

The Department for Trade and Industry

**Coalition Provisional Authority's
Iraqi Infrastructure Reconstruction Office
Industry Day**

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Contents

| | |
|--|-----|
| Welcome and Introduction , <i>David Warren, Director, International Trade Development Group, UKTI</i> | 3 |
| Overview of Iraq Operations and Infrastructure , <i>Andy Bearpark, Director of Operations and Infrastructure, CPA</i> | 4 |
| Questions and Answers | 8 |
| The Work of the Iraq Infrastructure Reconstruction Office , <i>Admiral David Nash, Director, Iraq Infrastructure Reconstruction Office, CPA</i> | 14 |
| Keynote Address , <i>Mike O'Brien, Minister for Trade and Investment, British Government</i> | 23 |
| Questions and Answers | 28 |
| Security and Working in Iraq: Constructing With Security , <i>Captain Sam Dickson, USAF</i> | 30 |
| Questions and Answers | 42 |
| Programme Management , <i>Admiral David Nash, Director, Iraq Infrastructure Reconstruction Office, CPA</i> | 44 |
| Questions and Answers | 52 |
| Breakout Group Session 1: Public Works and Water Resources Sector , <i>Jeff Quay</i> | 57 |
| Breakout Group Session 2: Communication and Transportation | 71 |
| <i>Jim Davies, Director of Regulation for Communications, Ministry of Communications, Baghdad</i> | 71 |
| <i>Jeff Quay</i> | 81 |
| Breakout Group Session 3: Electricity Sector | 87 |
| <i>Gary Foster, Deputy Programme Manager, PMO</i> | 87 |
| <i>Randy Richardson, Senior Advisor, Ministry of Electricity, CPA</i> | 96 |
| Closing Remarks , <i>Bill Henderson, UKTI, and Session Chair</i> | 99 |
| Contract Bid Details , <i>Tina Ballard, Deputy Assistant Secretary, Acquisition, Logistics and Technology, The Army</i> | 99 |
| Questions and Answers | 102 |

Welcome and Introduction

David Warren

Director, International Trade Development Group, UKTI

I. Opening Remarks

Welcome to today's very important conference about the reconstruction of Iraq. My name is David Warren, I am the Director of International Trade Development at UK Trade & Investment which, as you know, is the British Government organisation helping UK companies develop their trade around the world.

I want to say a very, very brief word of welcome to all of you and to our guests from the Coalition Provision Authority (CPA) who are with us today. I want particularly to thank David Nash and his team for coming to London for this event. As you will all know, there was a very successful event in Washington on Wednesday. We are delighted and privileged that we have the other event here today to enable companies to learn about the reconstruction process, the work of the CPA and the Programme Management Office (PMO) in taking this process forward, and the contributions that the UK private sector can make to this event. The emphasis for us in UK Trade & Investment is very much on helping the UK private sector in all of this. However, we are delighted that we also have many representatives of our Coalition partners here with us today also to learn about the contribution that the private sectors of all the Coalition countries can make to this important process.

In addition to saying how pleased we are that we have David Nash and his team here, I am delighted also that we have Andy Bearpark here from the CPA to talk to us in more detail about what is actually happening.

Our Minister for International Trade and Investment and Foreign Affairs, Mike O'Brien, will be with us a little later this morning to give a keynote address. He will be talking in much more detail about the work of the British Government in the reconstruction of Iraq and in helping UK companies participate in that process.

I am not going to pre-empt what Mike is going to say. I just want to say how important this event is as a learning and listening process for all of us. Also for sharing information, sharing good ideas, sharing best practice and exchanging expert thoughts on how the process of making Iraq a stable, prosperous, reformed country can be taken forward as effectively and peacefully as possible. That is an objective we all have and to which we all can make a contribution.

I will not say any more now, but simply to welcome you and to ask Andy Bearpark to talk to us about what is going on and to tell us in more detail about the process of reconstruction.

Overview of Iraq Operations and Infrastructure

Andy Bearpark

Director of Operations and Infrastructure, CPA

I. Preamble

Your Excellencies, Ladies and Gentlemen. First of all, an enormous thank you to Her Majesty's Government for holding this event today to enable the team from the CPA, led by Admiral Nash, to tell you a little more about what is going on in terms of reconstruction in Iraq and the way in which we are going to handle the latest \$20 billion Supplemental. That is quite a lot of money, which means we want to get it right, we want to do the right things and we want you to come and help us.

I am very conscious of the fact that what you really want is hard information about how the contracts work, how the projects work and how it all fits together. That is what Dave's team will be telling you through the course of today. However, I make no apology for speaking first to tell you a little bit about the political context, the business context and the practical context of what is happening in Iraq at the moment. Put very crudely, if you understand that, then you will succeed; if you do not understand that, you will fail. It is as simple as that. It is a difficult environment. It is difficult in security terms, it is difficult in practical terms, and it is difficult in political terms. However, there is an enormous job to be done and it is a job that we hope you are going to help us do.

Therefore, all I am going to do is give you a quick 10-minute overview of how it fits together and what we are doing. I will then be delighted to take questions from anybody on any aspect of what is happening in Iraq. It is slightly unfortunate, of course, that I will be doing that before the Minister's speech: you may find there is a slight division between what I say and what he says. Rest assured his version is the correct version; I will have made a mistake! That is the way of these things, do not worry about it.

I was actually quite tempted to start the speech by saying, 'Mr President, Mr Prime Minister' and then see if you would all look around to see if they were walking in at the back – and maybe I will in a moment; you do not know what is going to happen!

II. The Background

Forget the history – who cares? Put on one side your beliefs, your feelings and your thoughts about the war in Iraq; it is history now. As one British general always tells me, 'Andy, we are where we are' and that is absolutely correct. We are now here, coming to the end of 2003, and we have a place that needs reconstructing.

The current system is that we, the Coalition Provisional Authority, are the government of Iraq. That is not going to last forever. In fact, it is not going to last for more than another seven months. In seven months' time we will hand over to the Iraqis. However, for the time being we, the CPA, which is the embodiment of the occupying powers, we are the ultimate authority within Baghdad. We cannot abrogate that responsibility. The Geneva Conventions are very clear on that: we can

delegate things, but we cannot abrogate them. Thus, ultimately, the buck ends with the Coalition Provisional Authority. Therefore, for the next few months, as we get the projects underway, as we start this reconstruction process, you will have to deal with the CPA. However, you should do so in the secure knowledge that it is a transient phase. You should also be building your relationships with the ministers, with the in-due-course-to-be-elected officials of Iraq, because they will be there long after we have gone.

We are talking about engineering projects, so we are not talking about things that you do in a month. As I always tell my colleagues, you cannot phone up and buy a power station. I do not know why not – General Electric, you could try harder – but you cannot just phone up, buy a power station and have it delivered tomorrow. We are talking about engineering projects that will be going on for quite a few years. So, yes, the CPA is the authority, but yes, you should also be working with the Iraqis from that very first moment to make sure that you have relationships with them that will endure long after we have gone.

III. The Task At Hand

1. Three Challenges

What are we actually talking about? We are talking about the reconstruction of a country. Why do we have a problem, why are we reconstructing it at all? There are three things: one of them does not really matter at all, one of them is common to all post-war situations, and one of them is unique to Iraq.

a. War damage

The one that does not matter at all is war damage. I know that we call our profession post-war reconstruction, but the truth is that in these days of smart bombs there is very, very little damage that is actually done by modern warfare. Yes, the allies had to take out the telecommunications system – that is part of warfare – but they did not take out the power system, they did not take out the roads and the bridges, with very few exceptions. Therefore, we are not really talking about repairing war damage; that is a very small part of what we are doing.

b. Neglected infrastructure

What we are really talking about, and what is common to so many places, is repairing an infrastructure that has suffered from 25 years of neglect, from 25 years of under-investment, from 25 years of lack of maintenance. Suddenly, it has gone wrong and we have to rebuild that infrastructure.

One question I get faced with by the press very frequently is, ‘We do not understand that, Andy. You are talking about 25 years of neglect, you had a war that lasted a few weeks and now it is all suddenly broken. Why is that, why is it not just as good now as it was before the war started?’ There is a very easy answer to that. The example I always use is that of the motorcar, the college kid’s motorcar.

Looking around this room there are many of you with children at university in the UK, so it is a very easy example. If you give your son or daughter a motorcar that costs you £200, that motorcar is not a very good motorcar, but they will love and cherish it. They will know that every morning they have to start the engine in a certain way because otherwise the carburettor will flood. They will know that when they scrape the ice off the windscreen they must not scrape in the bottom

left-hand corner because that is where the windscreen is chipped and they may break the entire windscreen. They know that when they drive off to college they have to avoid those potholes at the bottom of the hill, so they have to go a different way. With that knowledge they will be able to keep that car going for all the time they are at university.

However, if they take a month off because they are sick, or whatever, and the car sits outside their flat and they then sell it to a friend, that friend has not bought a motorcar; that friend has bought a heap of useless metal. They will get in, they will start it in the wrong way or it will not even start. So they will set off downhill pushing it and they will hit the pothole and one of the wheels will fall off, and the next thing all you have is a load of little bits of useless junk.

That is exactly what happens with infrastructure as well. Yes, the Iraqi engineers are the most talented, imaginative people you will ever work with. They kept that infrastructure going through all those years under sanctions; they did unbelievable things. However, that infrastructure was then closed down during the bombing and now we have started switching it back on again it just goes 'pop'. The Hartha Power Station has been restarted 17 times; we will probably restart it another 15 times. Until somebody puts the new one in you will never ever have the standards you expect.

That is the second thing we are dealing with. As I said, the first thing was war damage – not interesting. The second thing is interesting and that is the result of that lack of maintenance. The third thing, sadly, which is unique to Iraq, is that we are doing this while the war is still going on.

c. Ongoing sabotage

I frequently share a platform with some of the generals from CENTCOM and I get very nervous when they stand and say, 'I have to tell you, gentlemen of the press, that there is a war going on in Iraq'. I say, 'Just hold on guys, my profession is post-war reconstruction, can we focus on that first word?' Unfortunately, we are not focusing on that first word quite enough at the moment. Thus, we are still dealing with the effects of sabotage. We do have problems from the looting that took place immediately after the bombing; and we have the ongoing problem of criminal acts of sabotage. Therefore, yes, it is a challenging environment, but it is not an impossible environment. Looking around this room I can see many businessmen who have worked in Angola and the Congo, who were in Afghanistan and Sierra Leone. Yes, Iraq is difficult, but it is not impossible.

2. Achieving the Difficult

What are we trying to achieve at the moment? We are trying to achieve the difficult – I almost said the impossible. What we are trying to do is achieve a quantum leap in infrastructure in Iraq. What we are trying to do is say let us forget the last 20 years, let us move forward and bring the infrastructure of Iraq up to the same standards as the rest of the Middle East. That is why the American taxpayer, led by the American President, has made available that \$18 billion. What we want to do in two years is bring the infrastructure up to the state where it would have been if it had not been for those years of neglect, not for the war. That means enormous projects in every single sector.

It is very difficult. I talk about this \$18 billion every day so it trips off my tongue now, but let me tell you that \$18 billion is more than the GDP of half of the world's countries. It is more than was given to France after the Second World War as part of the Marshall Plan. We are talking about a project the size of which has never, ever been attempted before. Furthermore, I can tell you that we are going to succeed because Admiral Nash is leading that project, and he and his team do not know how to spell failure; that word does not appear. Therefore, it is going to be done. We are

going to spend that money on the infrastructure of Iraq in the next two years and move the system forwards.

3. The International Effort

Today we are talking without any shame whatsoever about the American money. Others will tell you later in the day about how you, as members of the Coalition, do indeed have a chance to bid for that money – and indeed you do. However, this is part of a bigger international effort, which was focused at Madrid just last month when the other countries of the world came together to make their pledges of what they would do for Iraq.

