

**REMARKS OF WAHID HAKKI
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**BEFORE THE
AD HOC SUBCOMMITTEE ON CONTRACTING OVERSIGHT
OF THE
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL
AFFAIRS
UNITED STATES SENATE**

ON

***“AFGHANISTAN RECONSTRUCTION CONTRACTS:
LESSONS LEARNED AND ONGOING PROBLEMS”***

JUNE 30, 2011

Chairman McCaskill, Ranking Member Portman and distinguished members of the Subcommittee. On behalf of Contrack International, Inc., I thank the Subcommittee for the invitation to share some of our experiences and lessons learned as part of the reconstruction efforts in Afghanistan over the past nine years. We share your interest in examining how the Government can bring greater efficiency, transparency and accountability to the construction contracting process. We believe those goals can help everyone deliver projects that are on schedule, within budget and sustainable.

I will begin with an overview of Contrack's operations in Afghanistan, followed by a discussion of some of the specific challenges we have faced there along with those of our primary customer, the U.S. Army Corps of Engineers. I will conclude with a brief case example of a project that was successful for both the Government and Contrack. That experience will hopefully highlight a successful practice that may be incorporated into future construction projects in Afghanistan.

I. OVERVIEW OF CONTRACK INTERNATIONAL, INC.

Since 1985, Contrack has operated as a privately owned U.S. corporation currently headquartered in McLean, Virginia. I joined the company in 1994 as Contrack's Executive Vice President responsible for U.S. operations. We suffered a tremendous loss in December 2010 when my close friend and our CEO, Karim Camel-Toueg, passed away. I stepped in as Contrack's CEO and have 27 years of international construction experience.

Contrack has offices in Egypt, Qatar, Bahrain and Afghanistan. We provide engineering, procurement and construction services, as well as facilities operations and maintenance. Our focus primarily is on military, institutional and infrastructure projects throughout Northern Africa, the Middle East and Central Asia. We have always worked hard to maintain high

standards for excellence in government contracting. This has earned Contrack ranking among the top international contractors in the world by *Engineering News-Record* for the past 17 consecutive years.

Over the past nine years, Contrack has completed more than \$1.5 billion worth of fast-track, design-build projects in Afghanistan for the U.S. Army Corps of Engineers (also called the “USACE” or “the Corps”) and the Air Force Center for Engineering and the Environment (or “AFCEE”). We currently employ approximately 4,500 personnel in Afghanistan, 3,700 of whom are Afghan locals. Contrack has completed over 50 task orders in Afghanistan for the Corps. Among other commendations, Contrack was awarded a Certificate of Appreciation from the Combined Forces Command-Afghanistan and the Corps’s Afghanistan Engineer District (known as AED) honoring Contrack for the company’s extensive efforts to assist the Afghans in rebuilding their nation.

Our first contract grew out of an Indefinite-Delivery Indefinite-Quantity Contract with the Corps for design-build and construction services in the Middle East. Under that agreement, the Corps issued task orders for Contrack to work on specific projects. Through the Corps’s Middle East District in Winchester, Virginia (formerly called the Transatlantic Programs Center) and the Afghanistan Engineer District, the Corps has administered much of our work in Afghanistan.

Working as a prime contractor, we have constructed ANA Brigade camps, airfields, Entry Control Points, Ammunition Supply Points, bulk fuel storage and supply systems, Forward Operating Bases and other facilities. We were also awarded the permanent Operations and Maintenance Services contract to perform O&M work in numerous ANA and ANP locations

throughout Afghanistan. Currently we have projects in Kandahar, Camp Bastion, and Shindand as well as numerous O&M sites throughout the country.

Contract's country office in Kabul consists of 60 staff established in two central offices in the Wazir Akbar Khan district of Kabul. The first office was established in late 2002. The majority of staff at the Kabul office has been with the company a minimum of three to five years. The departments included at our Kabul office are Logistics, Procurement, Human Resources, Warehousing, Camp Services, Security and Finance and coordination with the local Ministries.

II. LESSONS LEARNED IN AFGHANISTAN SINCE 2002

A. Working with Local Nationals and Contractors

Contract's business model in Afghanistan is somewhat different than most prime contractors in that we self-perform the majority of our work, rather than acting purely as a construction manager of major subcontractors. Contract has been a vital partner with the COE in accomplishing the AED's mission statement to: *"Provide sustainable development projects for the Afghan people that employ the populace, build skilled human capital, and promote the future stability of Afghanistan."*

In order to utilize the local labor force, the majority of Afghans must first be trained in a skill. To accomplish this task Contract set up a Training Center to train and educate the Afghans on a variety of construction trades. To date we have graduated more than 3,000 students, most of whom are still employed by Contract.

