CHAPTER 3
Saudi Arabian and Japanese Support

The anticipated cost of deploying and maintaining the massive American military force was staggering. As noted, political and military leaders were anxious that other nations bear some of the burden. Military officials developed two mechanisms, in addition to American funded contracts and troops construction, for meeting the needs of the troops: host nation support from the government of Saudi Arabia and support from the Japanese government's Gulf Peace Fund. The U.S. Army Corps of Engineers assumed a key role in administering host nation support and a Gulf Peace Fund contract with Bechtel International Systems, Inc. Together these mechanisms provided essential construction and services for the troops and saved the American government millions of dollars.

Host Nation Support

Defense Department and Army policy is to use host nation support whenever possible. Army doctrine stipulates that whenever troops deploy to a foreign country, the United States will solicit support from that country. The United States has an elaborate structure of host nation support agreements focused especially around the North Atlantic Treaty Organization alliance in Europe and Korea in the Far East. These agreements let U.S. officials make plans during peacetime for wartime requirements. The idea is entrenched that allies of the United States must contribute to the support of U.S. military forces that are defending them. The formal, prearranged agreements define the kind and amount of support the host nation will provide and the conditions for authorizing such support.

Although hundreds of host nation support agreements were in place or being developed at the time of the Gulf War, none had ever been invoked. No such agreement covered the U.S. presence in Saudi Arabia. The Saudi Arabians had an abundance of food, water, facilities, and other assets, but the United States had no management or procurement system to use those assets. U.S. logisticians had to acquire host nation support while devising appropriate procedures for doing so.

The Saudi business environment and infrastructure was well suited to supporting U.S. troops. Saudi Arabia's oil industry had developed an infrastructure in the 1970s and 1980s to support its operations. Saudi Arabians were familiar with western-style contracting, and half of the country's 16 million inhabitants were foreign workers. U.S. firms had been in Saudi Arabia since 1920 as both independent contractors and partners with the Saudis. Saudi Arabia was also used to having many foreign visitors. Every year, hundreds of thousands of Muslims visit the holy cities of Mecca and Medina. These pilgrims require food, water, and transportation.

As soon as U.S. forces arrived, they began using their own operation and maintenance funds to purchase supplies and services from Saudi Arabia and other Gulf states. The primary intent was to reimburse the military with Saudi funds deposited in the U.S. Treasury. Congress, however, maintained that this process would be unconstitutional because Congress exercises its authority over the military through the appropriations process. Congress prohibited the armed forces from accepting cash directly from foreign powers. Cash contributions from foreign nations went directly into the defense cooperation account and could not be used without congressional authorization and appropriation.

To get around this restriction, the Joint Chiefs of Staff decided to ask foreign powers to contract for the supplies and services rather than spend U.S. funds and seek reimbursement later. General Starling's staff became a clearinghouse for receipts because CENTCOM had to keep track of every dollar that the Saudis agreed to reimburse.

In the first weeks, U.S. logisticians laid out initial requirements for host nation support in 20 functional areas: accommodations, airports, construction, communication, facilities, fuel, hygiene, medical, maintenance, materiel, seaports, security, services, specialized equipment, storage, subsistence, supplies, transportation, utilities, and water and ice. The only major item missing from the list was ammunition.

As host nation requirements grew, it became clear that the United States needed a formal organization to request, acquire, and integrate Saudi resources into the existing U.S. support systems. The Saudi government established an element within the Ministry of Defense and Aviation to administer host nation support called the Joint Forces Support Unit. The new organization headed by Brigadier General Abdul Aziz Al–Hussein would coordinate and implement all Saudi host nation support efforts.[1]

As the needs of deploying U.S. troops became apparent, military officials quickly developed a system to take advantage of host nation support. To prevent the services from competing with each other for Saudi resources, General Schwarzkopf gave the Army responsibility for procuring the logistics support for all the services. General Pagonis assumed responsibility for all host nation support activities in Saudi Arabia through his position as ARCENT's deputy commander for logistics.

On 15 August Pagonis set up a staff section for host nation support in his headquarters under Colonel Roger W. Scearce. Scearce served as the principal point of contact for logistics between the government of Saudi Arabia and U.S. forces. He located land for base camps and logistics bases; wells and other sources of water; bus and truck companies; and suppliers of lumber, bottled water, tires, cots, photocopiers, and administrative supplies. Scearce arranged for Saudi liaisons to work with the Dhahran Area Office and helped resolve contract conflicts. He also prioritized the host nation support requests and coordinated with other staff agencies and the Saudi liaison officers.[2]

On 20 August, Forces Command sent a request through the ARCENT SUPCOM to the Joint Staff for an assessment of host nation support capabilities in the area. A week later, the support command replied that the Saudis were giving without hesitation all the support that the U.S. forces needed. By late August, it was understood that Saudi Arabia was behaving generously. It had provided free use of its ports, warehouses, and real estate to house troops, plus vast quantities of fresh fruits, vegetables, and water.

While Pagonis' organization provided much needed logistics support, military leaders recognized the need to establish a formal agreement to use Saudi resources. On 6 September 1990, Secretary of State James Baker traveled to Saudi Arabia where he met with King Fahd to discuss the possibility of the Saudi government's sharing the cost of maintaining U.S. forces in Saudi Arabia. King Fahd indicated that his government would pay for fuel, water, food, and transportation.

At a follow-up meeting in Jeddah, Baker asked Saudi officials to provide an initial $2.1 to $2.5 billion for U.S. military involvement and $300 million a month after that. Saudi Arabia's foreign minister, Prince Saud Al–Faisal, confirmed that his government would pay for all fuel, transportation, and water. But Saudi officials took no action to implement the Jeddah agreement. Frederick C. Smith from the Office of the Assistant Secretary of Defense for International Security Affairs for the Near East and South Asia Region urged Deputy Secretary of Defense Donald J. Atwood to contact Saudi Arabia's ambassador to the United States, Prince Bandar Bin Sultan, to clarify the understanding.[3]

Atwood apparently pursued the matter. In an 11 October letter to Atwood, Prince Bandar alluded to the earlier agreement with Secretary Baker. The Saudi ambassador agreed to a plan to deploy a team of six or seven Americans headed by a general officer to work out procedures for host nation support.

