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Chairman Waxman, Ranking Member Davis, and Members of the Committee, I am honored to have the opportunity to appear before you today to discuss the Department of State's diplomatic construction project in Baghdad. As you are aware, this issue has received some media attention recently, and I would like to take this opportunity to put a few matters into context. To begin, I would like to outline the recent accomplishments of the Department of State's Overseas Buildings Operations Bureau – known as OBO – and the contributions we have made in protecting U.S. Government employees abroad, with Congress's robust support.

It has been my privilege to come out of retirement and serve as the Director and Chief Operating Officer for OBO over the last six and one-half years. I assumed this position after working eight years in the private sector as the Chief Operating Officer of the Toll Road Investors Partnership II, which constructed the Private Toll Road from Dulles Airport to Leesburg (Greenway), and President and CEO of the New York City School Construction Authority, a \$4.3 billion public school building program. Prior to my private sector experience, I had a 29-year career in the Army Corps of Engineers where I had the opportunity to manage the rebuilding of Ft. Drum and the NATO tank ranges in Europe. In sum, I have had a career in the field of construction that spans over 40 years.

Due to the numerous challenges the Department of State faced in building and maintaining its embassies, former Secretary of State Colin Powell asked that I return to government service to serve as Director of OBO, which I was honored to do for my country.

At the outset of my tenure in 2001, the Department was building on average, approximately one new embassy building per year. In the calendar year 2006, OBO opened an unprecedented 14 new facilities. Our goal this

year is to open 16 new facilities. As the committee may be aware, these facilities are not single buildings, rather they are multi-buildings campuses located, on average, on a ten-acre site. Our New Embassy Compounds (NECs) are state-of-the-art facilities meeting the highest security, chem-bio, environmental, energy efficiency, and sustainability standards.

Since 2001, OBO has completed 47 new facilities, budgeted at \$ 2.7 billion, and we are currently working on either designing or constructing 34 additional new facilities. This equates to 81 projects that OBO has either completed, or has in construction or design. OBO manages a construction portfolio valued at over \$5.1 billion.

And without question, OBO's most significant achievement is having moved, as of today, 12,566 U.S. Government employees out of harm's way by providing safe, secure, and functional facilities from which to carry out their overseas missions. Many of these facilities are located in the most dangerous parts of the world. Furthermore, OBO has carried out security upgrades and rehabilitation programs to existing facilities that Congress has funded. Finally, OBO is the overseas property manager for over 17,000 properties, an inventory valued at over \$14 billion.

OBO has revolutionized its approach to the management of its program. Our approach emphasizes discipline, accountability, results, transparency, and credibility. We have a preamble and operate around these core values and – with strong support of Congress – have achieved what the taxpayers have asked of us – accomplishments of which we can all be proud.

Facing an unprecedented challenge of having to replace approximately 190 embassy facilities as a result of security concerns growing out of the East Africa bombings in 1998, OBO had no choice but to look at how we do business. We have sought to create a Results-Based Organization framed largely from Six-Sigma and “lean management” concepts. To that end, we have put in place a Long Range Overseas Buildings Plan (LROBP); instituted monthly accountability performance reviews for the entire bureau, and weekly progress reviews of on-going projects. Our design program is now centered on a concept called the “Standard Embassy Design,” which has significantly streamlined this facet of the construction process.

We have not done any of this in a vacuum. Indeed, we are regularly engaged with the construction industry through our innovative and award winning Industry Advisory Panel (IAP), which brings government and private sector together in a mutually beneficial information exchange. We are currently working with the Associated General Contractors of America (AGC) to develop protocols for our construction program that would promote our mutual objectives.

OBO has its own internal set of fundamental operating tenets – which I have dubbed the “Williams 20” – that state unequivocally how the organization is to operate. As noted earlier, discipline, accountability, results, credibility, and transparency are the guiding principles.

I would like to add that we are pleased to cooperate with the oversight provided by the Government Accountability Office (GAO) and the State Department Office of the Inspector General (OIG). We have a true partnership with these organizations as stewards of the taxpayers’ interest. They have a seat at the table during all our performance reviews, and stakeholder meetings, including the monthly Baghdad and China project review sessions.

We have frequent exchanges with these offices and incorporate their suggestions into our operations. GAO has recognized OBO’s accomplishments in a report which notes – and I quote – “Despite the increased size and complexity of the modern facilities it constructs, State has significantly reduced the time it takes to complete construction of New Embassy Compounds over past programs. State has reduced the average project cycle time by approximately two years and nine months, compared with embassies built during the 1980’s and 1990’s.”<sup>1</sup>

And we have done this with an impressive degree of worker safety. While the number of contract construction worker hours has increased dramatically in the last six years – from about 6 ½ million to over 35 million hours -- the program has experienced an actual decrease in the construction accident rate. Each year since 2001, OBO’s record has been better than that of the U.S. construction industry accident rate. In fiscal year 2006, the OBO

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<sup>1</sup> GAO Report - Embassy Construction: State Has Made Progress Constructing New Embassies, but Better Planning Is Needed for Operations and Maintenance Requirements; GAO-06-641, June 2006

rate was only six percent of the OSHA accident rate. We are especially proud of this achievement.

Not only has GAO recognized OBO's efforts; OMB has used its Program Assessment Rating Tool – PART – on three of OBO's largest programs and found them all to be “effective “ or “green,” a rating received by only a very small percentage of U.S. Government programs. The Capital Security Construction Program achieved a 97% score – one of the highest in the U.S. Government.

