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Background Briefing on Reconstruction Contracting in Iraq

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(Participating were Lawrence Di Rita, acting assistant secretary of defense for public affairs; Retired Navy Rear Adm. David J. Nash; a senior administration official; and a senior U.S. Agency for International Development (USAID) official.)

NOTE: Ground rules changed during the briefing. Mr. Di Rita and Admiral Nash's comments were on the record, while other participants were on background.

Di Rita: I wanted to thank everybody for coming today. We wanted to talk about an issue that has been discussed in segments over the course of the last, I would say, four or five months, and that has to do with the sort of continuing reconstruction of Iraq, in particular projects and project management, and reconstruction funding more generally. It's an issue that involves a large -- a significant number of agencies, with respect to U.S. dollars, of the U.S. government, and several of them are represented here today.

The Congress appropriated a significant amount of money for the purposes of reconstruction of Iraq. And over the course of the period of time since the Congress appropriated it and the president signed it into law, there's been continuing sort of assessments of how that money shall be applied. We, obviously, made a proposal to the Congress; the Congress passed it on that basis. And today, or last night, I suppose, we've made the statutorily required report to the appropriations committees as to how that money will indeed be applied. That report was made by the director of the Office of Management and Budget yesterday.

One thing that I would sort of emphasize in the report, which I think is available online as of today -- (Aside.) -- Is that right? -- is that since the Congress appropriated these funds, there have been a handful of specific and fairly discrete dynamic events that call for continued assessment as we move forward on how these funds will be applied. The Madrid Donors Conference raised a certain amount of money; that was speculative at the time of the appropriation. There's been a decision to accelerate the transfer of sovereignty to Iraq over the course of the next several months, which, obviously, gets to the question of how then, would you prioritize reconstruction funds in consultation with Iraqis. And that's something that Iraqi's have views on, and it's appropriate to take their views into account. So I only mention this as -- and this is reported in the report to the Congress, that these kinds of

activities subsequent to the appropriation of funds have necessarily called for the kind of flexibility that we know we will need. And as we develop proposals over the course of the year, and as we spend this money, we will be in continued communications with the Congress as to how it's being applied to make sure that we are consistent with what we had told the Congress, but, obviously, applying the flexibility we know we'll need.

With that being said, there's been a lot of discussion about this so-called determination and finding with respect to how the U.S. dollars will be spent, and in particular, once that determination was made, when we would start issuing the requests for proposals and the bids -- how that process would begin. We're very pleased that we've got the manager of that process with us today.

I will note, for the purposes of our ground rules, that these -- this is how you should refer to us. But let me, if I may, just introduce who we do have here.

[Name deleted; refer to as Senior Administration Official.] -- from the Office of Management and Budget, who is [Title and role deleted.].

Q: You said that with a smile. (Laughs.)

Senior Administration Official: I do, with true honor. As the person paying our salaries around here.

[Name deleted; refer to as Senior USAID Official.] from the Agency for International Development. As I said, this is -- the reconstruction of Iraq is truly a multi-agency activity, and the agency has been involved since the beginning on some very significant reconstruction activities.

I think most of you know [Name of briefer deleted.], who will be the [Title deleted.] for Iraq.

And we have [Name of briefer deleted.], who is a Department of Defense official sort of [Duties deleted.].

However, that said, this is a background briefing.

Q: (Off mike.)

Di Rita: Yeah, Rex?

Q: Why does it have to be on background?

Di Rita: Because that's what we're going to do.

Q: Yeah, but what purpose does it serve?

Di Rita: Because this is sort of a process story, and we're going to talk a lot about procedures and process. And if there's some specific thing you need on the record -- I'll tell you what I'll do is -- anything I say is on the record. How does that sound? Is that helpful to you?

Q: (Off mike.)

Di Rita: Good.

Q: Well, I mean, can I push, too? He's -- (Name of briefer deleted.) talked to some construction trade press and some other papers. He's a well-known, high-visibility -- higher visibility than you, even -- figure on this.

Di Rita: I believe that. He knows something. That's why.