Meanwhile, at Corps headquarters, General Ray was reprogramming his military construction funds to support construction in Saudi Arabia. Ray had commanded the Corps' Europe Division from 1985 to 1988 and then served as the senior engineer for the U.S. Army in Europe. When he became the Corps' director of military programs in early September 1990, the first thing to cross his desk was a request to reprogram $30 million of military construction funds for six base camps in Saudi Arabia. The next day he received another request for $23 million to finance MEAPO operations there.

Ray realized the Corps could not continue using its military construction funds for Operation DESERT SHIELD. Ray concluded the Saudis should provide facilities the way host nations in Europe did. Ray knew that King Fahd had agreed to provide fuel, food, water, and transportation to U.S. troops. He discussed the matter with General Hatch and then with Assistant Secretary

Susan Livingstone and David Berteau, the principal deputy to the Assistant Secretary of Defense for Production and Logistics.[4]

On 14 September 1990, Hatch recommended to the Assistant Secretary of the Army for Financial Management that the military establish a procedure authorizing the theater commander to request support from Saudi Arabia directly in such areas as leases, temporary accommodations, temporary construction, food, water, fuel, and transportation. Hatch further recommended that the Joint Chiefs of Staff, in coordination with the State Department, authorize the theater commander or his designee to present the Saudi government with requirements directly. Providing direct support, he argued, "would be the most responsive, avoid normal U.S. funded (slow, uncertain) procedures, and best support our troops."[5]

On 6 October General Ray attended a meeting between the Under Secretary of Defense for Policy, Paul Wolfowitz, and Prince Bandar. The prince acknowledged that facilities should be part of the support that the Saudis provided to U.S. forces, in addition to food, fuel, water, and transportation. The participants agreed that military construction in Saudi Arabia should be part of the host nation support agreements being developed, rather than paid for out of U.S. funds. They also agreed that Ray should bring a team to Saudi Arabia to arrange for this support.

The director of the Joint Staff, Air Force Lieutenant General Michael P. C. Carns, sent Ray to Saudi Arabia to establish a system that used Saudi money to pay for fuel, water, transportation, and other items. Ray's team included a Navy captain from the Joint Staff, who was a host nation support expert; a Navy captain from the Office of the Secretary of Defense, who was a logistics expert; an attorney from the Secretary of Defense's general counsel office; two individuals from the Secretary of Defense's comptrollers office; one from the Department of Defense's contracts office; and one from the Secretary of Defense's international logistics division. Meanwhile, Colonel Miller met with General Al-Otaishan on 14 October to lay the groundwork for Ray's visit. The team had the authority to commit the U.S. government to the necessary arrangements, which perhaps accounted for much of its success.[6]

The team arrived in Riyadh on 17 October and began developing procedures for assistance-in-kind in five areas: fuel, facilities, food, water, and transportation. Its mission was to satisfy the objectives of both the Department of Defense and Joint Staff, which differed slightly. The Department of Defense intended to develop a framework that could use Saudi resources to support the troops. By contrast, the Joint Staff's goal was to organize the operation so U.S. forces could buy the resources they needed, then use Saudi money to pay for them. Carns envisioned an organization that would work directly for the theater commander, rather than CENTCOM's director of logistics, and provide a focal point for the services.[7]

Ray dealt primarily with Major General Abdul Aziz Al–Sheik, deputy commander of the Combined Forces Command that had been formed in response to the Iraqi invasion. Ray had commanded the Corps' Middle East Division from 1984 to 1985 and had served as the Chief of Engineer's special assistant responsible for Saudi Arabia from 1985 to 1987. Thus, he already knew some of the Saudi officers with whom he now dealt and had some understanding of Saudi culture.

The team quickly discovered that there were no written commitments other than Prince Bandar's letter to Atwood, though the Saudis acknowledged that the king had agreed to pay for certain things. The team's mission was not to negotiate a formal international agreement but to develop workable procedures to take advantage of the king's pledge to provide support. The final document that emerged was called the "Implementation Plan for Logistics Support of United States Forces in Defense of the Kingdom of Saudi Arabia." By drafting a plan rather than a formal agreement, the team avoided certain bureaucratic delays. The plan confirmed the five areas of support, but did not define them.

The next task was to arrange for the Saudi government to take over (and pay for) all contracts that the United States had already negotiated in the theater. The team had to determine how much Saudi Arabia should pay to reimburse the United States for what it had already spent to develop the theater. Team members consolidated the estimated costs from all the military services and presented the total bill in a letter from Ray to the deputy commander of the Joint Forces Support Unit. The United States asked for repayment of $2.66 billion for fuel, food and water, transportation, accommodations/facilities, and other logistics support.

Saudi officials returned the bill with two objections: the Saudi government could reimburse only when presented with the original invoices and it would assume financial responsibility only from the time the U.S. forces arrived in the country or in Saudi waters. It would not pay the expensive cost of transporting U.S. troops to the Middle East.

The team replied that there were no original invoices, and the Saudis' redoing their work would not change the results. In response to the second objection, the team submitted a separate bill for in-country expenses. On 30 October a Saudi representative presented General Ray with a check for $760 million to cover in-country expenses of the United States between 7 August and 1 November. The cost of deploying U.S. forces from the United States and from Europe was apparently much greater than the cost of maintaining them in the theater.[8]

The discussions progressed smoothly, for the most part. Ray's team and its Saudi counterpart had little trouble agreeing on an implementation plan. The team concentrated on costs incurred in Saudi Arabia or its surrounding waters and left several issues—such as who would pay the deployment costs—to be resolved later by the Defense or State departments. Based on its expenditures in the first few months, the United States concluded that it needed more than $346 million a month for logistics support.

General Al-Sheik, however, indicated that he had no authority to offer more than $300 million a month. Any figure above that would have to be discussed at a higher level. On 3 November General Ray presented the revised estimates to General Al-Sheik to conform to the Saudi-imposed limitation of $300 million a month. He explained that the United States reached the lower figure by cutting requirements in various areas or by funding those requirements from alternate sources. He warned, however, that if the U.S. force in Saudi Arabia increased, so would the cost.