As a prime contractor, we try to foster relationships with local firms so that they can succeed. This requires on-going training and guidance concerning U.S. technical and contractual obligations. We have been in Afghanistan since 2002 which has allowed us to develop a list of approved, qualified subs. When procuring the services of a local subcontractor, a minimum of three bids is required, where practical, to comply with cost and pricing

requirements. A “best value” method is then used to determine the lowest responsible offer that meets technical criteria.

B. Contracting with Foreign Contractors

Afghan contractors often receive contracts which are more than they can handle. Many of them are also unfamiliar with U.S. contract requirements. This sometimes results in projects in which the Government quietly “descopes” the balance of the unfinished work rather than issuing a formal termination for default which is publicly accessible to other government agencies or users. Many times we have observed completed projects by unqualified contractors which are plagued with substandard workmanship.

Unfortunately, we share the perception in the international contracting community that there is an uneven playing field in that foreign contractors typically are not subjected to the same standards as U.S. contractors. These include safety, ethics, bonding and cost accounting requirements that are established both to protect workers and the interests of the U.S. government. Apparently these requirements are either waived or simply not enforced, which presents a cost advantage for non- U.S. construction and design firms.

We believe that the COE has begun recognizing the risks in awarding projects to foreign firms based on low price only. For example, the Government recently awarded a MATOC to 14 firms, all of which are American firms. Future task orders will be competed among these 14 firms only. This promotes full and open competition with qualified construction contractors to deliver the best value for taxpayers’ dollars invested in Afghanistan.

III. SPECIFIC CHALLENGES WORKING IN AFGHANISTAN

A. Rapid Rotation of Field Staff

We appreciate the difficulties faced by the Government and commend the professional manner in which so many contracting personnel perform their work in a hostile region. The

frequent rotation of COE field staff , however, creates a cascade of challenges to the contractor and the government. For example, delays in resolving contract modifications due to turnover of government contracting officers and related personnel causes delays in payment to contractors. Similarly, high turnover of government personnel in the field causes long delays in submission of final CCASS performance evaluations. These evaluations, which are a critical source selection tool for government agencies, often are prepared inaccurately by personnel who were not present during the construction phase. For the first five years, we received no past performance evaluations for projects in Afghanistan. This information vacuum hurts both the government and the contractors.

Quality at the job site is overseen by the USACE's quality assurance (QA) representatives. COE QA staff often are experienced in other areas but lack sufficient training to understand and enforce the technical requirements of the particular contract to which they have been assigned. This is another problem created by the frequent turnover in field personnel and insufficient financial incentives for government personnel deployed in combat zones.

Lack of partnering between the contractor and the COE is another unfortunate result of the personnel turnover. Contrack has participated in numerous partnering sessions with the COE in other regions such as Qatar, Bahrain and Egypt. We believe these sessions vitally contributed to the success of the projects. However, in nine years in Afghanistan and after completing over 50 projects, we have had only one partnering session with the COE.

High turnover of government personnel exacerbates lack of coordination between the different government agencies in charge of the projects and their respective end users. This often causes delays to the project and cost overruns. Sometimes the end user's requirements are not

fully understood by the Corps. For example, on design-build projects early partnering sessions involving the contracting agency, the contractor and the facility's end user would help the parties to achieve the end user's design goals.

B. Logistics and Transportation

The high volume of cargo creates delays at the base Entry Control Points. Material and equipment convoys are at the mercy of the transporter. Meanwhile, border politics that can block or delay shipments of material to the project sites makes matters worse.

In a typical convoy movement, between 200-400 trucks are assembled to carry U.S. supplies in south of Kabul. The U.S. supply chains often have to wait several days until as many trucks as possible are gathered before moving. Often this means that some trucks are days or weeks overdue at their destination.

C. Working with Afghan Ministries

The Afghan Ministries change procedures on a regular basis, i.e. the requirements for tax exemption documentation, approval of visas, etc. This lack of stability is further compounded by a thin staff which lacks cross-training. For example, only one person at the Ministry approves customs clearance paperwork, creating costly bottlenecks.

The Ministry of Interior has refused issuance or re-issuance of all visas for non-engineers, which is causing major problems for us. This creates a critical lack of qualified technicians, accountants, finance personnel, etc.

New and constantly changing Presidential Decrees further increase the uncertain risk environment. For example, the latest ban on private security firms will cause disruptions, delays and safety problems.

IV. CASE EXAMPLE OF A SUCCESSFUL PROJECT

The foundation of a good project is a good and well coordinated design. A design that meets the general guidelines set by the COE and addresses the end users' needs. On a project in Bagram Air Base where we were tasked to design/build the Main Entry Control Points, we had our designers on site meeting with the COE and the Force Protection staff to agree on a design that satisfied everyone's requirements. This eliminated a lengthy review process and clarified the objectives of the project. All of these partnering efforts resulted in a successful project completed on time and on budget.

I appreciate this opportunity to share our experiences in Afghanistan and would be pleased to answer your questions.