All I want to tell you today is yes, those countries will be taking part; yes, their money will arrive, but given the unique circumstances of Iraq it will not be arriving quickly. Therefore, for the next three or four or five months this is the only show in town. The other donors will arrive; I am sure you will be working with them, but it will not be in the next few months.

4. The Current Situation

Finally, what is actually happening with the Iraqis now? The answer is that they do have a Ministry of Planning. There is a link between their Ministry of Planning and the CPA, and what we are looking to do over the next three or four months is to transition from one to the other. Yes, as of today, I am the person who has to stand here and answer your questions, but in three months' time it will be the Iraqi Minister of Planning who will be here. Thus, we already have an institutional link between the CPA and the Iraqi Ministry of Planning, and the balance within that link will be shifting as the months go by.

IV. Conclusion

I would just like to touch on one more thing, and that is the room we are in today. I arrived here a few moments before quite a few of you and had a chance to talk to some of the staff here about the history of this building. The history of this building is embodied in the names that you can see on the ceiling around you, of the great engineers from the British Empire. The name immediately in front of me is Brunel, the one name that everybody would recognise. I have to admit I have no idea who Murdoch is – if anybody can tell me afterwards I will be very pleased – but Brunel we all know.

This room is steeped in the history of British engineering. I very, very much hope that in 10 years' time we can meet again here and it will be remembered as the room where British industry and British engineering decided to commit itself to one of the biggest challenges that we have ever faced. That challenge is not just reconstructing Iraq; that challenge is bringing peace, democracy and freedom to the Middle East. If we get the engineering side right, the rest can work; if we get it wrong, we are looking at serious failure. Therefore, I hope that today you will listen to the presentations, I hope you will ask all of your questions, but I most of all hope that you will go away committing your firms, committing your enterprises to actually helping with that enormous task.

With that, I am happy to take questions on absolutely anything.

Questions and Answers

Participant

Could you comment on the effect of the temporary withdrawal of the United Nations?

Andy Bearpark

The temporary withdrawal of the United Nations has two significant effects from everybody in this room's point of view: one of them is positive, one of them is negative. Beginning with the negative one, it is certainly a loss to all of us that we do not have the United Nations present to help with the political negotiations. It is certainly a loss to us that we do not have the expertise of some of the UN specialist agencies, particularly UNDP. It is certainly a loss to us that we do not have the historical knowledge that those UN agencies would have.

However, I am not being entirely whimsical when I say that there is a plus side as well. The plus side is that at the moment we do not have to spend as much time as we have done in the Balkans, in Africa or in other theatres on things like donor coordination. When you are dealing with one donor with \$18 billion you do not worry about coordination with the other donors; you do what Admiral Nash says, it is as simple as that.

Therefore, yes, the absence of the UN is very, very difficult for us. We very much hope that they will come back as soon as possible. I read in the newspaper yesterday that Kofi Annan is thinking of appointing a new SRSG very soon. We look forward to that day very, very much indeed. However, in terms of practical aid implementation it is not a problem for the moment.

Participant

You talked about the transition to the Ministry of Planning. What about other the Ministries getting involved in, for example, power projects or oil projects or whatever: would it be the Ministry of Oil, the Ministry of Power...?

Andy Bearpark

All of those Ministries are there and all of them are functional, but they are only functional up to a certain point. This was one of the things that came as a surprise to me when I arrived there at the end of May. I come from Kosovo, that is my background recently, and so I am from the very hard-line school that says why are we, the aid donors, doing this? Let the Iraqis do it themselves. I do not understand why the CPA is doing it – let the Ministry do it.

What I had not realised was the incredible amount of damage that had been done by the looting. Not just in terms of the physical destruction of the Ministries, but in terms of the loss of human capital. This means that as of today those Ministries, although they may be led by very, very good politicians – I have no problems there at all – are very, very limited indeed in terms of their administrative capacity.

In some senses, nothing would please the United States more than to have been able to say, 'let us give the money to them and let them get on with it.' However, in practical terms it simply cannot be done. We discovered that vividly this summer when we tried to meet the electricity target of

hitting pre-war levels by the end of July. We did what we thought were the right things and we found that the system simply did not work because the Ministry of Electricity had lost the capacity to even order spare parts. It simply did not have the ability to fill in the right form, get the money out of the Ministry of Finance, phone up the supplier and get the spare parts in.

Thus, the answer is, 'yes, the Ministries are there; they partner with Admiral Nash's people everyday, but they are very, very far down the curve in terms of implementation capacity.'

Nigel

Today is quite an important day for Iraq for another reason: it is the final day of the UN Oil for Food Programme. I understand that, as from tomorrow morning, the CPA will have the responsibility and authority for managing those ongoing funds. Could you say something about how the remaining funds, which I understand amount to \$5 million, will be managed within the ongoing reconstruction programme?

Andy Bearpark

In practical terms the transfer of the Oil for Food Programme projects from the United Nations to the CPA is not actually an issue. These are the same contracts with the same suppliers and the same goods, so all we have done is change the ultimate authority from the United Nations in New York to the CPA in Baghdad. However, in practical terms there is an issue, which is the sheer quantity of goods that are being imported under the Oil for Food Programme.

I have to tell you that it is not even that good: it gets worse. We not only have that incredible quantity of goods under Oil for Food, we also have amazing quantities of goods being brought in and out as a result of the military room[?], or where different divisions come in and different divisions go. For that reason, even though the Oil for Food Programme contracts are not an American responsibility, they are a CPA responsibility. The fact is that the practical consequences of how they will be dealt with are being coordinated by Admiral Nash's office to make sure that we have that right degree of coordination between what is happening on the Oil for Food Programme side and what is happening on what we now call the Supplemental side. So, yes, it is difficult, this is a logistical challenge of a major magnitude, but yes, we do have a coordination mechanism in place to ensure that it knits together.

Participant

You mentioned at the beginning that unless companies understood the political, business, and practical context, they were likely to fail. Could you elaborate on the business context, and also to explain where companies go to find out [inaudible]?

Andy Bearpark

I can only say two useful things there. The first one is that we are talking about Iraq; we are not talking about a third world country with everything undeveloped. What we have in Iraq are very, very highly qualified people. If you go back 20-30 years, Iraqi engineers were responsible for almost all the major infrastructure projects in the Middle East; Iraqi doctors were known as the finest medical practitioners in the Middle East. Thus, we are talking about a country that has that level of human capital. Therefore, to succeed it is essential that British firms partner with Iraqi partners. We are not talking about, for instance, Kosovo after the bombing, where the Serbs had

fled and the Kosovar Albanians had never run anything before. We are talking about a functioning country – 6,000 years of administration, if my memory serves me right. The first thing is I am sure that British companies should be partnering with Iraqi partners to actually get the business and implement it.

How should British firms be doing that? I would only offer two thoughts. The first one is that you do have a developed infrastructure here in the United Kingdom through the Department of Trade and Industry, through the representatives of the British Government who are out there in Baghdad, in the British office in Baghdad. I am quite sure they are able to give you all the technical advice that they should and would anywhere else in the world. My only advice would be: get out there and get started. It is not as difficult as people think it is.

Let me give you a very brief vignette. When I arrived there, I must have had 20 emails on the first day from people who had worked with me in Kosovo saying, ‘Andy, we want to come to Baghdad and work there. How do we get a flight out there?’ I have not employed a single one of them. One guy that I have employed, who was in *The Times* the other day, is Rory, down in the south, in Maysan. Rory sent me an email saying, ‘Andy, is it okay if I come and see you?’ and the following day he turned up at my office in Baghdad. It can be done; it just needs a bit more initiative, it is a bit more difficult than elsewhere. The only way to really forge those partnerships is to come out there and play.

Participant

I have just been to Baghdad. It is not impossible to get there, but it is difficult, you have to use your initiative. What is more difficult is getting in to see the CPA if you do not have the right access clearances. One of the very surprising things I found was that the CPA is surrounded by a five-metre high concrete wall and it is trying to govern the country from behind a wall. I find that very difficult and strange. Access to the CPA is a real challenge. It is easier to get to Baghdad than to get in to the CPA.

Andy Bearpark

You are absolutely right. The reason I was looking around the room was to check how many British Government handlers there are to make sure I do not say things I should not.

The history of the way in which CPA operates and the practical difficulties of operating out of the bubble in which they work, are ones that I am going to save for my memoirs. However, the direct answer I would make to your point is that I understand exactly what you are saying and I know what the difficulties are, so I will just offer you one practical piece of advice. I have forgotten to bring with me all my business cards today, but my email address is abearpark@yahoo.co.uk. I have received email in the Palace. The one thing that does work in the Palace is email, which works 24 hours a day. If you get in touch with me and you want me to come down town and meet you, I travel around Baghdad freely. I will happily come and meet any businessman in any hotel in Baghdad at any time to explain to them what is happening in the CPA and how they can achieve what they want to achieve.

I do know the problem. I have journalists every day that phone me up and say, ‘We have an interview with you in five minutes and we are stuck five checkpoints away and we cannot get past them’. I know exactly what you mean. I would love to think that I could change that; the truth is that I cannot. All I can do is twist it around and say that my colleagues and I will come and see you wherever you are and talk to you. Of course it will change when the CPA goes, but it is not going

to change in the next few months for force protection reasons and there is nothing we can do about that. I understand exactly what you say and so that is the only practical offer I can make.

Participant

It is much easier going to see the Ministry, where you just walk in, there is a body search and then if they want to see you, you can see them. It is difficult to even get to the CPA and sometimes it is very frustrating. Certainly for the average Iraqi I can tell you there is a bit of a backlash in terms of: this is a fortress and you are not going to go near it.

Andy Bearpark

I am not allowed to comment on that at all, but you are right.

Participant

I do respect the gentleman's views about the CPA and the conference centre, but I have had no problems. I have recently returned from Baghdad and I had no problem taking my driver inside the CPA. The security is quite strict, and we appreciate that – it is for our security and for the people working there. I have no problems in entering into the CPA, into the conference centre. I have seen Andrew there; I have visited him there a number of times.

The other point I want to make is, you are saying, 'Yes, welcome to Iraq, jobs are there.' I have been knocking on the American government agencies for the last three months; I have been wanting to move my company there to do work. We are ready to mobilise; within 48 hours I can have my organisation ready to do the real work – the oil reconstruction, the pipeline work. However, we have had no opportunity to demonstrate that we can do the work there. I do not know whether it is US policy to keep that part of the work to themselves or whether they want to share it with British companies like my company.

I am very keen to go and work. I spent one month doing exploratory work and the British reconstruction team knows that, but I have had no jobs, nothing. The only enquiry for tenders, which was for Iraq was for security [big bills?], for cranes[?]. We are there to do the construction. I have given all the details to the RIO team. We are ready to mobilise; we have extensive knowledge of Iraq; we have been in the Middle East for the last 20 years, but there are no jobs coming. There is not even an enquiry, nothing. That has been the most disappointing side, I believe.

Andy Bearpark

Let me just get rid of one potential misconception: there is no barrier whatsoever between the United States and the rest of the Coalition as regards working in Iraq. There is one very, very simple, obvious, dramatic illustration of that. Many of you know me, I am a Brit, I am paid by the British Government, but I am also the Director of Operations and Infrastructure for the CPA. I am in charge, whether I like it or not, of a lot of these contracts, including the oil contracts, including task force RIO. My staff are 95% American. I can promise you there is no gap whatsoever, there is no barrier of any description. Any problems that you describe – and I accept the problems, sir, I know about these problems; your American counterparts in Washington were being just as brutal about them 48 hours ago. Yes, there have been problems in the past; it is not for me to comment on

them now. However, I can promise you there is no barrier of any description whatsoever against the UK; there just is none. It is as simple as that.

What we also have now is 100% commitment on the part of the Programme Management Office and the Government of the United States – whose money it is, by the way, let us not forget that. We have a total commitment from them that we are now moving to a system of 100% transparency. Admiral Nash's website was up and running before he had anything to say on it even, to make sure people knew that we did have a website and the information would be there.

I do understand what you are saying, sir, I do understand the problems of the past. I promise you there is not the slightest barrier between the two. I cannot emphasise that enough.