General Starling and General Al-Sheik signed the plan on 5 November 1990. The Saudis agreed to provide, at no cost to the United States, fuel, transportation, water, food [freshly prepared meals—known as Class A meals in the Army], and facilities to support U.S. forces from the time of initial deployment. The United States reserved the right to negotiate contracts if the Saudi contracting effort did not meet the needs of U.S. forces, but it would pay for those contracts and later seek reimbursement from the Saudi Arabian government.[9]

Before departing, General Ray's team recommended that the theater commander establish a 16 to 17 person cell, headed by a brigadier general, to help General Starling oversee host nation support and assistance-in-kind and to coordinate these issues with Saudi Arabia, Japan, Germany, and other countries providing support. CENTCOM asked the Army to provide a general officer to head this cell, and the Army's chief of staff, General Carl Vuono, selected Brigadier General Pat M. Stevens IV, the commander of the Corps' North Pacific Division. Stevens traveled to Saudi Arabia a few weeks later to serve as the deputy director of logistics and security assistance under General Starling.[10]

Contracting Process

Meanwhile, representatives from MEAPO(SWA), ARCENT, and the Ministry of Defense and Aviation had begun more detailed discussions on how the new plan would affect construction contracting and leasing. The Saudis wanted to ensure that the U.S. projects were valid since they would be paying for them, but CENTCOM officials did not want the Saudis to be in the position of validating projects that supported U.S. troops.

On 4 November the representatives from the ministry and the Corps met in Riyadh and drafted a general outline of how the Corps would work with the ministry's contracting process. Each service would determine its requirements and submit a DD Form 1391 to CENTCOM for validation. CENTCOM regulations provided that a combined civil-military engineer board made up of representatives of the Joint Forces Support Unit, the CENTCOM engineer office, and MEAPO(SWA) would then determine whether American soldiers or contractors would do the construction.[11]

For new requirements, U.S. contract specialists prepared plans and specifications, advertised an unfunded solicitation, and evaluated the resulting proposals. They passed the proposals and recommendation for a vendor to the local Joint Forces Support Unit representative. The support unit evaluated each proposal and coordinated the contract award with the responsible contracting officer.

After the contract award, MEAPO(SWA) monitored the construction to ensure that the contractors met U.S. requirements and reported any problems to the local Joint Forces Support Unit representative. If the contractor performed poorly, the support unit terminated the contract and awarded a new one. Contractors sent their invoices for supplies or services to the local support unit representative who provided it to the Ministry of Defense and Aviation's finance office for payment.

For construction requirements, the Saudis were supposed to award a contract within 15 days of receiving the design package, but this process usually took 30 days. To meet emergency requirements, CENTCOM could put a U.S. contract in place rather than wait, but the Saudi government had to agree to the contract before it would be obligated to reimburse the United States.

CENTCOM officials met with Major (later Lieutenant Colonel) Mohammed Al-Shonaify, head of the construction section of the Joint Forces Support Unit, twice a week, and ARCENT officials met with Saudi representatives each Wednesday evening. At these meetings General Yeosock and Lieutenant General (Prince) Khalid Bin Sultan Al-Saud, who commanded the Arab forces, and their staffs planned Saudi support activities. For example, they might discuss obtaining access to a hospital, building prisoner-of-war camps, or hooking up electrical power.[12]

The host nation process was slow and frustrating. Soon after the implementation plan was signed, Yeosock complained about delays in getting Saudi approval and directed his engineer, Lieutenant Colonel Tomasik, to resolve this issue. MEAPO(SWA) had turned 11 design packages over to the combined civil-military engineering board for construction contracts, but none of these contracts had been transferred to the Ministry of Defense and Aviation. Corps personnel complained that the system was experiencing "growing pains."

General Stevens later reported that Saudi contracting procedures had often been "unresponsive to the pace of requirements that we've had as we built up this force and prepared to go to war during DESERT SHIELD and then got into the combat period in DESERT STORM." If U.S. forces grew frustrated with the time it took the Saudis to purchase water, they could buy it themselves. But if they were unhappy with the pace of Saudi contracting for construction, they had no alternative because they could not legally enter contracts for construction that cost more than $200,000.[13]

Delays occurred in part because the Ministry of Defense and Aviation's Joint Forces Support Unit had no funding source of its own. It had to go back to the ministry's officials to make sure that they wanted to fund a particular project and get the finance officials to allocate the money. While the process seemed painstaking and time-consuming to U.S. officials, Cox observed that the Saudis broke their own records for speed, especially because Saudi financial resources were strained. Moreover, the Joint Forces Support Unit had only a small field organization. The lone Saudi lieutenant assigned to the Corps' Dhahran Area Office had six projects to oversee. Cox usually had one person for each project.

Another reason for delay was that the Saudis and the U.S. military sometimes had different perceptions of the scope of work. Some of the contractors were not capable of completing the required work in the specified time. U.S. Army units with urgent requirements did not always understand how Saudi officials thought and operated. Paying contractors on time was not as important in the Saudi culture as it was in the American culture. Before the Saudis paid the contractors, they wanted assurance that the work had been done in accordance with the contract. Because of the inability or refusal of the Saudi government to pay its contractors in a timely manner, many contractors became unwilling to provide support to U.S. forces. The Saudis, in turn, had difficulty comprehending the magnitude of the U.S. effort. They did not understand at the time why the requirements were so massive.[14]

Faced with frustrating delays, the services chose to buy what they needed and send the Saudis the bill later, even though the Saudi money would go directly into the defense cooperation account not the services' budgets. The Saudis, however, disliked being billed for services or supplies that they had already agreed to provide. Saudi officials interpreted their king's pledge to provide food, for example, to mean they should provide the actual food, not pay the United States for food it had already purchased. They preferred to take over the contracts the United States already had in place rather than reimbursing the United States for those contracts. Arranging for the transfer of the contracts, however, was difficult and complex.

On 27 October, General Al-Hussein, Colonel Sameer Al-Turki, and Lieutenant Colonel Abdullah Al-Mourey from the Ministry of Defense and Aviation met with representatives from the Office of the Secretary of Defense, CENTCOM, and MEAPO(SWA) to review existing and future Corps contracts before assumption by the ministry and to discuss the procedures to be followed. Bo Bounds opened the meeting by outlining U.S. construction contracting procedures and reviewing the status of all ongoing Corps construction contracts. Colonel Miller then explained the difference between construction contracts and service contracts. He observed that construction contracts often required numerous modifications. Contracting officers had to execute these modifications quickly to avoid delays and contractor claims.