Q: He's talking about what's going on this week, with RFPs being released and non-processing stuff. Can he go on -- can we use him on the record in that news -- the stuff that's going to push a news cycle or at least --

Di Rita: I don't know how we feel about that.

Di Rita: Why don't we take it on a --

Di Rita: Yeah. I mean, it's -- I'm okay with -- if somebody comes back and says, "Geez, this is a statement that we find would be particularly helpful to be on the record," then I'm -- I think we're fine with that. So why don't we just proceed on the basis of anything I say is on the record; these are senior officials, as indicated; and if you have something that you'd like to attribute, just let me know and we'll work that out. I think we can do that.

Q: As long as everybody else can --

Di Rita: I can handle that.

Q: All right.

Di Rita: So as I said, we've sort got this process. The Congress has appropriated funds. We've reported to the Congress. The Office of Management and Budget has reported to the Congress how we intend to apply those funds. We will soon be announcing the issuance of our request for proposals and -- but before we even get to that point, I'd like to turn it over to our Agency for International Development official to talk about some decisions that the agency has made today. And with that, I'll turn it over to you, sir.

Senior USAID Official: Thank you. On behalf of the American people, I'm pleased to announce that USAID has made its selection of its prime contractor for the Iraq infrastructure II contract. The contractor is Bechtel National, Incorporated, who is teamed with Parsons of Pasadena, California.

This contract will be implemented in partnership with the CPA and the PMO in Baghdad, and in cooperation with the Iraqi contractors and the Iraqi ministries.

Basically, the contract will follow the model that's already under way in existing and intensive infrastructure programs in Iraq, including the power sector, water and sanitation, sea- and airports, transport, and other building infrastructure.

And it's basically an up to \$1.8 billion contract, which will be implemented under a 24-month period. And it was awarded basically under full and open competition procedures and consistent with the federal acquisition regulations.

Thank you.

Di Rita: And with that, maybe --

Q: Could we have that on the record? That's an announcement.

Di Rita: That's fine. That's fine. That's public.

Di Rita: It's on the record, it's public, that's fine.

I don't know, maybe it would be best just to get into the Q&A, unless Adm. Nash, you wanted to make a --

Nash: No.

Di Rita: I think the other thing, as I mentioned, is we will soon be -- and I think some of them may even go out today, issuing RFPs for the first -- for that tranche of activities associated with the major construction contracts in Iraq, and I think that total is something on the order of \$5 billion. Is that correct? So, we've got the AID announcement today, and soon we'll -- I think today we'll probably start issuing RFPs on the \$5 billion.

Q: What about the RIO rebids for the north and south oil wells? What are the status of those?

Senior USAID Official: The RIO, the Army.

Nash: I don't know. They've not been awarded, to my knowledge.

Di Rita: Yeah, I think the Army is kind of close, but I'm not sure that there's been any announcements made.

Q: What's included in the \$5 billion?

Nash: Essentially work in all six sectors -- or all five sectors, rather, excluding oil, because oil is an Army contract, with -- you know, in electricity, in water, in security and justice, in transportation and communications, and then finally, in buildings and health. You know, the six -- the five minus the -- the six minus the oil, that I've been talking about ever since November.

Q: How long do you envision before you make awards?

Nash: It's a process. If you recall our process before, it was going to award about the first part of February. So we've been delayed about -- not delayed; it will be 30 days later. So it will be somewhere around the first part of March, you know, depending on how the acquisition process goes --

Q: What has been the cause of the delay, because these were meant to come out a month ago? And what, in your estimation, caused the delay?

Nash: Well, as [the other briefer] said, there's been a lot of discrete events occur. You know, with the transition on 1 July, wanted to make sure that we had this correct before we moved forward because this is a lot of money. And so we've been carefully going over all the aspects of it to make sure we get it right.