Participant

That is encouraging, and it is the first time I have seen the light at the end of the tunnel. This is really an exciting moment for me because I have been knocking on everyone's doors. We are a small company; we have done a lot of building projects worldwide, but it has been very frustrating.

Andy Bearpark

The future starts now.

Participant

Our American company is working in Baghdad at the moment. [Inaudible question]. Secondly, our company just did a \$1.3 million USAID project: is that part of your \$18 billion or additional to it? And will it be administered by the CPA or by USAID?

Andy Bearpark

You are asking me questions of detail? I do not do detail, I do the broad brush, okay! The answer to your question is 'probably'. Let me split the two questions out because there are two answers I would quite like to give.

The first one is that if you take that full amount of the \$18.6 billion Supplemental, all of that \$18 billion flows down through Admiral Nash's office. That is straightforward. He is responsible for the ultimate coordination and ultimate reporting to Washington of all of that money. However, not all of that money will be spent by Admiral Nash's office. Some of that money will be spent by the existing agencies like USAID.

If you like, it all starts at the top. You have that great big pot of money; a lot of it – something like three quarters – comes down through Dave's organisation, but something like a quarter gets, if you like, subcontracted out to other US Government agencies, like USAID. If it goes down that path, through USAID, then it is subject to whatever rules and regulations USAID have to apply by law. I suspect that may even mean that the 'Buy America' Act or something comes into it. Therefore, money going down through that USAID channel will have USAID rules and regulations.

Some of that money, a small amount, is going to go down through the US State Department, because they do things like... I cannot remember – something to do with democracy or whatever! Anyway, a bit of it will go through the State Department; that money will be subject to

State Department rules and regulations. Legally there is no choice. However, three quarters of the money will go down through the PMO and Admiral Nash and his staff. That money will be subject to different rules and regulations. It will be open to competitive bidding; it will be open to members of the Coalition.

I just want to stick with that for a moment. That is a political commitment on the part of the Government of the United States. There will be no wavering from that commitment. However, what we will find as the weeks go by is that accidental non-tariff barriers appear. I have seen one of those already on a contract that was nothing whatsoever to do with the PMO, nothing whatsoever to do with the Supplemental; it falls entirely within my organisation and entirely within my authority. That was a contract that we were bidding out for security firms to protect our regional offices. I am being absolutely transparent with you now. We meant to go for international bidding – no problem whatsoever. The US Government said, ‘Yes, Andy, that is the right thing to do.’ What we discovered halfway through the process was that there was one sentence tucked away in 25 pages of the Request for Proposal (RFP) that said that anybody who did had to have US Top Secret clearance, so by definition we just excluded the rest of the world.

That kind of thing is going to happen, but if it does happen it will be put right as we go along. In other words, any of these non-tariff barriers are accidental non-tariff barriers as a result of our trying to do the job quickly. Therefore, if you spot any like that, let us know at once.

Basically the answer is: they will not apply for that bulk of the money. However, when money flows through other organisations, like USAID or State, then it is dependent upon their rules and regulations.

Participant

Recently, we have received documents for a number of projects from the Ministry of Oil, for new process units for gas plants. In fact, we have paid quite large sums of money [inaudible]. Are [these projects?] going to be financed by the CPA, the RIO, or does the Ministry of Oil have its own package for these particular projects?

Andy Bearpark

I cannot answer on any particular project without knowing more about the project, and I would not want to try to. What I can tell you is that you have two different categories of project. Forgive me if I am getting a little more complex now. I talked about the Supplemental money and how that could flow in different ways. What I should explain briefly now is that you have another distinction, which is between the Supplemental money, which is US Government-appropriated money, all of which flows through Admiral Nash’s PMO; and then you have the money from the Development Fund for Iraq, which flows directly through the Ministries. Thus, after we have given the Ministries that money, they control their budget from the Development Fund for Iraq.

Therefore, if you see bidding documents like that from any Ministry in Iraq, the first thing you must do is find out what the source of funding is – and I know that is not easy. If the source of funding is the Ministry’s own budget then yes, they have the right to put out the bid documents and the right to adjudicate those bid documents. We, the Coalition Provisional Authority, will only step in if we believe there has been serious wrongdoing. If the money is coming down from the American money, then the Ministry has no right to put those bid documents out in the first place; they will be coming out through the PMO.

Participant

If they had cash in the Central Bank...?

Andy Bearpark

If they have told you they have cash from the Central Bank I would suggest that you suggest that they transfer it to your bank account and then you will talk about it further!

Thank you very much.

Bill Henderson, UKTI, and Session Chair

Thank you for the typically frank presentation and informative answers to the various questions. I would just like to make an announcement in response to a question from the floor. As Andy mentioned, we do have a commercial office established in Baghdad with staff from UK Trade & Investment. They have email and telephone lines and those details will be on our website very shortly. In time, they will be able to build up their knowledge of local companies in Iraq and companies who are interested in partnering with British companies. I just wanted to clarify that point.

It is now my pleasure to invite Admiral Nash, Director of the Programme Management Office, the man who is responsible for the \$18 billion Supplemental, to make his presentation.

The Work of the Iraq Infrastructure Reconstruction Office

Admiral David Nash

Director, Iraq Infrastructure Reconstruction Office, CPA

I. Preamble

1. General Information

First of all, welcome and thank you for inviting us. This is quite a forum; it is very impressive to be at the home of civil engineering in Great Britain. Obviously, you have led the world for many years in our business and we look forward to working with you in the future.

I realise this has been over-subscribed; there was not enough room for everybody, so I would ask you to tell your colleagues that everything we say and do will be available on our website: www.rebuilding-iraq.net. All the slides will be there. We will have videos of the various presentations in Washington and here, so those that are not able to join us can obtain it there.

Secondly, I want to thank my colleague, Ambassador Bearpark; it is always great to be with him. At some point, I hope to get ahead of him so I can speak first and he can have rebuttals later on. It

is a fine honour to work with him; he is the one that gives me the political intelligence and counselling that I really need because that has not really been my background.

2. Personal Biography

A little bit about my background. I spent 33 years in the navy; I did facilities work that whole time and did programme management and project management. For those of you who think I spent 33 years at sea, that is not true. I really have done nothing but what we do as a profession now. Then I went to private industry and spent five years with a company called Parsons Brinckerhoff, which you have here in Great Britain – at least, a part of that company is here. I worked with others in leading a project in Warren, Michigan, which is very near Detroit, for General Motors, where we did a \$1 billion upgrade on a campus there for them. There were about 26 projects and it was a great experience. I enjoyed working with General Motors.

II. Introductions to Staff

As we go through the day and as we provide specific information, you will meet our staff that came with me: some from the United States, some from Baghdad. There are a couple of people I would like to introduce to you first who are experts and who will help me in the acquisition phase and will keep me out of trouble, hopefully.

First of all, we have Ms Tina Ballard, who is the Deputy Assistant Secretary of the Army for Acquisition, Logistics and Technology. She is leading our efforts in the acquisition – and I will tell you a little more about that later. She will be with us for the whole day and be available for questions. She is leading our efforts. With her is Ms Emily Clarke, who is Director of Procurement Policy. She will also be available to talk. We also have others from throughout our organisation, we have people from the Corps of Engineers, and we have people from our staff in Baghdad who can help you.

Our approach today is to bring you information. We want to bring you specific information about how you can participate in what we are trying to do. We are also enlisting your aid and your help. What we are going to do is lay out a scheme, lay out ideas, tell you about how we are going to move forward, and then look for your feedback. I know that is somewhat unusual, but we really are interested in what you have to say.

Next, besides providing information, I want to open a channel of communication where you can talk to us and we can talk to you. We cannot talk to all of you simultaneously, so we are going to set up some methods for us to interact. This morning will be mostly about the general background, structure and context and then we will get into the detail. You will see later on in the day that there will be specific sessions about specific sectors that we are working on. The idea there is to tell you about some of the types of work that will be done under these various and sundry contracts, so that you can prepare yourself to participate.

Essentially, that is where we are going today. Let us start by talking about what I am going to say in the next few minutes. Incidentally, you are going to have two opportunities to listen to me. I apologise for that, but I will try to make it as painless as possible. First, I am going to talk generally about where we are going and why. Later on this morning, after the Minister has spoken, I will talk about the programme management. As you will recall, there is programme management and there is construction involved. However, this morning I want to give a little background on the supplement, our approach on how we are going to do this, what I am hoping you will be able to

provide, and then a little bit about information about at least one opportunity in Iraq to connect with those who are in Iraq.

III. The Supplement

1. Breakdown

[‘Supplement Comparison’ slide shown]

We did quite well with the Supplemental, there is only about a 5% reduction from what we asked for to what we received. The \$18.6 billion is roughly divided into \$14.3 billion for construction and \$4.3 billion for non-construction. That includes such things as training, procuring equipment, etc. I have been asked to programme manage all of it.

2. Key Concept

Now, a key concept that confuses some people, but I want to make it really clear here: our group is responsible for the programme management of the \$18.6 billion. We will be doing construction on \$14.4 billion, of which part of my job – my second job – is to execute a portion of that. There will be others executing as well that we will use as our execution agents. That includes the army, the AID and many others.

IV. Goals

[‘Goals’ slide shown]

My goals are really very simple:

a. Execute the work

First of all, I would like to execute this work and I do not want to go to jail. I have avoided that for over 33 years and I hope to continue to do so.

b. Help the Iraqi people

Next, as you will see when I get to the organisation, there are Iraqis throughout. My goal is to help them hone their skills on how to do large programme management because I truly believe that once the economy gets rolling they will be a centre of gravity for the economy in the Middle East. I think they have all the requisite things, including resources, very, very intelligent and qualified people to help do that.

c. Build capacity

I would like to build the capacity in Iraqi construction and construction support industry. That includes all the suppliers and all the subcontractors.

d. Involve the entire industry

I am asking the industry – and I am talking about our entire industry – to stand and to deliver. A lot of people have complained that they did not get an opportunity to compete for work in Iraq.

Well, ladies and gentlemen, this will be your opportunity and I guarantee that you will get it. I have been in Iraq since July and my personal opinion is that we can win the peace. One of the key ingredients in winning the peace will be how well we do in restoring the infrastructure in the country.

V. Iraq Infrastructure Reconstruction Office

1. Financial and Contractual Responsibilities

When I set this organisation up – I have been working on it for a couple of months – it really was very simple. I wanted to have some way that if I was going to be accountable for all this I would have some way to influence the outcome. Therefore, we have brought the financial and contractual responsibilities down through CPA in Baghdad. That does not mean we will hold all of the contracts. The army is executive agent and there will be many holders of contracts, as I said before, but they will hold the lion's share of contracts for us.

2. Fewer Public Sector Employees

Normally when we do a big government programme we bring in a lot of US Government employees and they come to wherever the site is and you have large offices of people from the public sector. We are not doing that this time. I plan to have on my staff probably not more than 130-140 people and they will be there to do only those inherently governmental things that have to be done by law. If you followed the debate at all about the Bill you find that there are a lot of instructions in the Bill that emerged, which we will talk about in a minute. What I am promoting is a very different way of doing business. It may not be different to you in the private sector, but it is very different to those in the public sector.

3. Contracting Strategies

Our contracting strategies have to be full and open and they must comply with the Federal Acquisition Regulations (FAR). That does not preclude you from participating. You will have to understand how the FAR works. It is not that complicated, but it is important that we have rules and regulations. Many have said, as Andy was talking about, 'why do we not give this money to the Iraqis?' I cannot. They are very influential in how it gets spent, but we have to manage it through a system.

4. Transparency

Obviously we are going to have transparency and you will hear a little bit more about that in a minute.

5. Accountability

Finally, Ambassador Bremer is accountable for all of this and so am I.

VI. Programme Management Office

1. The Organisation

[‘Programme Management Office’ slide shown]

I would like to describe a few areas of our organisation. Regarding the Governing Council, Iraqi Ministers, the CPA, regional governance, their role is to identify projects, to identify priorities, to be involved as we develop the projects and then to accept the final construction.