General Al-Hussein agreed to place an official in the Dhahran Area Office who had authority to modify contracts. He conceded that he did not know when funds for construction would become available. When Colonel Braden indicated that he wanted to set a date after which CENTCOM would use U.S. funds for its priority projects and seek reimbursement later, General Al-Hussein responded that he hoped this would not be necessary.[15]

Transferring Contracts to Saudi Arabia

Under the host nation support plan, the Saudi government agreed to assume responsibility for U.S. contracts in five specific areas. The implementation plan included an assignment agreement that allowed the U.S. government to transfer its contracts to the Ministry of Defense and Aviation. The arrangement for the Saudi government to take over contracts negotiated and awarded by the United States proved to be complex and controversial.

Representatives of both governments and the contractor had to sign the agreement. MEAPO(SWA)'s counsel, George Kingsley, did not believe the existing U.S. contracts could legally be assigned to third parties, with or without the contractor's consent. Nothing in the federal acquisition regulations or in the Corps' contracting officer warrants gave the contracting officers express authority to assign U.S. government contracts. "Accordingly," Kingsley argued, "it is our opinion that the contracting officer has no authority to execute the subject assignment agreement." Kingsley recommended terminating the existing contracts and letting the Saudis award their own.

He added that the assignment agreement was unenforceable. The U.S. government could not legally require a contractor to waive his rights to payment for work performed under a U.S. government contract while the contract was still in full force and effect. If the U.S. government refused to pay for work performed after 1 November, it would be in breach of contract, entitling the contractor to abandon his work and sue the U.S. government for damages.[16]

Corps attorneys thus raised three objections: contracting officers could not assign U.S. government contracts; the U.S. government could not require a contractor to waive his right to payment for work performed; and contracting officers had no authority to indemnify or hold harmless the Saudi Arabian government.

The CENTCOM and Air Force attorneys who reviewed Kingsley's decision argued that the contracting officer's authority was not limited to federal acquisition regulations. Baker and Fahd had entered an international agreement regarding the support of U.S. forces in Saudi Arabia, and both countries had signed an implementation plan providing for the transfer of existing U.S. contracts. The federal acquisition regulations expressly recognized that contracting actions may be affected by treaties and executive agreements.

The Baker-Fahd agreement and the implementation plan, they concluded, provided the legal authority for transferring U.S. contracts to the Saudi government. The assignment agreement was a three-party agreement. By signing the agreement, the attorneys continued, the contractor indicated his concurrence with the proposed terms. Contrary to the Corps' opinion, the U.S. government was not "requiring" the contractor to waive his rights. Further, after the contractor agreed to the transfer, the contract became a Saudi contract subject to Saudi rules and laws, not the federal acquisition regulations.[17]

CENTCOM and Air Force attorneys made minor changes in the wording of the assignment document. Meanwhile, MEAPO's chief counsel, Matthew D. Thomason, provided a new assignment document with different wording. The service contracting officers used the CENTCOM and Air Force version, which was acceptable to the Saudi government, to transfer their contracts. Corps contracting officers used their version, which CENTCOM and Saudi officials opposed.

As a result, MEAPO(SWA) had been unable to transfer any contracts to the Saudi government. During November, it spent $5.2 million in Army operation and maintenance funds and Army military construction funds. Although the Saudis would eventually reimburse this money to the U.S. Treasury, it would be lost to the Army budget. "The Army is mad," Miller reported, "and I am under great pressure to transfer contracts." Miller warned that he planned to start transferring contracts on 4 December using the CENTCOM assignment document, despite objections from MEAPO's lawyers.[18]

ARCENT did not transfer any existing contracts to the Ministry of Defense and Aviation. The Corps transferred contracts only after its chief counsel, Lester Edelman, issued an opinion supporting this action. The Corps would later defend its actions in court. No contractors wanted to sign the assignment document, but they did so under duress. They feared that the ministry would not award them any contracts for defense work after the war ended.

By early December, CENTCOM had approved 51 construction projects and forwarded them to the Saudis. Of these, 29 were under construction or pending contract award and 19 were at various levels of design by MEAPO.

The process of turning these contracts over to the Saudis was neither smooth nor easy. Some contractors resisted this action. On 28 October, the Corps had awarded a contract to Bin Zehefa to rent construction equipment (dump trucks, dozers, graders, loaders, water distributors, light sets, and generators) to the 20th Engineer Brigade. The Corps modified the contract to increase the amount of equipment and encompass additional locations. It further modified the contract to extend the performance period 45 days to 23 January 1991.

On 10 December, the contractor formally requested that his contract remain with the U.S. government, and Dhahran Area Office officials quickly explained the reasons for assigning the contract to the Ministry of Defense and Aviation. Ali Saad Zehefa, general manager of Bin Zehefa, replied that when he had signed the assignment agreement, he was under the impression that the basic elements of his contract would remain unchanged. He refused to provide the equipment agreed to in the second modification and began removing his equipment from various work sites. Maneuver commanders urgently needed the equipment to conduct their missions, and there was no time to mobilize a new contractor.

Zehefa explained that although he had signed the assignment agreement, he could not accept working with the Ministry of Defense and Aviation because the ministry cut his price in half and made him pay for all maintenance and spare parts. Zehefa withdrew his equipment because of the uncertainty about whether the United States or the ministry had his contract.

In December, William Brewer, the Dhahran Area Office's chief of contracting, directed Zehefa to stop negotiating with the Ministry of Defense and Aviation, encouraged him to deliver the rest of his equipment, and assured him that the Army would pay him. On 1 January, Zehefa reminded Brewer of this promise and again asked for payment. Brewer responded that the Joint Forces Support Unit had informed the Dhahran Area Office that the ministry would retain responsibility for paying Zehefa. Thus the Dhahran Area Office had no authority to make payments.

A market analysis concluded that Zehefa's prices were reasonable, but the Saudis compared his prices to the costs during normal times. They refused to consider the risk associated with the lease. The 20th Engineer Brigade ultimately took Zehefa's equipment into Iraq where it was damaged.[19]

On 6 January Miller met with Major Al–Shonaify to discuss contract turnovers. Al–Shonaify was reviewing all the contract packages that MEAPO(SWA) had turned over on 23 December and was checking the vouchers against the contract scope of work. He had not yet signed any of the transfer documents and was going through each contract in minute detail, trying to understand and reconstruct each action and modification. Apparently the major was personally and financially responsible to the Ministry of Defense and Aviation's finance office for the accuracy of the financial data, so he would not accept the Corps' figures without completely understanding them. Major Al–Shonaify was frustrated by having to handle transfer actions in addition to the new contracts.[20]

The Dhahran Area Office had to identify the contract value and quantity and then determine the exact quantity shipped, received, and paid for. Shipping documents had to be accurate before Al–Shonaify would approve payment. If the amounts and quantity did not add up, he could not receive reimbursement from the Ministry of Defense and Aviation's finance office.