Di Rita: If you think about it, I think it was some time November 17th, or something like that, that we had this contractors conference where [the other briefer] discussed the priorities and the sectors, and things like that. November 15th, we had this agreement on the transition to sovereignty. And it seemed, and in fact was perfectly

appropriate for the Coalition Provisional Authority, the contracting officials, other responsible officials with policy responsibilities to say, "Gees, we've just had this decision. On June 30th, something's going to happen." How we define that something, obviously, remains to be determined. But with that in mind, it's probably prudent to go back and say, "Is the way we thought we were going to spend this money, and the period during which it would flow out, the same as it was the day before we had this understanding that June 30th was a discrete and specific date?"

So that takes time. Everything takes longer than you think it's going to take anyway. But the fact is that it does take time to sort of assess, "Geez, how do we feel about that?" And that's the process that's been going on.

Senior Administration Official: Let me sort of illustrate the point. We had planned -- the Congress had put in about \$100 million for democracy-building activities. November 15th, everything changed, and the presumption was we'd have to concentrate more resources than \$100 million on democracy building, so we've elevated it to about \$400 million to work with local governments and try to build up the capacity, whether it's a national registration process for elections, whether it's the traditional law, we shifted emphasis. That meant we had to readjust from other accounts where we assumed we were going to spend that \$300 million.

Di Rita: So, Tony.

Q: Just a bit of clarity here; \$5 billion dollars of contracts, of RFPs, and how many projects is it? Is it 23 of the 26?

Nash: No, there'll be 10 construction contracts and then the program management contracts as well. So, as you recall, that would be a total of about 17.

Q: Can you bring us up the difference between \$5 billion, \$1.8 billion and the \$18 billion overall figure -- where does the rest of that flow from?

Nash: Well, we have the money that we're holding for later, the \$4 billion --\$4.6 billion -- we talked about. And then part of the money in the \$18.4 billion, or \$18.6 billion, is for non- construction. And some of that non-construction is non-procurement; it's more grant and other things. So, if you examine the report and you look at the supplemental, it pretty well lays out how the money flows. And we've just done the accounting to make sure that we kept everything in the right place. And as you all know, there's requirements about how you can move money between sectors and how much within a sector, so we've abided by all that.

Q: Can you just clarify the \$5 billion in RFPs that will come out, hopefully, today, how many actual contracts does that represent?

Nash: That's actually 17.

Q: Seventeen?

Senior Administration Official: Yeah. But the larger ones are -- contracts are construction contracts. But the thing I keep trying to remind people is it's kind of like a bucket: it's got capacity, but it doesn't have any water in it, and as we decide to fill it full -- oh, maybe that's too simple-minded, but it works for me.

Senior Administration Official: I think, simplifying it, is that there are 10 construction contracts --

Nash: Right.

Senior Administration Official: -- which I think was your question. I mean, what money are we going to put against an actual activity -- electricity, you know, you're going to put \$1 or \$2 billion against that. And then you've got a series of contracts that you intend to have manage those contracts.

Nash: To help us manage.

Senior Administration Official: And so those are a different kind of proposition than an actual implementation of an initiative on the ground.

Q: Where does further consideration with the eligibility list stand?

Di Rita: You mean this question of the determination of findings?

Q: Yes.

Di Rita: Is that what you're talking about?

Q: Mm-hmm. (Affirmation.)

Di Rita: There's been no change in the policy. The policy is that that determination, which I think involves the United States, Iraq, coalition forces and force-providing nations, are those countries from whom companies can be prime contractors with respect to the \$5 billion.

Q: But are you revising the list? Are you adding countries when you put out the RFPs?

Senior Administration Official: No. I mean there's been no change to the policy.

Q: Still 63 or whatever?

Di Rita: Whatever it was, I don't know the number. It's the list that was published.

Q: Do you know when you will complete further consideration?

Di Rita: You know, again, I talked about the need for flexibility. This is going to be a process that over time is going to get continued scrutiny. We're going to decide or people will look at how the money's actually flowing - Adm. Nash talked about that; the kinds of contracts that we may need to issue on the non-construction side; how we want to continue to encourage other countries to participate in the reconstruction of Iraq -- and there are lots of ways to do that outside of this process. There's the Madrid process. Countries can invest in on their own -- for their own purpose and for their own reasons. So I wouldn't look for any other deadlines. I mean, this is going to be a rolling activity of continued reconstruction in Iraq. And frankly, even the June 30th, that's a deadline with respect to how we talk about sovereignty, but there will be activity that continues beyond that date across the board.