We also have the Iraqi donor coordination mechanism. That is the one where Andy and I collaborate in helping the Iraqis look at their whole infrastructure, decide what needs to be done and what the priorities are, and coordinate all the money that is coming in. There is the Supplemental, which is a bilateral. There will be other bilaterals from other countries: there are the donor funds that were talked about in Madrid, and then obviously there is money that is coming down through the Iraqi chain, the DFI and other places.

That is the coordination mechanism. Not only will they coordinate and make sure we are not working on the same project, but they are also going to set standards. I think it is very important for them to have standards and we will help them do that. Both Andy and I are helping the new Ministry of Planning and Developmental Cooperation.

The PMO office has oversight over the entire Supplemental and the execution of it; I will talk about that in a moment.

We have six other sectors: oil, electricity, public works and water – which is mostly all water; security and justice; transportation and communications; building – there is very little housing left, it did not make the final cut; Health; and some other areas.

The Director of Construction is the governmental oversight. It is the quality assurance, the general management out on the site.

2. Structure

The way this will be structured in the programme management area, in the PM Office and all of the six sectors – as I said, approximately 130 people – they will only be in a decision-making capacity and I will talk about how that all wires together a little later. There will be seven programme management contracts that will be coming out to support the contractors.

Below those areas will be probably 14-17 construction contracts and they will be specific. For instance, under Electricity there will be five or six contracts. There will be some for generation, some for transmission, and some for distribution.

That is generally the way we are going to do it. You will hear more about the contracts that we will put in place later. Our cost contracts, where we will have tasks, we will give each one of these contractors; we will negotiate the cost and they will do the work. For instance, if it is a distribution job it will go to the distribution contractor.

3. Composition

[‘PMO Composition’ slide shown]

One key is: who is going to be a part of this PMO? As I said, we will have a small CPA/DOD staff; we will have contractor support, both in construction and in programme management. I am going to have an Iraqi deputy – we are in the process of selecting that individual right now. I will also have a US deputy, who will be a two-star general; and we will have many Iraqis throughout the organisation to help us make sure we get it right.

The Ministries will be very, very involved, as I said before, as a customer.

4. Functions

The Programme Management Office itself will have three essential functions: financial management, contracting, and programming. That is very important because it has all to do with our transparency.

VII. Acquisition Approach

1. Multiple Programme Management

Our acquisition approach is a little different, as I began to describe. It is multiple programme management in construction contracts for both the programme management and our sectors. As others and I have said, it is going to be in compliance with our Federal Acquisition Regulations and it is going to be 'best value'. I am not necessarily interested in the lowest bidder; what I want is the best value, and we will show you how we will get through that.

2. Management of Initial Contracting

Almost all of this contracting initially will be managed in Washington because it is going to take a lot of acquisition professionals, who will be led by Tina Ballard and an individual who is in our office, a very competent acquisition professional named [Dee Lee?]. This will all be managed out of Washington, so most of the information about where we are on acquisitions will occur there.

3. Bridging Strategies

We are going to use bridging strategies because we cannot stop doing work while we wait to get our contracts in place. We intend to have all our contracts in place by 1 February and then we will be able to start in earnest. However, in the meantime we have to do work, so we will be employing contracts that are already in place.

4. Other Agencies

As I have said on many occasions, there are other agencies that will be implementing. It is all part of a grand scheme. The Corps of Engineers has some contracts, AID has some contracts that are on the way right now and are being bid. I would encourage you to participate in any of those you see that are interesting to you. Anyway, it is one happy family.

5. Two-Track Process

We are now starting a two-track process. First of all is the acquisition. We are having our Industry Days and requests for information will be asked for from you. The first synopsis is already on our

website and on the Federal Biz website, telling you about the programme management piece, the construction contracts will follow very shortly.

We will have more detail in my later conversations about how we are going to do all this, but essentially we will ask you for information. We will ask those of you who are interested: who you are going to team with, information about your financial strength, information about what your past experience is, and, most important to me is, who are you going to send to be in charge? Ladies and gentlemen, this is not a job for the second or third string and I am looking only for the best. I am looking for those people that, if you get all the way through the chain of events, you in fact send those people because it will be very important; we cannot do this with anyone other than the best.

Once we have looked at all these expressions of interest we will down-select three proposers for each contract. It is an advisory down-select, so if you do not get down-selected for these final three, you can still put in a proposal. There will be three for each contract. It was inaccurately reported in the press that there would only be three contractors considered for the whole \$18.6 billion. I am here to tell you that that is absolutely untrue.

As we go down through there will be source selection panels that review your proposals when they are put in. It is a very methodical and open process. During the process there will be things that are acquisition-sensitive: you will not be allowed to know, nor will I. However, eventually, contractors will be selected and identified.

Meanwhile, we are out there identifying projects in Baghdad. By 20 October we will have those identified. By 1 December we will hand them to Ambassador Bremer to look at in a prioritised manner. Then we are to provide to Congress this list by 5 January. You will be able to see this entire list, but remember we are not asking you to bid on those projects. We are asking you to bid on providing the construction management or the programme management to do the particular sector that you are in.

That is the way we are going at it; it will make more sense to you as we go through. I have no choice but to be full and open – but that is the way I do business anyway. We are going to use a website, we are going to manage with technology, which I will talk a little bit more about in a minute, but it is going to be full and open and people will be able to see what we are doing. We will report periodically and we will have annual written reports. Therefore, understand: when you put your team together, there is going to be a lot of reporting.

VIII. Timetable

[Timetable slide shown]

We are looking for expressions of interest here very quickly and you are going to find that, particularly in programme management, it is going to move even faster, which I will talk about in a moment. You are not going to have much time to respond, but you do not need much time to respond because it is mostly preliminary stuff and if your company is like the companies I have worked for, it is already on the shelf. All you have to do is change the name on the top and send it in. We will move through this very rapidly; we have no choice.

IX. Project Prioritisation

['Project Prioritisation Criteria' slide shown]

Here is how we are prioritising our projects as we put the projects list together. Anything you see coming out of CPA... the four items here are basically the way that Ambassador Bremer and the CPA looks at the future of Iraq. Our job is to deliver the essential services, and the way we will put these projects together is to have the most impact on the man or the woman in the street.

Next will be the long lead-time for construction. Obviously you are all professionals and you know that those things are very important. We may go out for procurement for equipment before we have the project ready for accomplishment. Therefore, those of you who are in the big equipment manufacturing business, we may be putting tenders out for those kinds of things early on so that we have them when we are ready and we can accelerate the process. Obviously, for natural precedence, with construction we do not want to put the rails up before we put the bridges up.

Finally, are we ready for construction tasking? One of the keys will be that we are going to try to employ as much construction talent as we can throughout the country. The one thing we have to be very careful about is that we do not shut down the system while we are fixing it; for instance, the power.

X. Expectations of Industry

1. The Best People

[‘Expectations of Industry’ slide shown]

As I said, we need the absolute best in the world. It is my opinion there are not a lot of people in the world that know how to manage in this kind of context. We need people that are able to collaborate with others, able to work with other construction contractors, and can take this on as a challenge for our industry and maybe sometimes put aside the separate individual company desires.

2. Innovation

Next, we are going to ask you to innovate. The way this is all put together is going to provide optimum opportunity for the innovative. We do not have time in the same old way. I have been in this industry for many, many years and I think we lag other industries in really bringing new ways to do things. As I was telling Andy, I think we still make concrete the way the Romans did, I’m not sure.

3. Flexibility

One of the things I will ask you to do is: be flexible. For instance, I know each company brings their own brand of programme project management and construction management, and that is fine. However, we are going to tell you that we need information and we will need you to use our system, so we will ask you to be very, very flexible.

4. Security

You will shortly hear from Captain Dickson about security. Security is a fact of life; it is something we are going to have to contend with, and I am going to ask you to help me work through that. We are going to have to make sure that the tower on the transmission line is there the morning after we build it.

There is also another aspect to this, which is that we have to coordinate with others who are providing security: the Coalition Forces who will provide the blanket security; we have the electric police, the railroad police, and all these other internal security operations that are being set up in Iraq; plus, you will be asked to bring your own. We have to make sure that nothing untoward happens by us not being able to coordinate with others, so security is going to be very, very important. However, no matter what Sam says about what is going on there, it is not impossible, we will be able to do what we intend to do; we will just have to do it a little differently.

5. Communication

Next, I would ask you to communicate. What we are going to put on our website will be draft RFPs. We are looking for your feedback and input, which we will consider.

6. Expedite

Lastly, and most importantly to me, is that if you sign up to do this work we need to have you on site right away. For those who say they can mobilise right away, that is what we need. I cannot wait for you to put up your camp and get everything comfortable before you start work. We have to start work right away. We will do it somewhat like, as I say in the United States, the circus. Where somebody comes to town and work starts right away and then the circus arrives some time later to do the show. We are really going to have to go to work quickly.

XI. Reporting and Management

[‘Reporting and Management’ slide shown]

Our reporting and management is very, very key, and we are going to use commercial off-the-shelf and government off-the-shelf technology. We are putting it together. We are going to manage from the website, which people will be given access to. A lot of it will be read-only, but they will be given access so people will know. Hopefully, it will not only help us manage together better, but it will also save me a lot of time in answering questions, particularly from my cohorts in the United States.

As I said, we are going to require that you use the software we specify, which may mean some training on your part. However, this is the only way that we can have the system we want. Further, be aware that it is not only monthly or yearly reporting, we will probably be reporting on a daily basis.

We are going to have the Defence Contract Audit Agency with us because it is a cost contract. We are going to have a new CPA Inspector General who will be looking over our shoulder the whole time. We will have the General Accounting Office, which works through the Congress of the United States, who will be there helping us. So you will never have to worry about not having somebody to talk to, we will have plenty of oversight.

XII. Iraq Business Centre

[‘Iraqi Business Centre’ slide shown]

I will close by saying there are lots of opportunities to contact people in Iraq and to find out what is there – certainly the people who have come from Iraq and are going back in to do business. One

source I have found that was started by a couple of entrepreneurs in uniform in the US Army is the Iraq Business Centre. It is an opportunity to connect up with about 1,500 suppliers in the area. There are other ways to do this, but this is just a sample. It is a way for you to contact people who can provide the subcontracting that we think is going to be necessary.

By the way, all of our contracts are going to be cost-plus-incentive. Part of that incentive evaluation is how well you are doing in transferring knowledge and using the Iraqis in subcontracting. It is very, very important to us that we build that capability. Thus, there is an opportunity to contact people and to understand who is there and to communicate with them, and it is an opportunity for them to participate in the reconstruction of their country. It is my opinion from the Iraqis I have talked to that there is a professional cadre there, like you, who are anxious to get started and be a part of it. Likewise, some of those who have remained in the country have been precluded from having their techniques and knowledge modernised and they have been kept away from societies and kept away from modern techniques. Therefore, this is one of the ways that you can really help them.

XIII. The Challenge

Obviously there is a challenge here. For those of you who think this is easy money, you are absolutely wrong. It is going to be very, very challenging and it is going to be new every day you get up. However, I think the challenge will, hopefully, lead to your choice to help us. It is not just about making money and doing construction; it is about rebuilding a country. I hope you select that choice because I personally think it is a chance of a lifetime to make a difference.

Thank you very much.

Bill Henderson

Admiral Nash, thank you very much for that very informative presentation. We look forward to hearing from you later on and perhaps having an opportunity to ask you some questions as well.

I would now like to invite the Minister for International Trade and Investment, Mr Mike O'Brien, to give the keynote address for the conference.

Keynote Address

Mike O'Brien

Minister for Trade and Investment, British Government

I. Preamble

Good morning. It is very good to be here and also to welcome all of you here today. It is a pleasure also to welcome Rear Admiral David Nash and his colleagues from the United States who are here to brief us on the situation in Iraq and how British companies can help with reconstruction.

