them restore their infrastructure. And then, currently here again in the June time frame.

I will tell you that in many ways this is very similar to a disaster that we would experience back in the United States, but for the fact that this is sort of a long-standing disaster. The infrastructure has not been managed effectively; it's been left to deteriorate. Clearly, some areas of the country have not received the kind of infrastructure support and public works that we would expect back in the United States, and that certainly has contributed to the problem that we see here today.

My hope is that what we do in the Project and Contracting Office is to add value to the people of Iraq, as well as to assure that the money that was invested by the Congress, in the form of American taxpayer dollars, is expended wisely. And that's what we're all about.

As Secretary Brownlee suggested, we are about executing a specific portion of this program; approximately \$12.6 billion of the \$18.4 billion in terms of projects, as well as non-construction commodity purchases and service purchases. We've had and still continue to have three main goals in terms of this program. The first is to improve the infrastructure of Iraq. The second is to boost Iraqi employment and their long-term economic recovery. And finally, to build capacity in terms of their professional capabilities with respect to engineering and construction professions, as well as other areas that are associated with those functions.

As the secretary suggested, I report to the U.S. Army on matters relating to contracting and program management, and I report here to the deputy chief of mission with respect to understanding and carrying out the policies and priorities of the ambassador here in Baghdad. And in doing that, my source of guidance and focus comes from the Iraqi Reconstruction Management Office. And again, Ambassador Bill Taylor will talk to some of the things that he does, and that we do collectively to make sure that we're investing wisely.

What we are all about, stated very simply, is about delivery and execution of the projects that we start.

Again, one of my express goals is to try and finish every project that we do start. And my other express goal that I've talked to many people about is making sure that we deliver complete and usable facilities. I want to make sure that the things that are constructed add value to the life of the Iraqi citizenry. And that's very important to me.

I also believe very strongly in managing costs and cost containment and cost control. And as you well know, we have many sets of auditors and eyes watching us in terms of the funding activity and how we invest our money. And I expect nothing less than to provide these people, at the end of our operation, with a complete audit trail that's transparent and understandable to all who understand and see what the money's been invested in.

We have many partners in this operation to include a large contracting community; to include the U.S. Army Corps of Engineers, who is doing our construction management and supervision; to include many people here at the embassy; to include our other partner executing agencies, such as USAID. And all of those folks contribute to the way in which this program is developed and the way in which this program has changed over time to accomplish the goals of the ambassador and of the embassy in terms of helping the Iraqi economy and the Iraqi population get back on their feet.

That's sort of a synopsis of the PC 101 activities. A couple of things that I would offer. One of the big issues I think has been, in my mind, the way in which progress has been measured. Up until several months ago, we were clearly focused on getting the money committed and obligated to contracts so that work could be performed. And now, clearly, our focus has turned, and rightly so, has turned to actually putting construction in the ground and starting construction projects. And as of today, we have approximately 373 IRRF-funded projects under way. There are several hundred other advanced reconstruction projects that were under way at the time, for a total of approximately 700 construction projects currently being worked on actively in Iraq all throughout the country.

Our goal, frankly, is to continue to improve on the number of construction starts. And we hope to, by the end of the year, have over 100 -- 1,000, excuse me -- 1,000 construction starts under way, with many of those projects actually completed since they are, in fact, fairly small-scale and are conducive to being constructed in a fairly quick amount of time.

The other thing I'd like to talk a little bit about is our contracting process. And again, Secretary Brownlee clearly talked about this in terms of our pace of performance here. Again, just to reiterate, in January of this year -- that's when we issued solicitations on the first set of contracts, and within 90 days, we issued 5 billion in capacity contracts associated with the IRRF program. As he also pointed out, we've obligated over \$7 billion in the past nine months. And that is, in anybody's contracting game, extremely fast.

We've moved much of our contracting capability out here to the field so we could be more responsive in terms of looking at priorities and making sure we are aligned with the priorities of the ambassador and secretary of State. We've also worked very hard to create a logistics control movement -- movement control center, which in fact helps us monitor the movement of commodities, construction materials and non-construction-related commodities across the border and to distribution points within Baghdad and other parts of the country.