The ministry instituted a new procedure that required Major Al–Shonaify to submit contract award packages to General Khalid Bin Sultan first for review and approval. If the general approved, he sent the contract to the Ministry of Defense and Aviation's finance office for budgeting, and the Dhahran Area Office returned the contract to Khalid for final approval and issuance of the notice to proceed.

The Ministry of Defense and Aviation's processing took at least five days. At one point, Miller complained that all the critical projects were "caught in this web." Nine contracts including the construction contract for life support areas with Mechanical and Civil Engineering, Saudi Arabia, Ltd. were formally transferred to the Saudis on 10 January 1991.[21] Transferring contracts, however, remained difficult and time-consuming.

MEAPO recognized that its role would not end with the transfer of the contracts. On 29 January 1991 MEAPO signed a memorandum of agreement with the Joint Forces Support Unit to provide quality assurance, technical oversight, and contract administration services. The agreement established the procedures under which MEAPO would provide these services to the support unit. The support unit agreed to manage the contracts that it awarded and administered to ensure that contractors produced quality products within the specified construction time. MEAPO agreed to help in this effort.

The Joint Forces Support Unit would furnish contract data outlines on a "Ministry of Defense and Aviation Contract Award Status" form within three days of the award, provide a contracting officer representative to work at the Dhahran Area Office or other locations in Saudi Arabia, give MEAPO a copy of the contractor's progress schedule within seven days of the award, and provide a project engineer. MEAPO in turn would perform technical oversight, provide a quality assurance representative, participate in site visits, and record progress and deficiencies.[22]

Although MEAPO(SWA) and the Joint Forces Support Unit maintained a cordial, cooperative relationship, procedures for host nation support continued to pose significant challenges.

Support from the Government of Japan

The United States also received support from European and Asian nations. Japan wanted to contribute to operations in the Persian Gulf but did not want to give money directly to the United States or provide any resources that would contribute to warfare. In late August, the Japanese government pledged $2 billion to support the coalition efforts as part of Operation DESERT SHIELD, including about $1.7 billion in cash and assistance-in-kind to support U.S. forces. Through an exchange of notes between the secretary general of the Gulf Cooperation Council (an organization made up of Saudi Arabia, Bahrain, Qatar, United Arab Emirates, Oman, and Kuwait formed in 1981 as a reaction to the Iran–Iraq war) and the Japanese ambassador, the Japanese government established the Gulf Peace Fund's administrative committee to manage a fund in support of coalition forces engaged in DESERT SHIELD/DESERT STORM.

The Japanese government deposited money into the Gulf Peace Fund account, and the administrative committee apportioned funds to various countries and multinational forces. The fund was to be used specifically for projects outside Saudi Arabia that were not funded by host nations, projects and equipment in Saudi Arabia that U.S. forces might recover or relocate during Operation DESERT SHIELD, and contracts in Saudi Arabia for materials to fulfill urgent needs of U.S. forces that the Saudis could not meet.

Japan limited its contributions to noncombat support, specifically materials and equipment to protect against the harsh environment, material and equipment for potable water, noncombat vehicles, construction and communication materials and supplies, office materials and equipment, materials and supplies for accommodations, and food and medical supplies.[23] The fund not only let the Japanese government make contributions within its domestic political and legal constraints but also served as additional proof that Iraq was opposed by a broad coalition.

The Defense Department submitted a list of required items to Japanese officials who generated a list of items their government could provide. During a 5 September 1990 meeting in Japan, Japanese officials offered to construct a 200,000-person camp in lieu of or as part of the items on the list. They agreed to provide materials and engineer advisors if U.S. troops provided the labor. CENTCOM proposed instead that the Japanese construct several base camps using modular facilities. Believing that the modular buildings could be acquired more cheaply in local markets or in the United States, the theater commander recommended that Japan provide the funds and let the United States contract for the construction of the base camps.

At CENTCOM's request, the services identified their requirements for base camp construction and modular buildings. CENTCOM planners estimated that ARCENT forces would need more base camps than the six already planned. They realized that given the current financial and legal constraints on military construction, Japanese government contributions might be the only way to fund the construction of these base camps.[24]

The Joint Staff directed CENTCOM to use Japanese support rather than U.S. funds but left it up to the theater commander to determine the mix between Japanese financial assistance and assistance-in-kind and to determine the type of support required.

Although CENTCOM's first priority was to construct base camps, it identified other useful items that the Japanese could provide such as vehicles, fax machines, computers, television sets, video cassette recorders, forklifts, and water purification systems. Troop units needing materials submitted a DD Form 1391 to CENTCOM headquarters, with site plans, host nation approval, required delivery date, and location.

Japan provided equipment, materials, and supplies worth nearly $500 million—hundreds of 4-wheel-drive vehicles, water trucks, refrigerator vans, fuel vehicles, and television sets for the troops. The Japanese embassy in Riyadh awarded contracts for the delivery of tons of construction material—asphalt, concrete, lumber, and other building supplies. The Japanese contracted directly with suppliers for delivery of the items. CENTCOM authorized units to deal directly with a vendor who was under contract to the Japanese to get the materials. The Japanese worked closely with U.S. Forces, Japan, and CENTCOM to identify requirements.[25]

The Corps' involvement with the Gulf Peace Fund began on 10 October when Lieutenant Colonel Cox met with the American consul in Dhahran, the Japanese ambassador to Kuwait, and other Japanese officials. Together they toured the port at Dammam where they watched soldiers unload 4-wheel-drive vehicles and pickup trucks that the Japanese government had donated.