II. Current Dangers

In Baghdad overnight, there were missiles fired at a hotel and at the Oil Ministry. Iraq is a dangerous place, but we live in a dangerous world. Yesterday, suicide bombers hit Istanbul killing dozens and injuring hundreds. A few weeks ago I visited the beautiful and, for us, remote holiday island of Bali where a year ago young people in a nightclub were blown up. On 11 September 2001, the Twin Towers in New York were destroyed and the lives of thousands taken. Today, here in London, we have very high levels of security warning. Having faced IRA bombers for 25 years, and now facing the threat of Al Qaeda, we know that there are no safe havens in any country. The aim for terrorists is always the same: it is to destroy innocent lives and to render normal life impossible. Be it in London, Istanbul, New York, Bali, or Iraq, we cannot, we will not, allow the terrorists to win.

III. The Situation in Iraq

1. The Economic Situation

Saddam Hussein not only took the lives of millions of Iraqis, he also impoverished the Iraqi people. Through decades of misrule, corruption and terror, he brought what should have been a strong economy to its knees. Britain, the United States and our Coalition partners have given the people of Iraq an opportunity to take control of their own future. It will, in the end, be up to them to seize that opportunity. We will help them, but the future of their country must be, in the end, for the Iraqis to decide.

In the months to come, however, our focus must be on the reconstruction of Iraq. It will be vital to give back to the Iraqi people their natural resources, their control over their oil and gas, their wealth and their national pride. Iraq can still be a great economic success, given half a chance. It is in Britain's and the international community's interest that we continue to help the Iraqi people to build a stable, democratic and prosperous Iraq. In the end, their stability is our stability, their prosperity can be our prosperity, and their democracy can help establish our security.

We all know that there is a long way to go there, but the Coalition's commitment to helping Iraq realise its potential is clear: Britain's military contribution to the multinational force of over 30 countries in Iraq will continue until the Iraqis themselves are able to assume full responsibility for their own security. We will remain committed to the economic and social reconstruction of Iraq, and for a better life for its people for as long as it takes to ensure that that is delivered.

2. Recent Improvements

For the Iraqis, life is steadily improving. Over 14,000 reconstruction projects have been launched. Almost all the 240 hospitals and more than 1,200 clinics are open, as are almost all schools. More than 200 newspapers have appeared, many of them for the first time able to say what they think, what they want to say. Electricity production has now surpassed pre-conflict levels.

3. Political Reform

However, for reconstruction to be successful, it must be conducted in tandem with political reform. Here too there has been progress in recent months. This progress will have a direct effect on investment and reconstruction. For example, 25 Iraqi ministers have been appointed and are

already implementing policy and managing budgets. Iraqi Ministries have, for the first time, published the budget as a public document. This, combined with the independence of the Central Bank of Iraq, has provided the basis, in the future, for a system of public expenditure and macroeconomic policy management. A unified currency has been created in Iraq by the introduction of a new set of bank notes produced in the United Kingdom. The CPA and the Ministries are moving ahead with reform measures to promote the private sector and to create an environment for investment and growth in Iraq.

4. The International Community

Hence, we meet here today against the backdrop of a difficult security situation, but an improving economic and social picture. To be successful, Iraq's reconstruction must be done properly. The right international expertise and resources need to be brought to make this happen, whether from Britain or from elsewhere. We also need to mobilise the Iraqi private sector to play a full role and to ensure that they have the resources and the opportunity to do so. As Rear Admiral Nash said, ensure when you are looking at the contracts you are considering that you factor in the need to create jobs for Iraqis, to ensure that Iraqis have a part in the implementation of your contract. Remember that this is about creating a partnership between our companies and Iraqis.

Therefore, it is important that the pledges made a few weeks ago at the Donors' Conference in Madrid are a real signal of not only companies' determination to work with Iraqis, but the international community's commitment to the whole reconstruction of Iraq. Britain will commit a further £296 million towards the reconstruction efforts in Iraq up to March 2006. This is in addition to the £209 million already committed to humanitarian and reconstruction assistance in Iraq.

Following the Madrid conference, I visited Washington for talks with the US administration. I wanted to explore their thinking on how to manage and disperse the additional \$18.6 billion designated for reconstruction in Iraq by the US Congress. I also talked to the World Bank about how they would distribute the balance of the \$33 billion in pledges made in Madrid through the trust fund that they are establishing. However, I also wanted to showcase the experience and the expertise of British companies and underline their readiness to take part in the reconstruction process. I was encouraged by the receptiveness of both US officials and of the World Bank to this message: they want British companies involved.

5. British Companies

I am also equally encouraged by the fact that today so many of you are becoming involved in this project, coming along to this conference. Your presence today symbolises a willingness to become involved and look at projects in Iraq. Today you have a unique opportunity to be briefed by the main US decision-makers in this process and I am pleased that Rear Admiral David Nash, head of the US Programme Management Office, the PMO, and Andy Bearpark, the CPA Director of Operations, are here. Andy, as many of you will know, is a DFID secondee and a veteran of the reconstruction of Kosovo, so he has great experience in this area. As British companies, you must take advantage of having these guys in the room today because the PMO has been set up to plan, contract, manage and deliver reconstruction. Crucially, it is responsible for spending the additional \$18.6 billion.

As was the case with the original Bechtel contracts, I hope that British companies secure a large slice of those new contracts. Already, many British companies are contributing to the

reconstruction programme in Iraq across a wide range of sectors. As I have mentioned, the new Iraqi currency was printed by De La Rue, here in the UK. In the field of engineering, Halcrow, Mowlem and Mott MacDonald are helping to build the future of Iraq, literally. International transactions in Iraq will soon be processed by a consortium including Standard Chartered Bank. Cummings Aggreko and Siemens UK have all won contracts in the power sector. Further, Datasat has won a major telecoms contract; and Crown Agents won a contract to assist with procurement transport and warehouse management. These examples demonstrate what British firms have to offer as partners in the reconstruction process: that they are willing and they are able to deliver.

Therefore, I sincerely hope that when the \$18.6 billion approved by the US Congress comes on tap, British companies will again be able to secure a significant proportion of the contracts. I welcome indications overnight from the American President that he is happy to invite British companies to bid for the primary contracts as well as secondary contracts in relation to Iraq.

I say this not simply because there are large sums at stake here. I say it because I believe it is in the best interests of the Iraqi people that British companies, with their long understanding and tradition in this area, are involved. In the fields of reconstruction and infrastructure, power generation and oil and gas, our companies rank among the best in the world. Therefore, I hope that you will come away from today's conference with a real understanding of how the PMO will work. I hope that the sector-specific sessions you will be involved in will provide a level of detail that will allow you to share information and get directly involved in the reconstruction effort.

To ensure that this information reaches as wide an audience as possible, we have asked trade associations and multipliers to get the message across to their members afterwards. UK Trade & Investment will also post a full report of this conference on its website.

IV. Security in Iraq

Of course, Iraq is a very difficult environment to work in. It is important that we acknowledge this. Addressing security in Iraq remains the absolute priority for the Coalition. The overnight attacks in Baghdad show that violent reactionary forces want to deny the Iraqi people, the security representative government, an opportunity for prosperity that they deserve. Terrorists are actively targeting UK, US, western and other international interests in Iraq, and the threat to British nationals in Iraq remains high. The threat is also, of course, to Iraqis who live there.

The Foreign Office advises against all but the most essential travel to Iraq, so companies should only consider visiting Iraq if they have strong commercial or professional reasons to do so. It is imperative that they make private security arrangements if they do travel there. There are British companies who can help them to provide an element of security. Indeed, some of these companies are, understandably, growing very fast these days, so British companies are prepared to be involved in Iraq and there are ways in which security can be assisted. There is no guarantee of 100% security in any operation, and as I indicated at the start of my comments, nowhere in the world is entirely safe. There are risks in Iraq and we need to face them, but British companies need to be prepared to deal with those risks rather than be deterred.

V. Agencies of Help and Advice

We want British companies to play an important role in reconstruction and in developing the country's economy and its private sector. Therefore, if you do intend to travel to Iraq or have staff going there, talk to the Iraq Unit in UK Trade & Investment, or to the Iraq Policy Unit in the

Foreign Office, and talk to the companies that can help provide some element of protection and security. The British Office in Baghdad can offer advice on operating in such a difficult environment. It will also advise our companies on the practicalities of working with the CPA.

If there are problems that arise in the negotiation or discussion of contracts, please let the DTI UK Trade & Investment know what those difficulties are quickly. We will be having arrangements with the US administration to sort out difficulties swiftly. However, we need you to tell us what they are at an early stage of the process, so that before they become problems we can sort them out, so that little difficulties do not become big problems. We have seen that where we have raised things with the US administration we have a great deal of cooperation and we want to ensure that you assist us to make your life easier.

Within the British Trade and Reconstruction Office in Baghdad is a group which is tasked with alerting UK industry to reconstruction needs and opportunities in Iraq. Again, this service shows our commitment to the Iraqi people and to ensure that our industry is aware of their needs.

VI. The Iraqi People

I want to leave you with just one last thought: Iraq's reconstruction will only happen if we get the right people with the right skills on the ground to make it work, and if we can mobilise the Iraqi private sector to play a full and active role. Iraqis already have many of the skills needed to rebuild their country. About a month after the end of the conflict, I was in Baghdad at a conference of Iraqis and I was saying to David at the reception we had last night that I can rarely remember being in a room with so many PhDs. These people are often very well educated, very capable, with a good business sense and can be very good partners in the reconstruction of their own country. I want to ensure that when you are thinking of becoming involved in these projects that you really do see them as a practical and valued assistance in ensuring that these projects are a success. Iraqis have many of the skills needed to rebuild their country and they need to be given the opportunity to do so. That means working with Iraqi partners and using Iraqi manpower and expertise. That should be central to everyone's business strategy in Iraq.

Reconstruction will mean that Iraqis will have the basic services and utilities they need. It will also create jobs for them and income for Iraqi families. That will improve the overall security situation in the country as well. As I said at the outset, that is in our interest here in Britain, in the interests of America and in the interests, of course, of Iraq.

Helping the Iraqi people to secure a stable, democratic and prosperous future for their country still remains at the top of Britain's agenda and the agenda of the United States, as Tony Blair and George W Bush said in a powerful reaffirmation of their commitment to Iraq yesterday. I know that British industry is ready to play its part in this endeavour and I wish you every success in doing that.

Thank you very much for listening.

Questions and Answers

Participant, a software company

My company has already taken the step of opening a branch office in [Basra/Baghdad?]. However, we are a small company and I see all these requirements coming up. I do not see a way that small companies can get in on these contracts. How will this work for small companies?

Mike O'Brien

As a small company you will need to consider, obviously, not the primary contracts but secondary contracts and subcontracts. Obviously we will have to find mechanisms for those who do have the higher-level contracts to get the smaller companies involved in this process.

David Nash

Also, we are just beginning and working on the technology piece and if you will see me afterwards I will give you the name of the person to contact that will help you get started right now. If you have qualified people on the ground in Baghdad who can do some of the things we need to have done, then I would encourage you to participate. You will not be precluded because you are small.

Participant

A question for the Minister: I know that the Department of Trade and a variety of British governmental agencies have really put a serious effort towards helping process. Our experience in talking to them is that they remain understaffed. Even though they are very bright, capable and helpful people, the teams are just not big enough to handle the task at hand.

Mike O'Brien

Is that the teams in Iraq or the UK?

Participant

That is in London. In Iraq they are definitely understaffed, there is no question about that, but even in London we find that although they would like to be helpful there are just too many things coming at them. Is there a way you can beef that up to provide some support for the British companies here?

Mike O'Brien

If we take the view that that is indeed the case, we will provide greater support to that team. At the moment, you are the first person who has mentioned that to me. Let me check with the managers on the amount of work that is going through and whether we need extra support in there. Obviously, this is a major priority for the British Government and if we have to put some extra support into that operation we will do so.

Participant

As a security company, how do you assist in vetting Iraqis you encounter, to ensure that their alliances are in the right direction?