And given the current security situation, this is extremely important, in that we are essentially monitoring the movement of these commodities in real time and can in fact alert our maneuver commanders and their forces to have them provide assistance in the case a convoy comes under attack. And essentially this is a -- sort of a -- if you can envision the commercial version -- or the non-commercial version of OnStar, or something like that, where we're using GPS, a global positioning system, to manage our routes and our location of our commodities.

But again, those are the kinds of things that we are doing to mitigate for some of the insurgent activities so that we do have positive control on much of our commodities moving into theater.

Some of the other things I would just point out, and then I'll turn it over to Ambassador Taylor. Employment boosts. Clearly, we are moving, I think, dramatically up in the arena of employment in the construction side, with approximately 80,000 individuals employed on a continuing daily basis within the construction activity that we've started. While that doesn't sound necessarily like a lot, the reality is, given the fact that we started from zero, that's a tremendous number of individuals who are providing food for their families and putting some bread on the table. And it's also establishing secondary economic benefits by providing work opportunities for others who are in a supporting role.

In certain areas, like Najaf, we've gone in after the hostilities have ceased there with extra effort, if you will, to get work under way to bring that community back on its feet. We've got work there going on in the pediatric hospital. We've got new primary medical care facilities that were slated to be started. We've pushed them up into the queue and have actually gotten those under way, and are also moving forward with some projects that had been curtailed as a result of the hostilities there.

And again in the health care arena I would say that we've got at this point in time 12 health care facilities under way, primary health care centers, and we're working on five major hospital renovations throughout the nation and have just recently completed successfully a woman's hospital renovation in Sadr City.

And so with that, I think you've got some sensing of the things that are going on. What I would like to do is turn it over to Ambassador Taylor, and he can talk a little bit about what the IRMO role is here. And again, I think what we've tried to do is dovetail our activity as an execution agent into their responsibility as a priority-setting, goal-setting entity for the embassy and for the Department of State.

Ambassador Taylor.

STAFF: OSC has confirmed this is on the record. They billed it to you and will honor that. We have some good news to tell and we need to be getting it out.

So please continue. My apologies.

MR. TAYLOR: Very good, Amy. This is fine. So I understand we're back on the screen with you now, is that right?

STAFF: That's correct, sir.

MR. TAYLOR: Very good. Very good.

Charlie has given me a nice lead-in. I direct the Iraq Reconstruction Management Office which, as Charlie says, is essentially the assistance coordinator. Ambassador Negroponte and Ambassador Jeffrey, the deputy chief of mission, have asked me to be the umbrella over several of the agencies that are executing reconstruction work here. So the Iraq Reconstruction Management Office is the assistance coordinator. I've done some of this work in the past in Kabul for about nine months; I've done this for the former Soviet Union and Eastern Europe.

I will, as Charlie has, try to be very frank about what we are doing. I'll try not to make predictions, not to make promises. I'll try to tell you exactly what we have done. You can evaluate that as you see. What we are doing right now is working very hard toward the next political goal in this country, which, of course, is the election coming up no later than the 31st of January. We think it's very important that the Iraqi people have the

opportunity to see that they are better off or not. This is, of course, what they will decide. What we feel a responsibility to do as the assistance coordinators, assistance providers, and assistance executors, reconstruction executors, is to provide them with some reason to believe that they are better off now than they were two years ago.

We are instilling a sense of urgency in all of the work that we're doing. Ambassador Negroponte and General Casey have personally made this point to all of our agencies.

We'll, again, just tell you what we've done. We're not going to make predictions about what will happen in the future. And as Charlie indicates, we're not going to talk as much about numbers of dollars committed or obligated or disbursed. We think it's more important, more interesting, and more relevant to the Iraqi people how many schools have been built, and how many health clinics have been built, how many hospitals, as Charlie has indicated.