Q: I guess I'm wondering, then, why you reopened the issue with a question yesterday.

Di Rita: Reopened what issue?

Q: Why it seems to still be open-ended. The answer is, "At this time, the original list posted in the December 16th question and answers still remains valid."

Di Rita: I don't know what you're reading from. What I just told you is --

Q: I'm reading from what you put on the FedBiz Opportunities site yesterday.

Di Rita: I don't --

Q: Okay. It was a question-and-answer sheet that said, "Have there been any changes in the initial list of eligible countries?"

Di Rita: And the answer is no.

Q: The answer was first, "the original list posted still remains valid. This is list under further consideration, however, and may be revised."

Di Rita: I don't know what that is. I'm just telling you what it is. And the reality is what I've just said, which is the determination and finding with respect to the 5 billion is unchanged, and the continued assessment of how we spend money in Iraq is something that's never going to end until we're finished with the reconstruction -- our activities associated with the reconstruction of Iraq.

Senior Administration Official: Ain't that the shorthand version of what Larry just said?

Q: Will the input on debt relief be one of the considerations further out in terms of the revision of the list, and countries' willingness to participate with debt relief?

Di Rita: Listen, that's speculative. Ambassador -- Secretary Baker's been doing some very important work on behalf of the United States and Iraq and the coalition generally, and I wouldn't want to sort of try and define how countries that decide that they would like to be involved in the debt relief activity would then be involved in the reconstruction of Iraq. That's a decision that's just -- we're not prepared to discuss. I mean, I wouldn't even want to sort of discuss the perception of a linkage, because for the most part, there isn't a linkage. I mean, these are activities that will continue as we look at how countries can be involved in the reconstruction of Iraq.

And I want to emphasize -- and the president has said this, and others -- there are lots of ways a lot of countries can be involved in the reconstruction of Iraq, including through this process. I'll remind you that subcontractors, with respect to the \$5 billion, are not limited by the determination and findings. So countries that want to compete as subcontractors for the primes are not restricted by that list. So there's just an awful lot of ways that countries -- and in a sense, a country that decides to engage in debt relief is making its own decision with respect to its goals for the reconstruction of Iraq, and we welcome that.

Q: I have a question.

Di Rita: Chris, yeah. We'll come back to you.

Q: The 4.6 bil that you pulled out, does that postpone any specific projects, or is that everything across the

board?

Nash: Well, in my experience when you implement a program like this, you can't start it all at once, and so you do some of it, you know, you do it over time. And the flow is based on construction, what makes good construction sense and what makes a good priorities for rebuilding the infrastructure.

Q: But no specific project will be postponed.

Nash: As we load these in over time, we'll load them based on what the parameters are; you know, the availability of labor, availability of material, all those kinds of technical things. And so none will be postponed, because by the time we get to the time we need to do the projects on down, some decision will have been made by that time. So it doesn't concern me from a management standpoint, I guess is what I'm saying.

Q: Can you just help us understand what, in fact, Bechtel will be doing with the 1.8 billion? And how is that different than the projects under the 5 billion?

Senior USAID Official: There will not be a large distinction at all between at least the infrastructure components under the 5 billion, the 10 contracts, in what Bechtel does. They are all basically doing discrete projects that are prioritized by the CPA and the PMO, whether they're in electricity or power. So there is not a distinction. It may be based on the availability of the contract now as a bridging mechanism between earlier and future contracts, or it may be that firms have capabilities in certain sectors. But otherwise, there is no distinction.

Q: Let me ask it this way, then. What will Bechtel do for the 1.8 billion?

Senior USAID Official: As I mentioned, it will be similar to the ongoing work in power. Power and water will be the largest components, probably power more than water.