Bill Henderson

I think that may be covered in a subsequent presentation that we are getting from Captain Sam Dickson, of the CPA. It is a detailed point on security.

Mike O'Brien

I think it is the next item on the agenda, so straight after coffee we will hopefully give you some answers to that.

Participant

Can you tell us something about the future of the telecom systems in Iraq? I have in mind the privatisation and that sort of thing. Are there any plans for the future?

David Nash

The Ministry of Transportation and Communications has been divided. There is now a Ministry of Communications, which has its own interim Minister who is formulating his view of how the future should look. A privatisation and state-owned enterprise is an issue that is being dealt with by the Governing Council and others. I do not know how rapidly that will occur. On the future of the communications in Iraq, you will find some of it in our Supplemental; there are some very specific projects that have been called out that develop the capability to communicate within Iraq. I would just close by saying that I think everybody, both in the CPA and the Iraqi Government, now understands that communications is one of the primary ways to establish democracy and attain the goals that the Government is after.

Mike O'Brien

I would just follow up on that and say that essentially our view, and I think it is the view of the US administration and also of the Governing Council in Iraq, is that where there needs to be new systems put in place, by and large we will get the private sector to come in and assist in putting those systems in place. Where there is already a system in place, we will try to maintain and support that system.

There is no intention of undertaking a large-scale privatisation programme in the next few months; I do not think that would be practical. However, a decision on whether substantial privatisation, or what should occur with the Iraqi economy in the long-term, will have to be a decision for the Iraqis to take in the long-term. There is going to be no big-bang sell-off of everything and anything. That is not the way in which anyone feels it would be useful to operate.

Bill Henderson

I would now like to thank the Minister for his presentation. Thank you very much.

Security and Working in Iraq: **Constructing With Security**

Captain Sam Dickson

USAF

I. Preamble

Good morning. I am very honoured to be here to speak to you today about security, because this is an ongoing and very serious problem. I am here to tell you, though, that the security situation in Iraq, and especially the access that we are able to control, the green zone and the CPA Palace, are every bit as good as the security at, say, Buckingham Palace.

A brief word on why I am dressed like this today. When I deployed to Iraq this last summer, a three-piece suit or even a blazer and tie just did not fit into my packing list, and I thought perhaps it would not be as effective if I stood up here in jeans and my 'I Love London' T-shirt, so I thought this would be an appropriate outfit to wear today, and that is why I am in uniform.

I would like to talk to you about four main points today: the current security situation in Iraq; what we are doing to provide security; what I believe is going to be the main challenge for most businesses coming in to do business and Iraq; and a chance to ask questions and give you some other resources as well.

II. Current Situation

[‘Current Situation’ slide shown]

1. Large Groups

Let us look at the threats that exist in Iraq today. From large groups there has not really been an issue. We have not had any really large groups of people make frontal attacks on any of our positions since President Bush announced the end of the war on 01 May. There have been no large groups of Iraqis, such as loyalists from the former regime, making any attacks. We have certainly had large groups get together for protests and large gatherings, but they have not, generally, been violent. There was an incident in Sadr City a few months ago, but, in general, large groups have not been a problem.

2. Small Groups

Small groups, however, continue to be a problem; they have attacked our convoys and our stationery positions, and I will go into the detail of that a little later. However, small groups have definitely continued to be a threat. In general, though, the small groups have not made direct

attacks. We have not had, for example, 20 or so Iraqis armed with AK47s rushing anybody – that just does not happen and that is not a concern.

3. Convoy Movement

During movement, our convoy operations have proven to be one of the most challenging aspects of providing security in Iraq. By definition, when you are out in vehicles, you are more vulnerable, generally, than you are in a fixed location. The Coalition Forces have sustained some losses from convoy operations, but it does not mean that movement is not possible or is unnecessarily unsafe. I will discuss a little later some techniques to limit your exposure during movement.

Some of the typical threats that you see you for convoy operations are the RPG attacks, small arms fire, the improvised explosive devices, or IEDS, and sometimes landmines. All of those have been used in successful attacks against Coalition Forces. For stationary security situations, I was looking at two things here: the jobsite and base camps.

4. At Jobsite

At the jobsite, typically we have not had many direct attacks, and there have not been people going after contractor sites. There have been a few cases where people who were putting up electrical wire had been harassed by some Iraqis looking to take down the same electrical wire, in order to steal and smelt it. However, in general, that has not been an issue.

5. Unexploded Ordnance

Something, for the more outlying regions, though, that you have to be aware of, is that there are still some UXOs, or unexploded ordnance, and there are also some areas that are mined, which is something you will need to take into account if you are working outside the metropolitan areas. Sabotage continues to be an issue, as Mr Bearpark mentioned, and this is something to take into account when you are making security plans for your jobsites.

6. Rocket Attacks

In the base camps, direct attacks have not really been a huge problem, although they have used stand-off weapons against some of our fixed locations, and there have been rocket attacks and mortars. In general, they have been ineffective, but you probably heard about the al-Rasheed that was hit a few weeks ago, and a few more hotels were hit last night. In general, the rockets are not very good and cannot be aimed very well, so when they make a hit, it is only a lucky one. However, it is certainly a threat that needs to be dealt with.

7. Car Bombs

What has proven to be a bigger problem for fixed sites, especially our base camps, is the vehicle-based IAD, or the car bomb. They have used that successfully against many of our targets, because they are difficult to defend against. Examples include the UN building, the Red Cross, and the Italian police training facility. I have not seen all of the intelligence, but I believe that what has just occurred in Turkey was based on vehicle bombs as well, so you can see that they are a huge threat.

8. General Crimes

Infiltrators who can plant explosives or commit direct attacks also need to be considered, but that has not been a huge problem. However, it is something the security plan needs to take into account. There has not been much press on criminal acts in the last few months, but they continue to be a problem in the country. Some areas are worse than others, as you might expect in any large country. We continue to have car-jackings, we have seen some continued looting, and the more general crimes that you would have in any country, such as bank robberies and things like that. Crimes continue to occur, but they are being addressed.

III. Geographic Analysis

[Map of Iraq shown]

You can see on this map that I have drawn in what is commonly called the Sunni Triangle, which extends from Fallujah in the west, to Baghdad, and then up to Tikrit. If you look at a statistical analysis of where most of the attacks against Coalition Forces are occurring, it is mostly in that region. Of course, that region is also Saddam's stronghold, and it includes the place where he was born, as well as his real base camp in the Ba'ath Party.

As far as crime is concerned, you do not see as much in the middle and northern sections. Crime tends to be more down towards the south, the Basra area in the south-east, and near Dhi Qar. The northernmost part of the country, near Dohuk and Mosul is, actually, fairly quiet. There are incidents on occasion, but generally the security situation in the north is vastly different than it is in the Sunni Triangle and further south. More recently, we have seen attacks that have extended out towards the east, towards Ba'qubah. There have been many attacks in that area, which is why I have now re-drawn this, and I have deemed this the Sunni Romboid. If you continue to the east, you reach Iran, and we really do not want more insurgents working near the Iran border. This is not a positive event.

IV. Current Situation

['Current Situation' slide shown]

Having said all that, and having said all those negative things, the situation for contractors is really not that bad. Less than 2% of attacks involve contractors, and the vast majority of that 2% were because they were in close proximity to Coalition Forces when they were attacked – they were part of a convoy or they were co-located next to one of our base camps that was attacked. I do not want to give you the impression at all that it is a very dangerous place for contractors. There has been no verified targeted attack against a contractor yet. We have had some incidents where people have been injured, but that is by far a very tiny minority.

The bottom line though, and I do not want to under-emphasise this, is that Iraq is a very dangerous place. I am going to try to give you very accurate and up-to-date information on it. I do not want to scare anybody, but I do not want to underplay it either. Iraq is a dangerous place.

V. Providing Security

1. Combined Joint Taskforce Seven

[‘Providing Security’ slide shown]

We have the Coalition military forces, which are under CJTF7, the Combined Joint Taskforce Seven, which is commanded by Lt Gen Sanchez, and works in coordination with the Coalition provisional authority. CJTF7 and Coalition Forces provide general overall security in Iraq, so we are there to handle the large incidents. We can handle smaller incidents too, but it is really region-specific, depending on where you are going to be working. What Coalition Forces are available, what tasks they are doing, and how many people they have, is really going to limit or affect how much support they can offer your company.

2. Iraqi Security Agencies

On top of the Coalition military forces, we have the Iraqi Security Agencies: the NIA, or New Iraqi Army; and the ICDC, or the Iraqi Civil Defence Corp. The closest analogy I can come up with for the ICDC is the National Guard that we would have in the United States. They are mostly there for internal security, and the NIA is there mostly for external security. There is the FPS, which is the Facility Protection Services, an umbrella organisation that covers some of the things that some of the speakers talked about: the electrical police, the water police, the rail police, and the oil police. All of these come under the protection of the Facility Protection Services. We have the regular Iraqi police, and the border guards.

3. Current Status

In some cases these forces are very effective. The police are doing an excellent job, despite the limitations placed on them by being put into service so quickly. Every day there are reports of them finding bombs, reporting them, and allowing us to get rid of them before they have a chance to hurt anybody. They have foiled bank robberies, and doing all the things you would expect a police force to do. The ICDC and FPS are still in their formative stages, and are not completely up to speed yet. They also suffer from issues with equipment and manning, and there are also money issues, but these things take time, and by the schedule of when most of your contracts will be coming online in the early part of spring next year, most of these will be up to speed much further than they are now.

4. Self-provided Security

On top of that, anything besides what the Iraqi security agencies or the Coalition is going to provide is up to your company, and I cannot emphasise that strongly enough. Your company is going to be responsible for the security of your people and your facilities. The analogy I used before on this is, just as you do not rely on the police to secure your home and your person, since they can only provide general overall security, it is up to you to provide security for yourself and to be aware of your surroundings, and to put locks on your doors and alarms on your cars. It is the same in Iraq.

[‘Providing Security’ slide Two shown]

The first thing you have to do is change your paradigm. You have to move away from realising that security is just a secondary consideration. It has to be one of your prime considerations, and you have to balance the needs of that security piece of the puzzle with all of the things that you are going to be doing, and this is not an easy thing to do.

Then you will have to do some strategising, and some research to figure out where you are going to be working in Iraq. I will talk later about the things you should be looking for, but just as if you were starting a new product line, or going into an untested market, you are going to have to do some research and work out how you are going to address the concerns that the research brought to your attention.

VI. Initial Imperatives

1. Employ a Security Tsar

[‘Providing Security’ slide Three shown]

We cannot emphasise strongly enough that it is imperative that you have somebody within your company who is your security tsar. If you have nobody with that training and background now, then you need to hire somebody to do that. This person is going to deal with the focus solely on security, and they will have no other responsibilities to deal with. They must be given the authority – and by authority I will use the military term ‘rank’ – to be on an equal par with their peers, and they are not subjected to the interests of other people in the company. Security cannot just be foisted off as a secondary concern. They need sufficient power and authority within the company to do their job.

They are going to act as a controlling agent for any subsequent subcontractors that you might hire to carry out your security services. This is important, because if you do not have somebody in your company who understands how security works, and can control the subcontractors, they will often end up controlling you, because if they bring a security situation to your attention and suggest some proposals, if you do not have the security background, how will you know whether that is the right choice or not? They need to be as experienced as possible in the region around Iraq, and if they have US security clearance, it will be very helpful in terms of getting plugged into the intelligence networks once they get into Iraq.

2. Conduct Research

You then have to do some research into where you are going to be operating, and you may want to look at what sort of military forces and Iraqi agencies are going to be nearby and available to you; just as the Coalition Forces are spread out, concentrated in certain areas and less so in others, so are the Iraqi agencies. The electrical police are a little further along than the oil police are, so maybe the type of project you are going to be doing will mean you will not have all the Iraqi services available that you might on other projects.