So in that regard, let me just give you a couple of statistics to indicate the kind of work that's going on here that we're keeping track of. Right now there are 28 water treatment plants under construction, and five have been completed. I'll just go through a quick list and then open to your questions. There are 13 sewer projects under construction; one's been completed. There are 72 health care facilities under construction, and 73 more have been completed. There are 3,100 schools that have been rehabilitated. There are five public buildings under construction; one's completed. There are 39,000 police trained and equipped across this country. There are 14,000 Border Police trained and equipped. There are three regular army battalions trained and equipped; eight National Guard battalions trained and equipped; 62 border forts under construction; nine fire stations under construction; 37 electricity distribution substations under construction or under rehabilitation; nine military bases under construction. These are the kinds of statistics that I would rather talk about, focus on, rather than the number of dollars put here or there in some account.

So that's what we're about. We are here, just exactly as Mr. Hess has indicated, to push forward on the reconstruction side, which is a very important part of the overall political, economic and security work that we're doing.

And with that, I will be glad to take your questions, along with Mr. Hess.

STAFF: Thank you, Ambassador Taylor.

Okay. We will open up to questions from the press, if you would identify your name and your publication or network.

Ma'am?

Q Sue Pleming from Reuters. How much of the funding at the moment is going towards insurance costs and security? So how much, in other words, will -- how much -- what kind of percentage are you expecting the Iraqi people will get out of U.S.-funded projects?

MR. HESS: Okay. That's a very good question, and that's a very pertinent question at this point in time, given the security situation. When the program was first contemplated, we had envisioned expending approximately 30 percent of every dollar in terms of overhead cost, to include security activities. And what we are looking at now varies, frankly, across all of the sectors in terms of security activities and overhead. And in some sectors, we're seeing a very slight increase as a result of security and other costs, like life support. And in some cases, we're seeing a much more dramatic impact, on the order of 10 to 20 percent. And it's those areas that we are really focusing our attention, to make sure we are investing our money wisely and that we're not just investing in security costs, but we're investing in projects that truly make a difference and truly require us to

expend that amount of money to get those projects built.

STAFF: Next question? Sir?

Q Tony Capaccio with Bloomberg News. I have a couple. One short one: Roughly how many U.S. contractor personnel are operating in Iraq today under both state and PCO contracts? There doesn't seem to be reliable figures. That's the short one. Then I had a separate one.

(Off-mike conferral.)

MR. TAYLOR: We'll have to look for that answer and get back to you.

Q (Off mike) -- question. Secretary Bremer -- excuse me -- Ambassador Bremer made news recently when he implied that the slower than anticipated pace of reconstruction had contributed somewhat to the discontent among Iraqis and somewhat helped fan the fire of violence -- the flame of violence there. Do you have any reaction to those remarks?

MR. TAYLOR: Yes, it is certainly true that the security situation here in Iraq has made it much more difficult than we anticipated, I think than anyone anticipated, to get the reconstruction work done. We are talking about -- someone has already asked about the security costs. Well, the security costs certainly show up in dollars, but they also show up in schedules, to your question.

If we must move equipment, if we must move supplies from one -- from a port up to the place where these supplies are going to be used, we have to provide much more security; we have to do much more arrangement -- make many more arrangements with the military in order to provide security to these convoys. These convoys, in some cases, move very slowly, and they're carrying very large pieces of equipment. They move 10 miles an hour over long stretches of road, which presents a very large and easy target. These kinds of movement, these kinds of attacks on these kinds of convoys stretch out the -- stretch out, clearly, the work on reconstruction.

So it is -- I would certainly agree that we are all concerned about the time it's taken to move the reconstruction forward. That having been said, we have no choice. We are moving forward. We will -- failure is not an option here. We need to be moving forward with a sense of urgency to provide the assistance, the reconstruction, the better life for the people of Iraq, and that's what we'll do, even if it is not as fast as we would like.