Mr. Chairman, I would now like to address the issue relating to the Embassy in Iraq, which is among the most challenging in our inventory. In support of the U.S. Government's overall effort in Iraq, Congress appropriated \$592 million in the FY 2005 supplemental to support the construction of a new Embassy.<sup>2</sup> While less than the original request, we adjusted the scope of the project to ensure that we finished it within 24 months, a time frame consistent with overall U.S. Government plans in Iraq and commitments made to the host government.

In support of this effort, OBO located experts in the private sector and integrated them with a selected core staff to manage the project. Following a successful model used to address projects in Moscow and China, OBO established an office with the sole responsibility of executing the Baghdad project and briefed this management concept to the Congress. Our efforts on the NEC in Baghdad have been regularly and consistently briefed to the Congress with an emphasis on OBO oversight of the project execution.

Let me just take a moment to outline the scope of the New Embassy Compound (NEC). The compound will occupy 65 of the 104-acre site which was acquired at no cost to the U.S. Government. The 24 buildings on the compound will have an additional 50 feet of setback beyond the standard because of the security environment. The number and size of the buildings were determined by applying the Bureau of Near Eastern Affairs' “rightsizing” requirements to a Space Requirements Plan – one of OBO's tools in designing compounds. The space requirements were dictated by the

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<sup>2</sup> The DOD appropriations act, P.L. 108-287, provided \$20 million for ESCM for interim diplomatic facilities in Iraq. The FY2005 Consolidated Appropriations Act, P.L. 108-447, Div. B, provided that the \$20 million could be used on non-interim facilities.

projected staffing of the embassy, a determination made by other bureaus of the State Department, in consultation with OMB and Congress.

I am pleased to report, Mr. Chairman, that the project is on schedule and on budget. We are slated to complete the project in September of this year and personnel can begin to move into offices and residences shortly thereafter. As to project quality, OBO is proud of its employees and contractors work on this project. We have received numerous accolades as to the extremely high quality of construction. It is among the best that OBO has managed.

The Baghdad NEC will not be luxurious. It is a compound comprised of offices and housing that will provide a level of life support roughly equivalent with diplomatic facilities at other hardship posts. The Baghdad NEC project may seem unique because of its size and features; however, many of these features can be found at the Department of State's other NEC projects. The difference with Baghdad is that it incorporates all of these elements (on-site housing, primary utility plants, etc.) in one compound, and that security features are enhanced due to the security environment in Iraq. Again, I would like to reiterate, the Baghdad NEC will be completed on schedule and within the \$592 million budget appropriated by Congress.

Additionally, the NEC in Baghdad, as with all NECs, will undergo a standard accreditation process as dictated by the law. This process will ensure that the facility meets all applicable construction safety and security standards prior to occupancy. Furthermore, a "punch list" is a routine feature of every building project, whether a small remodeling project, the construction of a major building, or an NEC. The punch list includes items that need to be corrected and/or modified from the original design. It is very common during the inspection of complex construction projects to identify items needing correction or modification. In each and every case, OBO aligns with the contractor to address these punch list items.

Mr. Chairman, I would like to turn next to the Temporary Local Guard Camp. The camp consists of trailers that will provide housing and dining facilities for the contract employees who will supply local guard services to the US mission in Iraq. This temporary guard camp is a completely separate project from the construction of the NEC. The project was requested by the Bureau of Diplomatic Security (DS) and the Post approximately one year after OBO had begun construction on the NEC.

I flew helicopters and logged over 2,000 hours in Vietnam on two separate tours during the war. I lived in a temporary camp and understand what a temporary camp is, and what it is not. In turn, I would like to point out some key facts about this project. I believe it is important for the Committee to understand several key components about this project.

Camps of this nature are problematic, in large part because requirements continuously shift as you install the components and attempt to improve the camp. When the discussion of installing a temporary camp on some of the remaining 104-acre property was brought to my attention, there were extensive internal discussions over whether this was a good idea or if an alternative solution was available. Eventually, we agreed to move forward with using First Kuwaiti for the construction, understanding they had a long-standing working and contractual relationship with KBR, who would be providing the logistical services to the camp. In addition, First Kuwaiti had experience in the region, having installed over 5,000 units throughout the country. Furthermore, I insisted that no resources from the NEC project would be utilized to install the temporary camp, as the scope and budget for the NEC project had been the subject of vigorous debate within Congress before coming to agreement with the Department on a consensus path forward. New funds were required for the guard camp from the Bureau of Diplomatic Security under the Diplomatic and Consular account.

I am aware that this Committee recently held a hearing [July 19, 2007] on the issues that FEMA faced with its trailers in the Hurricane Katrina region. The specific issue was the presence of formaldehyde in the FEMA trailers. An issue arose at the guard camp because of the presence of odors in the trailers. The Certified Industrial Hygienists of OBO's Safety, Health and Environmental Management Division provided guidance on how to reduce formaldehyde levels and odors in the trailers at the guard camp and reports are that these measures were successful in eliminating the odor. We will continue to monitor.

Although the requirements were different from a standard camp due to the need to construct a perimeter wall, a Compound Access Control (CAC), and dog kennel, the design drawings were reviewed and approved by Post and other Department offices prior to the ordering of the trailers.

The schedule for the camp installation was a very ambitious four month period and the Department and First Kuwaiti knew this was the best-case scenario with many contingencies. We experienced seventy days of road closings which extended the delivery of the trailers by over two months.

Mr. Chairman, let me conclude with, and emphasize that, the responsibility of OBO is to build the facilities that are required for our diplomatic efforts overseas.

I would be pleased to respond to the Committee's questions. Thank you very much.