We can provide you with intelligence about the type of threats that are in the area in which you are working, both for movement and stationery threats. We can also guide you on cultural sensitivities. Companies which have been involved in international business for some time will understand the importance of this. Customs and courtesies, and the way certain words and mannerisms are used, can have a great effect on the success of a company. Occasionally, the smallest nuance which means nothing to us may have a great deal of impact on your potential audience.

VII. Housing

Housing is going to be a concern for most. Whether you want to use indigenous housing or whether you want to try to build your own, you will need to look at what sort of housing is available. Sometimes hotels are a good idea and sometimes they are not. That will depend on the area and how many people you have to house.

Finally, you will need to look at what indigenous support you will need, and whether you are going to hire any local Iraqis to deal with your trash or do your cooking, or any other jobs that you might require as far as your base camp is concerned. That will also have an effect on security.

Once you have done the research, we need to look at the decisions you will need to make, such as housing in the local economy versus self-built. There are many different examples. Some companies have used hotels in the local area, and this has some very distinct advantages. You have no hassle with building anything, and often, there are restaurants nearby or even in the hotel. There are laundry services available, and these are the sorts of things that make it very convenient. The disadvantage is that you will probably have very little control over the security for that facility, and for a lot of people that makes them very nervous.

You could go along the self-built route, which has the advantage that you can control the security and the layout of the building, but it is more expensive and takes more time to put together.

VIII. Vehicles

Probably the most important decision you will make, in terms of setting up your infrastructure before you get there to set up your contracts, is what vehicles you will use, and whether they will be armoured or unarmoured. You have many choices with armoured vehicles, including the Toyota Landcruiser and Range Rover. Both are armoured vehicles and are very effective against small arms fire and against improvised explosive devices. They are not as good against rocket-propelled grenades, but they do offer some protection.

For the ultimate in armoured protection [shows a picture of a Battle Tank], there are many M2A2s around the country which are not being used right now, so you may be able to do a deal with the army. There are also some Challenger 2s available, which are excellent tanks as well, although they tend to be in the south.

We joke about running around in a tank, and this is probably not within the budget of most companies. However, this is probably about the most high-profile vehicle that you could ride around in today in Iraq. It offers that everything that a high-profile secured vehicle would have. It has firepower and it has a great deal of armour, but it is going to attract a great deal of attention as well.

At the other end of the scale, when you start looking at the profile, is an older Mercedes Sedan, perhaps from the late 1980s or early 1990s, which is armoured. However, if you look at this rather more weathered and broken-in vehicle, and compare it to riding around in a brand new Range Rover, one is going to stick out more than the other.

The other option is the GMC Suburban, which is unarmoured. The Suburban and the Ford Expedition have proven to be excellent vehicles, and are used virtually exclusively by civilian personnel when armoured vehicles are not available. Most of us do not have armoured vehicles, and most of us drive around in these Suburbans. The SUV dilemma, then, is that these vehicles

become so ubiquitous and connected with the Coalition, that if you see SUVs driving down the street, you can pretty much assume they are westerners and they are almost always working for the Coalition or are a contractor.

Again, if you look at the scale between a higher profile and high protection, and a lower profile and low protection, they keep moving towards the higher profile. Some people have opted to not use any of these vehicles, and to use locally purchased cars, such as a Sedan, which blends in very well and which nobody would suspect contained westerners. The disadvantage is that they offer almost no protection. The GMCs and the Fords are large enough that, if necessary, you could bowl your way out of a situation if you needed to. They also hold a lot of people and equipment, so if you have shooters with you, they have a place to sit and are not stuck in the back where they cannot get out in a situation. However, they are higher profile than they used to be, so this is the dilemma.

IX. Size of Security Personnel Contingent

You will need to decide, based on your research, what threats you are facing. Are you going to move around a lot – are you going to be working in one location or in the Green Zone? This is going to factor into what kind of security is going to be required. Are you going to need a large contingent? Are there going to be a lot of people there, frequently moving about and leaving the base camp to go to jobsites at multiple locations? You are going to need more security.

What kind of weapons will they require? That is your choice, and is something your security tsar or security people would make a decision about. However, I would not go for anything less than a rifle. Pistols are fine for personal protection, but they are not useful for protecting a convoy.

You can go with ex-patriot sources from countries. There are indigenous Iraqi support companies available, who can take care of security for you. There is, though, the issue that you have to be careful who you can trust in Iraq. I mean no offence to anybody, but the situation is still volatile and it is not always clear who is on your side. That does not mean that you cannot use locals. They understand the place better than any outsider. A recent example was a contractor whose staff were attacked in some SUVs. We do not believe they were targeted, but just happened to match the profile. The Iraqi contingent with them fought very well, drove off the attackers, and only moderate injuries were sustained.

X. Outsourcing Contracted Work

You may want to consider, in some of the more dangerous areas, that it is just not worthwhile, in terms of time, doing the contract work yourself, and you will outsource that to a company more familiar with the local area, which leaves your people less exposed. You will then be able to do the project management in the Green Zone or back at your hotel, and allow the locals to do the heavy work out in the more dangerous areas.

XI. Communications

Right now, communications in Iraq is problematic. There is no nationwide cell-phone network. The contracts have been let, but that system will not be up and running until January or February at the earliest. There is no indigenous telephone support, so communications can be a problem. You will want to bring some sort of telephone system which you know will work. By the time you are ready to come into the country, if the GSM system is working, by all means use that. However, if it is not, you will need to use something else. Satellite phones are certainly an option. MCI does

have a very limited range cell-phone network in Baghdad, but it only works in Baghdad and nowhere else. It is also supposed to be phased out when the other system comes online, so that probably will not be much of an option for you. Look at satellite phones and also at radios.

You need to think about how you will be able to communicate with your people between the base camp and the work sites, between the base camp and the outside world, and between your vehicles and Coalition Forces. If you come under attack at your base camp or in your vehicles, you will have needed to work out how you are going to call out the cavalry. Who are you going to call and how will you be able to contact them? It is not as easy as dialing 911, and you are going to have to think of other ways to do that.

XII. Prepare Your People

1. Employee Awareness

You need to prepare your people. You need to be honest with them about the threats they are going to be facing. The last thing you want to do is to bring employees into the country and have them realise after a few weeks that this is not what they signed up to, and decide that they want to go home. That does your company no good, and it does the PMO no good. We need the people there to get the job done.

2. An Exit Strategy

Most companies have also told me that they have developed an exit strategy for individuals, so that everybody in the company understands, if they leave early, what the penalties will be. I have also spoken to one company, though, that will impose no penalty. If one of their employees decides they do not want to be there anymore, they are simply allowed to return to the United States: no questions are asked and their record is not marked; there are no long-term repercussions. However, your employees need to be clear before they head out.

3. Personal Protective Equipment

This is very important. Ballistic vests, helmets, and eye protection need to be provided to your company and, more importantly, you should have a policy on when these are going to be used. For example, it may be that vests and helmets will be used whenever employees are in a vehicle. This all needs to be understood ahead of time, because some people will refuse to wear it for whatever reason, and your company should have a policy on how that is going to be dealt with.

An example of the dilemma between high profile and security and lower profile and security is the helmet issue. If you are driving around in an SUV in Baghdad and wearing a Kevlar-protected ballistic helmet, do you look like a local? Not really. That is a dilemma. You are safer in some aspects by not wearing a helmet, and in others by wearing a helmet. If an IAD goes off, you will be very glad you had a helmet and eye protection, but it also makes you more susceptible to being a target. It is a balancing act around which decisions will need to be made.

4. Immunisations

These closely parallel with what the military has done. It may not be necessary, and it is overkill for most people, but you may want to offer them. Several companies I have spoken to offer anthrax, smallpox and malaria medication for employees deploying to the region.

5. Advanced Tactical Driver Training

This is similar to the training given to the chauffeur of a very important person, and contains techniques they can learn to avoid situations before an attack is complete. Everyone in Baghdad knows stories of somebody being followed by a vehicle which evaluates who is in their vehicle, then backs off and conducts an attack in conjunction with other vehicles. If you have advanced training on how to handle that, you can block vehicles, shunt them out of the way and get out of a situation before it worsens.

XIII. Security

Once you have made these decisions, you need to think about how you are going to implement it. I would like to now talk about security organisation, security at your base camp and at your work site, and, finally, convoy and vehicle movement procedures.

1. Security Organisation

Your security organisation has to be one of the first things you set up. It is a key element and should be just as important to you as the speed at which the work is being done or the profit you are going to make on the job. Security has to be the number one concern. Send those people out first, and they will be able to decide, once you get there, how subcontractors are going to be used, if you have any. They can identify your organisation to the local Coalition and the Iraqi security agencies.

They can start making that network and getting plugged in. I do understand the importance of networks for gathering information, whether formally or informally. It is the best way to find out what is going on, and what the threats are. If I am going up to Tikrit, I know there are more vehicle attacks there than base camp attacks; in Baghdad, there have been less vehicle attacks and roadside bombs, but more attacks on base camps. That is the sort of intelligence that you need to obtain from the locals and Coalition Forces on the ground when you arrive.

2. Base Camp Security

You need to establish perimeter control; most of the time that will involve fencing and barriers. You need to protect against infiltrators, but the biggest threat is probably blasts and impact weapons.

a. HESCO barrier

[Slide shown]

This is a HESCO barrier, which is protecting an armoured vehicle. The HESCO barrier is wire fencing, about 3ft by 3ft and 4ft high, with a thick fabric lining on the inside, filled with sand and rock. They are very easy to set up and they provide very good ballistic and blast weapon

protection. They are cheap and easy to set up. They do have the disadvantage of being difficult to move around once set up, but they are very effective and are used very extensively throughout Iraq.

b. T-wall emplacements

A more upscale option is the T-wall, which are very high. They have been used to protect fixed emplacements. We have them around hotels and other buildings, such as the Coalition headquarters in Saddam's primary presidential palace in Baghdad. We have set up some of these walls around some sections of the building to protect them. They are also very protective against vehicle-based bombs. Other types of walls are available, but this is just an example.

c. Access procedures

You will need to set up access procedures and decide who will be allowed in. More importantly, who will control who gets in?

d. Establish vehicular control

I have mentioned this several times, because it is a huge threat. You will need to develop a plan for dealing with vehicle-based bombs. How will you control vehicle access? The way to prevent vehicle bombs from damaging your facilities is to build a solid wall around your building, thereby preventing vehicles from getting in. The trick is finding the balance between preventing unwanted vehicles getting in, while still allowing access to desired vehicles, such as people getting in to work or to make deliveries.

There are different methods of doing this, including chicanes, or control gates. There are ways of limiting vehicle access, but it depends on what the threat is in that area. A lesson can be learned from the Italian police training compound that was attacked in southern Iraq. The attackers used two vehicles – a large truck to first come in and push down all the barriers that they had put up against vehicle attacks, and the second vehicle loaded with explosives came in, detonated, and caused all the damage that it did. That is an example of inadequate defences.

3. Work Site Security

a. Coordinate

It is important that you coordinate with the local Coalition and Iraqi Facility Protection Services. The PMO has an entity set up within the organisation to do just that. We do not want to have an incident where your worker team may be putting up electrical towers and are mistaken for saboteurs. You need to ensure that coordination is done; Admiral Nash has assured that that will take place.

b. Non-traditional security arrangements

You might also have to use what I have called 'non-traditional security arrangements'. By that I mean something that is not on the normal palette of options, and something that is outside the scope of what we would normally do. We have found it necessary in some parts of Iraq to engage the local tribes or the local mullahs, using their services to protect our infrastructure. It has proven to be quite effective, but is not something we would normally have to do under most of your contracts.

c. *Plan for less than 24/7 coverage*

At many of these places, it is just not possible to guard them 24 hours a day. We do not have the Coalition Forces, the Iraqis do not have the forces, and your company probably cannot afford to provide security at some of these larger sites. Therefore, you will need to consider how you will protect your equipment and supplies, and to prevent sabotage. Nobody wants to see a project that has been worked on for three months blown up in one night because at least preliminary security steps to avoid it were not taken.