Q Have you in your conversations with Iraqis, have you sensed their frustration over the last three or four months that -- about the slow pace and how it may be contributing to, you know, youth on the street taking up against the United States.

MR. HESS: Let me try a response on that one. In the short time that I've been here, I will tell you that, by and large, every Iraqi that I have met who has had an interest in reconstruction has expressed a very positive perception of the fact that we are, in fact, trying to construct under some extremely adverse circumstances, and they are understanding of that, and I think they are patient with that. They understand that at the end of the day, they believe that they will be better off with the services and the infrastructure that we provide. And I think they are willing to accept the fact that, given the security situation we're in, they are willing to live with that and work with us to try and make that a reality, because they truly understand it's better for their families, ultimately, to have the infrastructure that they need to provide the quality of life that they would want to have. So my sensing is that, again, even though the insurgents are out there, the average Iraqi -- if there is such a term -- appreciates what we are doing to try and make their life better.

STAFF: Next question, please.

Yes, sir?

Q Jim Mannion from Agence France-Presse. In shifting more resources to security and to short-term construction programs, you know, with an eye to improving the situation before the elections, what impact is it having on your other goals; for instance, upgrading the power system, the water system, and that sort of thing? How far back has that been set, or has it had no effect on that at all?

MR. TAYLOR: No, it has clearly had an effect, or will have an effect. When you take \$3 billion and move it around within an \$18 billion program, you're clearly going to have an effect.

What Ambassador Negroonte concluded after his review this past summer of the assistance program that he inherited was that we are in a different situation now. And just as you indicated, we need additional funds to bolster the number of police that are on the street, and the number of Army battalions that are trained and equipped, and the number of National Guard battalions that are trained and equipped. This is very clear, a very clear priority. Ambassador Negroonte came to that conclusion.

Now, our problem is that we have \$18.4 billion. We don't have more money. What we have is a different set of priorities. So in order to provide additional funds for the police and the National Guard and the army, we had to reduce funds for other areas. And the two areas that we took funds from are water and electricity. And people ask, "Why did you take money from water and electricity? Those are high-priority items. People need those here." which is absolutely true. And, of course, the answer to that is the Willie Sutton answer: "Why do you rob banks?" "Because that's where the money is." Well, that was also where the money is in the out years, farther out, in electricity and in water. So, there were \$2 billion that were removed from the water program, and a billion dollars from the electricity program. And again, in order to make that kind of \$3 billion change, you have to reduce some things if you're going to increase some things. So that was it.

Is it having effect? Sure. What do we plan to do about that? We have deferred projects; we have deferred projects in the water sector and electricity sector. And we are looking to see what options we have and can develop and help the Iraqis come up with to be able to fund those projects. These projects were projects that were going to be later in any case. So we are going next week to Tokyo, where the donors conference will assemble other people who are interested in making a contribution to stability in Iraq, and we'll be talking with our partners, our other international donors about these particular projects in electricity and in water.

Similarly, we're having conversations with the Iraqi government. They are very interested in electricity and water, and, of course, very interested in security. Without security, you can't do these other kinds of things. So they share that concern, very clearly.

One of the areas that we're going to add funds to, that Ambassador Negroonte identified as requiring additional funds, were a couple of projects in the oil sector designed to increase the amount of oil exported, which in turn increases the revenues to the Iraqi government. What that allows them to do, in turn, is to provide additional resources for top- priority infrastructure projects, such as oil -- such as electricity and water.

So those are the kinds of things we're looking at. Does it have an effect? It surely does. We will look to see if we could replace it by one or more of these other means.

STAFF: Next question. Yes, ma'am?

Q Hi. This is Jean Ohm with NBC News. Ambassador Taylor, you quickly listed earlier the breakdown, but can you give us a total of how many Iraqi police and security forces have now been trained and

are in uniform right now?

MR. TAYLOR: I can tell you right off the bat that there are 39,000 police that have been trained and equipped, and I can tell you off the bat that there are 14,000 border police trained and equipped, and three regular army battalions have completed the training and equipping, and eight National Guard battalions trained and equipped. I will have to get for you the total amount. If those aren't the total numbers, they are close, but I would have to check to be sure I can give you the total numbers, if that was your question.