Senior Administration Official: Let me caveat that on behalf of Ambassador Bremer. I don't think that he's made a decision yet, I think partly because of the events on November 15th. He's in the process of -- what we thought the task orders might be a month ago, he's in the process of evaluating. And the guidance he's given to us in terms of apportioning funds is, "I want to come up with a list of how I want to fill that \$1.8 billion in terms of activities, and I'm in the process of working that furiously and will have something to you shortly." But I think he's trying to develop clear priorities to have the highest visibility impact and the most meaningful impact right now.

Q: But the contract you're awarding doesn't specifically --

Senior USAID Official: Does not define the activities. They are defined by CPA and PMO as they --

Q: That seems a little bit different than the normal federal acquisition. I mean, how do you have an open competition if you haven't really told them what --

Senior USAID Official: There is an illustrative list of both the sectors and the types of activities that are likely to arise, but not a specific list of --

Senior Administration Official: And you have things like language skills, engineering -- it's a list of capabilities that you've got to bring to the table for purposes of executing on a task basis.

Q: Can you say how many competitors there were?

Senior USAID Official: There were three competitors.

Q: Can you say who the other two were?

Senior USAID Official: No.

Q: I'm sorry, did you say three other bidders? A total of three?

Senior USAID Official: There were three, total of three bidders.

Q: Total of --

Q: Total of --

Q: Can you give us any insight into how Bechtel won the competition?

Senior USAID Official: Under full and open competition.

Q: But I mean, they had a better offer, they had better personnel, they were cheaper --

Senior USAID Official: I really cannot get into the details, nor do I know the specifics. I was not on the evaluation committee.

Q: It's a continuation of the one they're under now, right? They won -- they --

Senior USAID Official: It is not a continuation of the one they are in, no. Absolutely no connection. It is -- it was a discrete and new contract action, open and announced to all bidders. So it had -- it was not a continuation of any existing work.

Q: That other contract's still operating in parallel to this new one?

Senior USAID Official: That's correct.

Di Rita: I think we have time for a couple more.

Q: Well, maybe I'm slow, but I don't understand why, if there was an open competition, you can't say who the other bidders were. And I don't understand why --

Senior USAID Official: Because the other bidders have to be debriefed before it is legal to divulge their names.

Q: At some point, it's available. Is that correct?

Senior USAID Official: At some point, it will be. (Cross talk.) But at this point, the contract was just awarded, and the losing contractors have not been debriefed.

Q: And what basis was there for choosing a winning bid if you haven't decided exactly what they're going to do yet? I'm a little confused about that.

Senior USAID Official: Their capability to perform in the noted sectors and in the environment, their past experience, quality of the firm and personnel. It is not an unusual format.

Di Rita: I think one more, maybe, or --

Q: Do you oversee or do you have any authority over the Halliburton Energy Services contract?

Nash: No.

Q: You don't.

Nash: No.

Di Rita: This -- we'll take these two, and that really will have to do. Thank you.

Q: There was a report last week that you had tendered your resignation because you were unhappy with the pace of projects. Is this the case? Had you tendered your resignation at one stage? And was there some interdepartmental fighting over --

Nash: No. To be very frank with you, I signed up for 90 days. That started back in July, and that's long past. So I decided I'd come home for Christmas, because I've been deployed for so many years. So I just came home for Christmas is all I did. And now I'm going back here in the end of the week.

Q: Specifically to the contract, when the RFPs are out, how long will companies have to respond, to prepare their bids? Will there be any change in the process the way you outlined it at the industry day in November?

Nash: To answer to the second one first, there will be no change in the process. And they'll have -- 30 days is required to prepare their proposal.

And there's a couple steps. You remember I explained that at -- the thing about how you go through and come down to the final selections. But it's the same process, using the same --

Q: So your advisory down select will still be used?

Senior Administration Official: Yeah.

Q: Okay. And is there going to be a rescheduled -- is there a date for the conference for the potential bidders?

Nash: We haven't rescheduled that.

Senior Administration Official: TBD.

Nash: Yeah, TBD.

Di Rita: TBD. Thanks a lot, folks.

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