Later the U.S. ambassador to Saudi Arabia, the consul, several Japanese representatives, and Cox flew by helicopter to the austere desert camp of the 197th Infantry Brigade. The brigade commander escorted them to his tactical operations center where he briefed them on his command's activities. After treating the distinguished visitors to a lunch of prepackaged "meals ready to eat," the commander led them to a nearby site where his troops were clearing ground for a planned base camp—or life support area as it was now called. They discussed current shortfalls in the construction contract and the need for additional life support areas.

The group returned to Dhahran to meet with General Pagonis. Military officials discussed the progress of the six life support areas underway and the 18 more under consideration and then asked the Japanese representatives to assist in funding the camps. The Japanese officials listened attentively, asked questions, but made no commitments.[26]

Meanwhile, CENTCOM continued to use Japanese funds for small troop construction projects (under $2.5 million). It negotiated the contracts for these projects, but the Gulf Peace Fund awarded them. By mid-November, CENTCOM had $32 million in indefinite delivery contracts in place or under negotiation for lumber, concrete, asphalt, aggregate, structural steel, electrical components, and plumbing supplies. By early January the CENTCOM engineers had negotiated and the Gulf Peace Fund had awarded roughly $350 million in contracts to support construction, mostly for lumber, concrete, and other materials that vendors delivered to troop projects.[27]

Although the host nation support implementation plan provided for construction contracts within Saudi Arabia, CENTCOM's area of operations included Bahrain, United Arab Emirates, Oman, Egypt, and other countries, and U.S. funding was the only mechanism for doing military construction in those countries. As more Air Force and Navy projects developed in those countries, Braden, Cox, and Miller saw the need to rely more heavily on the Gulf Peace Fund.

In mid-October, as use of Japanese assistance-in-kind increased, CENTCOM began to establish the necessary contracting procedures to take advantage of the Japanese offer for facilities support. Braden worked to ensure that part of the Gulf Peace Fund's money supported the engineer effort. A support plan generated at MacDill Air Force Base had predicted that the

Japanese officials visit the base camp of Colonel Ted Reid's 197th Infantry Brigade.

facilities requirements in the theater would cost more than $1 billion. Braden also knew that the military had no good way to fund construction projects above $200,000.

In early December, Braden and Miller discussed how to use the Gulf Peace Fund more effectively. Braden considered having the Japanese deposit locally some money that U.S. forces could draw on. But he did not know how much he could get. He wanted to have a single, responsive contractor working directly for CENTCOM. Could they develop such a contract? Could they put it in place in time for it to be useful- in other words, before the ground war began? What kind of mechanism could they set up? Miller suggested that they use an international three-party agreement, similar to some MEAPO had used before. Braden asked the Corps to help develop procedures to use Japanese funding to construct temporary facilities for U.S. forces outside Saudi Arabia.

FIDIC Construction Contract

Matthew Thomason proposed using a Federation Internationale Des Ingenieurs-Conseils (FIDIC) contract, advanced by the International Federation of Consulting Engineers, for construction in the theater. Cox recommended to

Braden that CENTCOM use the FIDIC format in conjunction with a foreign military sales case to fund MEAPO's administrative costs.

The FIDIC construction contract was between the employer and the contractor. A third party was the "engineer" who acted as a neutral party to decide any disputes that arose between the employer and the contractor. The engineer was similar to a contracting officer, except a contracting officer was party to the contract and responsible for paying the contractor. As the contract administrator, the engineer ensured that specifications were complied with, certified progress payments, issued changes and time extensions, accepted the completed work, and made the initial decisions when disputes arose. As in any construction contract, the contractor built the project according to the contract specifications within the time allowed. The employer paid the contractor after the engineer had certified payment.[28]

Although the Corps used the federal acquisitions regulations and had little experience with a FIDIC contract, MEAPO had used one to build an air base for the Bahrain Defense Force. When Miller asked his staff in Winchester how quickly they could implement such a contract, they answered they could do it in just 30 days. At that point, Miller and Braden decided to ask the Japanese to contribute $100 million. They met with three Japanese representatives who carried the request back to Tokyo, where government officials quickly approved it.

While MEAPO officials in Winchester identified potential contractors, Braden and Miller met with Dr. Tomihiko Furuta, the deputy executive director of the Gulf Peace Fund's administrative committee on 10 December. Japanese officials had no experience with cost-reimbursable contracts and worried that the proposed contract would exceed their budget. Miller had difficulty explaining how cost-reimbursable contracts worked in part because of the language barrier. The participants agreed that if Japan accepted a cost-reimbursable contract, the Corps would have a primary role in administering it, and the United States would recommend one firm to Japan for award of the contract.[29]

On 18 December, Braden directed the Corps to solicit proposals from U.S. firms for a $10 million to $100 million cost-reimbursement contract for engineering, engineering management, and construction services. Interested firms had to be able to mobilize within 30 days of the contract award in Bahrain, United Arab Emirates, Qatar, Oman, and Egypt. The Gulf Peace Fund would award the contract.

Braden directed the Corps to evaluate the proposals and rank the contractors by their ability to perform the work. The Corps would then recommend a firm to CENTCOM and Gulf Peace Fund officials. It would also prepare a proposal for the Corps to act as the Japanese government's agent to administer the contract on behalf of both the Japanese government and

CENTCOM. The proposal would include an estimate of the cost of the Corps' services. Braden hoped to award the contract by 15 January 1991.[30]

At Braden's direction, MEAPO prepared a standard cost-reimbursable construction contract, using the FIDIC format. The project would be controlled by task orders, which tracked scope, time, and cost until the contractor completed the task. Using a data base of U.S. contractors interested in work in the Middle East and *Engineering News Record's* lists of the 400 top contractors and 400 top construction firms, MEAPO identified 15 candidates. It considered only firms with $200 million in contracts, foreign experience, and the ability to mobilize within 30 days.

On 18 December, a MEAPO selection board developed a short list from the 15 candidates. The criteria for evaluating companies on the short list included $100 million in foreign contracts, current activity in the Middle East, and experience in horizontal construction—specifically airfields. Only four contractors—Bechtel, Brown and Root, Inc., CRSS Constructors, Inc., and Perini Corporation—met the criteria. On 21 December, MEAPO gave each a draft contract and a scope of services and invited each to give an oral presentation to its selection board. The board rated them on past experience and performance with cost-reimbursable contracts, ability to mobilize within 30 days, and capability to provide services in the Middle East. After careful review, the board selected Bechtel on 4 January. MEAPO officials completed negotiations on 9 January.[31]

Three days later, MEAPO personnel in Winchester transmitted a complex, 76-page contract to Bechtel's Tokyo office. Miller commended his staff for the hard work. "CENTCOM," he proudly observed, "was impressed that you were able to pull it off."