STAFF: And I can follow up with that.

Q And a quick follow. Given that there's indications that NATO -- they might not be in place to provide the additional training for the Iraqi forces till the end of the year, what's being done now to sort of speed up this process on the ground in Iraq?

MR. TAYLOR: That's a very good question. The State Department recently, who is -- the State Department is responsible for providing us these funds for the training and equipping of the military forces that we just talked about. State Department is looking for ways that we can speed those up, speed these new funds up, exactly in response to your question. \$1.8 billion dollars of that \$3.4 billion that were -- hat were changed from -- reallocated from one set of activities to another, \$1.8 billion is going to security forces.

What the State Department has done as -- after consultations with the Congress, has decided to move forward right away with that 1.8 billion (dollars). That is, normally the congressional notification process would take 15 days. Because of the importance of these funds, we're moving forward right now on that part of this reallocation.

General Dave Petraeus, of course, here is in charge of and is driving this training and equipping of security forces. And so he will have right away access to this 1.8 billion (dollars) that will move forward between now and January 31st, when again we are focused on the elections. And these will be very important elections, and the security for these will be important.

We have to speed up the training. We have to expand the facilities. And that's what these additional funds will do.

STAFF: The next question. Yes, sir?

Q Carl Osgood with Executive Intelligence Review. You mentioned -- I guess this is Mr. Hess -- in your opening remarks, you mentioned the employment of Iraqis, and you also mentioned increasing their engineering and construction capabilities. But what about the Iraqi involvement in the management and the -- the management of these projects, deciding what projects are going to be built and so on, since ultimately these have to be done by Iraqis for Iraqis?

MR. TAYLOR: That's a very good point. The -- there's a number of things being done with respect to the management of the projects and programs, to include making sure that the ministries and the governorates have their representatives who are participating in the process and have participated in the process to identify these projects from very early days of their first conception. And that's been done.

In the engineering and construction industry within Iraq, I will tell you that there is extensive capability here -- capability that needs to be updated to be current with today's standards in the world marketplace. But clearly they have very significant technical capability. And those people are in fact participating and bidding on portions of the contracts that we have essentially pulled away from our portfolio to award separately to local contractors -- things like road systems, where they have clearly a capability to do the paving and the signage

and all of those things that were done here, typically, by the Iraq Ministry of Transportation. We're doing that jointly with the Ministry of Transportation and, in fact, expect to do most of our village road work consistent with that operation. That will be advertised, too, here in Iraq in local and Baghdad newspapers, as well as in the fed biz ops. So it will be full and open competition.

STAFF: Okay, one more. Ma'am?

Q Sherry Winston (sp) with ENR Magazine. Because of the increasing and continuing insurgency and violence, has there been any indication from any of the U.S. contractors that they want to leave the country? And have they had any -- the ones that are staying and working on the reconstruction, have they had difficulty finding subcontractors outside of Iraq to do the work?

MR. HESS: Let me try and address that one. To the best of my knowledge, most of the contracting community that I deal with on a routine basis is still extremely supportive of trying to get the work done. They recognize the inherent security aspects of the situation here in Iraq. They are willing to work through that. They have been very persistent in partnering with us, with the military, in terms of making sure that we're working very collaboratively. And I will tell you that thus far, I have not seen any indication of people pulling back as a result of the security environment that we're in today.

STAFF: Okay, thanks everybody for coming. I've got some handouts for you.

I'd like to thank the CPIC for setting this up. I'd like to apologize for any confusion up front. I'd like to thank Mr. Hess and Ambassador Taylor for your participation from Baghdad. You guys are doing a great job. We're proud of you back here in the rear office and appreciate you being part of this.

We'd like to do some regular briefings with the Washington press corps, I think, you know, reaching out and talking to you about the progress as we move along in the reconstruction of Iraq. So thank very much for coming.

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