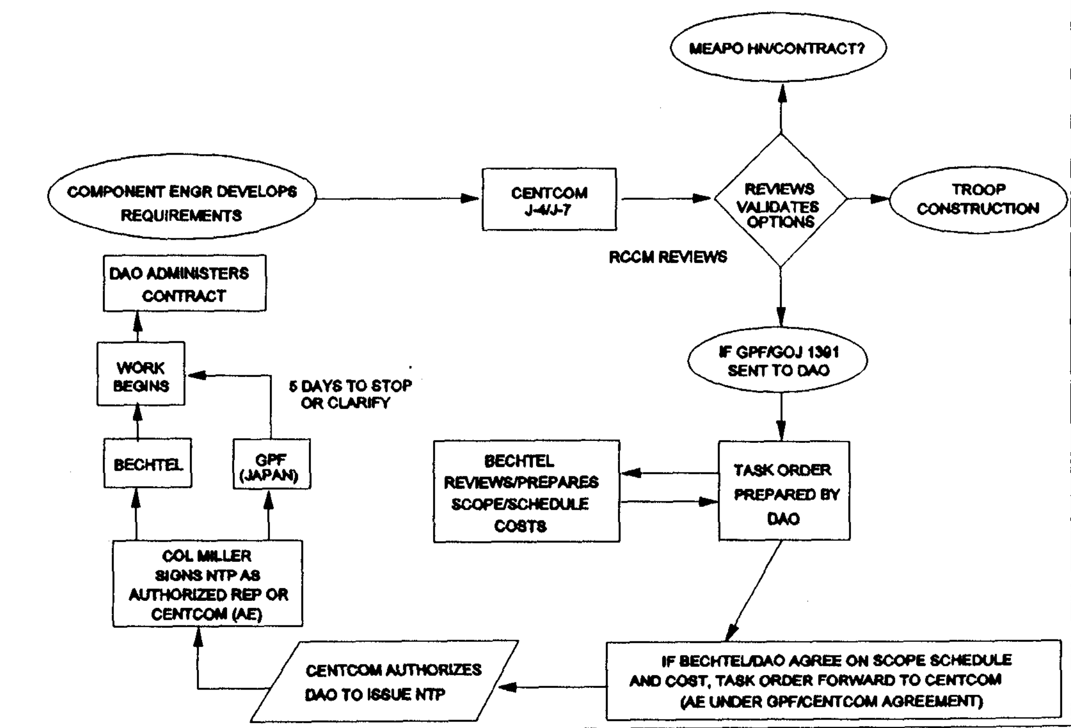
Gulf Peace Fund officials and Bechtel representatives held discussions in Tokyo from 12 January to 18 January when they resolved the last of their differences. The Gulf Peace Fund agreed to give Bechtel an advance based on a 30-day estimate of the work. The Corps would issue task orders to Bechtel and the Gulf Peace Fund simultaneously, and the Japanese government had five days to issue a stop order if it disapproved of the task. Gulf Peace Fund officials had insisted on checking all equipment and materials before purchase but now agreed to review the invoices that the United States submitted for payment instead.

The Corps reworded the contract to reflect these changes and to limit the contractor's performance to Saudi Arabia, Qatar, Bahrain, United Arab Emirates, Egypt, Kuwait, and Oman rather than "other Gulf countries as required." Because the Gulf Peace Fund refused to finance projects that supported combat operations, it remained unclear whether the contractor could construct airfields.[32]

Bechtel signed the $100 million contract with the Gulf Peace Fund on 22 January 1991 for an undetermined number of task orders, just two weeks after the original solicitation. At a meeting the next day with the Bechtel's project manager in the theater, John N. Vanderschaaf, Miller issued the first task order directing Bechtel to develop a management plan. The second task order issued on 25 January directed the contractor to mobilize. Meanwhile, CENTCOM officials reported, "This program provides responsive construction support while conserving valuable troop labor assets for forward engineer missions."[33]

The process for handling a task order was well defined. The component engineer initiated the requirement for a project by submitting a DD Form 1391 to General Starling's staff. The regional contingency construction management team made up of engineers representing the various services and the Department of Defense's contract construction agent, the U.S. Army Corps of Engineers [specifically MEAPO (SWA)], reviewed the form and recommended that the CENTCOM engineer validate it. The team also recommended whether the project should be constructed by troops, contracted through MEAPO/host nation support, or assigned to the Gulf Peace Fund/Bechtel contract. Generally it reserved the Bechtel contract for projects outside Saudi Arabia.

GPF TASK ORDER SYSTEM



Colonel Braden validated the project and CENTCOM's deputy commander, Lieutenant General Calvin Waller, approved it. CENTCOM entered the project in its approved project priority listing. The approved DD Form 1391 went to the Dhahran Area Office where the staff prepared the task order and the commander signed it as the "authorized representative of the architect (CENTCOM)." The Dhahran Area Office forwarded the task order to Bechtel.

Bechtel provided the scope of work, estimated the cost, and scheduled the requirements. It then prepared the second part of the task order, which was the concept for accomplishing the work, plus the estimated cost and schedule. If the Dhahran Area Office and Bechtel agreed on the scope, cost, and schedule, the task order went to CENTCOM for review.

Miller reviewed the task order and prepared a cover letter recommending Colonel Braden's approval. Once Braden approved the order, Miller signed the "notice to proceed" for CENTCOM. The completed task order with a notice to proceed was faxed simultaneously to the "contractor" (Bechtel) and the "owner" (the Gulf Peace Fund's administrative committee). Bechtel was to begin work as soon as it received the notice to proceed. Gulf Peace Fund concurrence was not required. Under the contract, it had five days to stop the work if it had objections.

The MEAPO staff helped CENTCOM develop criteria, concept designs, and other elements that formed the basis of a tasking to the contractor. The Dhahran Area Office had no contracting officer authority or responsibility. Bechtel performed the Corps' traditional management functions—cost control, subcontracting, and engineering—and the Corps monitored these activities.[34]

To administer the contract effectively, the Dhahran Area Office established a Gulf Peace Fund resident office next to its headquarters with engineers, contract specialists, procurement specialists, and program analysts. Bechtel co-located at the resident office. During peak operations, the resident office included seven people from the Corps and 60 from Bechtel. At one point, it simultaneously administered eight major projects.

Within the first few weeks, the Gulf Peace Fund resident office issued 11 task orders for Bechtel. Two were to mobilize, six were for civil construction, one was an electrical project, and two were to repair existing facilities. Bechtel completed airfield expansions, runway improvements, parking aprons, storage yards, vehicle wash racks, and hazardous waste collection and disposal facilities in five countries.

From 26 January to 28 March, Bechtel received task orders to pave a 35,000-square-meter parking apron and install utilities at Doha, Qatar, pave a 24,000-square-meter parking apron at Fujairah in the United Arab Emirates, construct a 7,000-square-meter slab for an expedient structure (warehouse) at Fujairah, evaluate an asphalt plant and a rock crusher plant at King Khalid Military City, and apply 8,000 square meters of dust palliative for a helicopter pad in Hurghada, Egypt. In addition, Bechtel built an 86-station wash facility at a cost of $5 million for soldiers to wash and disinfect wheeled and tracked vehicles before redeployment. Vehicles had to conform to U.S. Department of Agriculture standards before they were returned to the United States[35]

One major area of the Gulf Peace Fund's contract work—environmental assessment and cleanup—continued long after the war ended. ARCENT was CENTCOM's executive agent for the theater environmental program, but in the first months, the focus was on deploying and sustaining troops. Environmental concerns were secondary. On 6 March 1991, General Stevens and General Al-Hussein met to discuss funding the disposal of hazardous wastes generated by U.S. forces in Saudi Arabia. Because it was an immediate requirement associated with redeployment, General Waller suggested that U.S. forces execute a contract to remove hazardous waste and arrange for Saudi reimbursement later.[36]

The Gulf Peace Fund contract, however, offered a better mechanism. CENTCOM directed Bechtel to assess the environmental impact of U.S. troops in the theater and to collect hazardous wastes left behind in Saudi Arabia and other Gulf countries. Bechtel specialists managed the collection, identification, storage, and disposal of oils, solvents, hydraulic fluids, battery acids, lubricants, coolants, and medical wastes. Wastes were consolidated in a collection yard and later either placed back in the Army system to be reused or disposed of in an approved facility.[37]

As troops withdrew, MEAPO(SWA)'s responsibilities for administering the environmental program increased. CENTCOM logisticians asked MEAPO for a qualified environmental engineer to ensure that the United States did not mismanage the politically sensitive environmental contracts with Bechtel. The 416th Engineer Command forwarded to the Dhahran Area Office technical guidance for initial environmental assessments.[38]

After the bulk of the U.S. troops and equipment had redeployed, the Gulf Peace Fund contract with Bechtel was terminated. At the time, Bechtel had been paid $50 million. Another $50 million was left in the Gulf Peace Fund account.

Observations

The Gulf Peace Fund gave the Corps an effective way to fund work in and outside Saudi Arabia. It was faster and more responsive than host nation support. Bechtel had an organization in Dhahran with many of the same capabilities that Cox had at the Dhahran Area Office. Cox praised Bechtel for its responsiveness and recommended in future operations using a contractor who would work on a cost-plus basis. This "combat heavy contractor" could perform the functions of a combat heavy battalion. Miller concluded that the contract worked "beautifully" and was "an absolute success." Miller and his staff had set up in just 34 days a contract that normally took four months to develop. Mobilizing Bechtel so quickly, Braden conceded, was a "high point" of his tenure in Saudi Arabia. The Gulf Peace Fund activities, he observed, "exceeded our expectations in every point."[39] Although Japanese assistance-in-kind contributed significantly, the Gulf Peace Fund contract with Bechtel came too late to have a major impact on the war or its outcome.

Host nation support, like Japanese assistance, was a valuable asset, but it had weaknesses. It worked well in developed areas such as Dhahran, Riyadh, and Jubail, but not in undeveloped areas with no infrastructure. The system was slow, and some contractors stopped work when hostilities threatened.

The chief contracting official for ARCENT SUPCOM, Colonel Charles D. Bartlett, was particularly critical of host nation support. "From the very commencement of the operations," he observed, "there were extreme difficulties in obtaining timely support from the host nation." This, he explained, was because the Saudis lacked the necessary contracting infrastructure and the same sense of urgency in meeting U.S. requirements. "Consequently," Bartlett conclude, "our requirements were questioned and our commander lost valuable flexibility in providing responsive contracting support to U.S. forces."

In addition, the procedures for transferring a contract to the Saudi Arabian government were very bureaucratic. Saudi officials always tried to get a better price, often awarding contracts automatically to the lowest bidder. U.S. contracting officials did not always do this if the bidder did not have the management structure or technical expertise to complete the contract. On a positive note, contracts that took six months in the United States could sometimes be expedited in six days in Saudi Arabia. A solicitation could open for only 3 to 5 days rather than the usual 10 to 30.[40]

After the war, the Defense Department reported to Congress that host nation support was "absolutely critical" to the rapid deployment of forces. It let the United States military deploy substantial combat power early in the process when the risks were greatest. "Had support in the form of host nation or assistance-in-kind not been provided by coalition partners and other responsible allies and friends," defense officials added, "some combat units would have had to have been displaced by support units when that did not seem prudent."[41]

The Defense Department estimated that the Gulf operations cost $61 billion. By 11 March 1992, coalition countries had provided an estimated $53 billion to offset these costs (more than $47 billion in cash). Two-thirds of this came from Saudi Arabia and the other Gulf states directly threatened by Iraq. The rest came largely from Germany and Japan. Saudi Arabia funded roughly 75 percent of the construction projects. Besides port facilities and telecommunications, it provided 4,800 tents, 600 buses, 1,073,500 gallons of packaged petroleum products, 333 heavy equipment transporters, 20 million meals, 20.5 million gallons of fuel per day, and bottled water. Saudi Arabia provided U.S. forces with more than $16 billion in assistance-in-kind and cash contributions.[42]

Without assistance from Saudi Arabia, Japan, and other nations, the United States government would have had to raise taxes or add to its already unwieldy budget deficit. More important, U.S. troops might well have faced severe shortages in facilities, equipment, and supplies.