4. **Convoy/Vehicle Movement Procedures**

You will often use the military in your convoys, which can be anything as small as two vehicles. This goes back to the SUV dilemma – between high profile and high security versus low profile and low security and maybe more safety – that I mentioned before. Riding around in Humvees with guys in the turrets with the 50 Calibers ready to go, offers a lot of protection, but it also makes you a much more vulnerable target, because this is what these armed people are going after. If you happen to be in the crossfire, so be it.

The military can be helpful, but you will often have chosen not to use the convoys. That is going to depend on where you are, what the threat is, and what the intelligence has shown to be the greatest problem in that area.

a. *Establish firm rules*

Establish firm rules that everybody understands and will not violate. There are many stories of people not hearing of any problems for several weeks and deciding to leave the base in one car. They always get attacked. Therefore, you should always travel in two vehicles, and you should never travel at night. Whatever rules your security tsar or your security company comes up with need to be understood and followed by everybody, because there are people waiting to take advantage of employees who do not do what they are supposed to be doing.

b. *Ultimate 'defensive driver' environment*

Iraq is the ultimate defensive driver environment. Vehicles are frequently checked out from behind, and you need to be constantly vigilant. Has a vehicle that has just passed you pulled ahead, and can you see perhaps somebody putting on a mask? Have you seen a car pull alongside you, slow down, then move ahead of you and pull up on the side of the road? You have got to be constantly thinking about your environment.

XIV. Bottom Line

You make yourself less vulnerable, just like you do at home. Is it possible to make the home that you live in impossible to break into? No. Can you make your car impossible to steal? No. However, you can make it more difficult to steal than the car parked next to it, and that is the goal here. You need to be the prickly porcupine that nobody wants to mess with, so that they go after the sloth next door. Another lesson can be learned from the UN report on the bombing of their Baghdad facility. They said they were probably attacked because they had much less security than the Coalition facilities in the area nearby. By their own admission, had they been more security conscious, that building would never have been attacked, and the attackers would have gone after a softer target.

XV. The Real Challenge

1. Creating and Fostering an Environment of the ‘Security First’ Mindset

You need to change your thinking. If you have not worked in this kind of environment before, security needs to be a key consideration. I told you at the beginning that I would not mince my words. I do not want to scare anybody off, but neither do I want to underplay things. This is a war zone. Some areas are worse than others and you need to plan for it.

2. OPSEC and COMSEC

There are two concepts I want to introduce you to that the US military drills into our heads from the very beginning. OPSEC is Operational Security, and COMSEC is Communication Security. Who is aware of what you are doing? How easily is that information leaking out there? Can people who you really do not want to know what you are doing have access to that sort of information?

An operational security example would be where you have a base camp and a work site with a regular scheduled shuttle run between the two locations to bring people back and forth. Have you posted that schedule somewhere? Can anybody see that? For example an Iraqi worker dealing with your trash. Can they make use of that schedule and that information? I do not wish to make it sound like I am paranoid, but not everyone in Iraq is going to be your friend, and you need to think about that.

Friends tell me they have seen Iraqi workers in the CPA Palace, once they have taken the trash out, going through the papers one by one to see what it is we are throwing away and whether it may be of any intelligence value. I am pretty sure they were not searching for recipes that we had accidentally thrown away. They were looking for intelligence that they could use against us.

3. Achieving the Proper Balance

You need to achieve the balance between security and speed, cost containment, mobility, trusting your Iraqi counterparts, and security versus everything else. That is why we need the best and brightest, because these decisions are not easy, and you are going to have to balance them. It is not always going to be clear cut as to what takes precedence.

4. The Future is Bright

Having said all that, the future is very bright. The Iraqi security agencies are coming online by the day. They are receiving more and more funding, and we have speeded up Iraqi army deployments. They are proving to be very effective forces. Our current and future efforts are going to have a combined effect. The better we can make the infrastructure, the more people we can employ, the better the economy is, the better morale is, the less people are disaffected, the less attacks are conducted, and this will make our jobs and the infrastructure better, which will employ more people.

I have been to most of Iraq. I have been from the very northernmost province in Dohuk where it is absolutely beautiful, and I have been down to Basra, where it is heartbreakingly awful. There are portions of Basra and other parts of the country that are worse than any UNICEF commercial that you have ever seen. These people need our help. We need your help to make that vision happen. We need your expertise, your people, and your energy.

George Patton said, 'Take calculated risks. That is quite different from being rash.' The vision that we have for Iraq cannot be accomplished without taking some risks. Nothing worthwhile ever is, but the risks are manageable and can be dealt with. We need you to come to Iraq, and we need you to help us build the country that it truly deserves to have.

Questions and Answers

Participant

With regard to the CPA procurement programme, can you tell me what the CPA will be doing to secure the delivery of those goods? We would like to know what price you put on delivery of goods [inaudible].

Captain Sam Dickson

It would depend on what the actual items are

Participant

[inaudible]

Captain Sam Dickson

My understanding of the question is how the CPA is going to deal with security in terms of delivering certain products under specific contracts.

Gavin MacLennan

[inaudible]

David Nash

If you will save that one, I will try to answer it a little later. If I do not, will you bring it up at the end and I will answer your question specifically. It has a little bit to do with security, but it has more to do with policy and how we are going to approach things. If it is alright, we will do it then.

Participant

From a security point of view, when is the airport likely to be open to commercial operations?

David Nash

The airport is quasi-operating already. There are regular flights to Jordan, and we are doing everything we can, but the risk is that we do not want to open the airport before the security situation is at a point where we feel it is worth the risk. However, it has been open, to some extent, with a series of ongoing charter flights which are actually routinely scheduled to Jordan.

Commercial operation at the airport has been something which is at the front of everybody's mind. It is very important to the Iraqis and to the CPA, but the judgment so far is that it is not ready to be opened to commercial aviation because of security, and for no other reason. The only answer we can give you of any value is that we are studying it closely every day and we are going to open the airport absolutely as soon as we can, because that is the next step in normality returning to the country. There are also airports at Basra and Mosul.

Captain Sam Dickson

There are cargo operations going on there every day. The airport is operating, but at a relatively low level, and it is going to take something extra. Only certain contractors are going to be able to fly in there. There is no question about that.

Participant

[Inaudible] would I find a military presence [inaudible]

Captain Sam Dickson

The question is: 'If you drove through Baghdad today would you find police and military presence at roundabouts and key traffic points around the clock?' To be honest, I do not travel around Baghdad too much late at night, out of prudence. You cannot go two blocks and not see Iraqi police or Coalition military. They are located throughout the city. Late at night, though, I do not think they are out as often. The curfew was lifted in Baghdad for Ramadan, and I believe they are going to reinstate it once Ramadan is over. Typically, though, I do not think they are out as much late at night, but I do not have a direct answer because I have not traveled late at night.

Bill Henderson

Captain Dickson, thank you very much for a very interesting and informative presentation. I would now like to reintroduce David Nash to give his second presentation.

Programme Management

Admiral David Nash

Director, Iraq Infrastructure Reconstruction Office, CPA

I. Preamble

I will not apologise, but this is now going to get very detailed. That will either make you happy or sad, but we are going to begin to talk about some of the real specifics. I want to talk about goals now and about the programme management piece. Programme management comes in two sections: the programme management of the entire Supplemental, which has construction and non-construction in it, and the execution of a portion of the construction. What I want to talk about now is the programme management contracts that we are going to be putting on the street.

Firstly I want to talk about what I am expecting and to try to convey to you what my vision is as to how this will operate. My background, from the programme management standpoint, is from the private sector programme management standpoint, and it comes from a job working for Parsons Brinckerhoff, where I managed a billion-dollar programme for General Motors, with just three people there from General Motors. We provided everything else. I am not looking for a body shop, and I do not want just people. I want intelligence and programme management expertise.

II. PMO – Rebuilding Iraq

1. Four Common Components

I am focused on four central areas in programme management

a. Process

If you are the successful programme management contractor in any of the seven contracts, I expect you to bring me processes and to map and describe those processes. This is very important, because we are going to have a lot of turnover, and we want to ensure that all the processes are in place. We will also have processes mapped by then, which you can take a look at.

b. Technology

One of the levers that we are going to use here is technology, and it is going to be, as I described earlier, a programme management system on a website that looks like a virtual enterprise system database. It will have a financial piece, a contractual piece, and a programme management piece – all the things that we, in the business, are used to. Project management, project controls, scheduling and estimating will all be in there for you, but you will need to bring along the expertise to do it.

c. Information and data

One of the key challenges for us is that we will be pressed for information all the time. In addition to trying to manage a huge programme that has never been done before, we have to tell everybody

what we are doing all the time we are doing it, which probably makes the challenge even more difficult.

d. People

Finally, we are looking for the best people that our industry has to offer.

2. End-to-End Integrated Process

What makes this technology so hard is that we have all kinds of influences and outputs that we are trying to wire together. Our goal is to have our programme management technology in place in 60 days. We are working with the largest and smallest firms in the country right now. We have our website, and that will be where we will do all of our programme management. It will also have all the data on financial management on every project and programme that we have. There will be some unique applications of particular software that you may or may not be familiar with, but it will perhaps require some training on your part or your staff's.

We are going to share data together, because one of the keys to our success will be the ability of up to 24 contractors to collaborate and work together. I know that we all have our own special way, our own patterns and processes, and so on. Ladies and Gentlemen, I am asking you to put those to one side and help me collaborate in making us look like one group. We will also have many reporting requirements.

III. Iraq Reconstruction Project Execution Process

[Iraq Reconstruction Project Execution Process' slide shown]

There is a process which identifies the needs, which then moves into the office where I am working. We will be prioritising those needs and managing them all the way through. If you bid on the job at the PMO office, part of what you will be helping us to do will be to keep track of the 2,000 projects. I will talk on that a little later.

The programme is going to be approved by Ambassador Bremer, and it will then be funded to various execution agents. They could be the groups that are working with us, or the army, or IAD, but we have to keep track of all those moving parts. If it comes to us, it goes to PMO Acquisition Management, and we will do that just like you do on all the projects you have ever managed in your career.

There will be lots of people there reporting, auditing and overseeing, and I fully expect to have to go back to Congress next year and explain what we have done. I hope I can give them good news, and I expect us to have lots of attention from lots of people.

IV. PMO Structure

['PMO Structure' slide shown]

Let me explain one approach that may or may not be familiar to you. Think back to the 120 people I spoke about. That is the owner's agent. That is who we are. We are the owner's agent at the top. We are there to make decisions, and we are there, primarily in financial and contractual, to make decisions. We are also there in programme management to help the lead the efforts. However, we

are a very thin line of decision makers, and we are not there to provide the programme management.

In the organisation, the PMO is at the top, and there are sectors. If you are going for that job, you will be involved in being an owner's representative. We are the agent, you are the representative, and you help us to manage the total programme. If you are going to be one of the sector's management office support contractors, you will be managing that sector's programme, and they vary. Some are less than 1 billion and some are 5 billion. The way you put your structure together will depend a lot on what sector you are in.

However, remember that there will be some owner's agents there with you, and the rest will be you as contract support. The Corps of Engineers is going to use contracts to do construction management. Construction management will be done by a Corps of Engineers, and they will employ one to three contractors. That is the quality assurance function; that is the day to day management as an owner's representative. Hopefully, you get the idea that there is an owner's agent, then an owner's representative.

We are doing a lifecycle approach to this, so that when we finish, with all the data and commissioning information that we have gathered, we will be able to turn over to the Iraqis an asset management system – if they want it.

V. CPA Programme Management Office (PMO)

[‘CPA Programme Management Office (PMO)’ shown]

The PMO office is going to have certain functions and, as you can see, you will be dealing with the Iraqi Government, with the CPA, and with the Iraqi donor coordination mechanism. This mechanism looks at all the infrastructure in Iraq, and helps pull together what the donors are going to give, and what they are going to do with the Iraqi money. That will be your job as well, and you are going to help me to help them learn how to do this complex integration of a total programme.

If you go to be a project manager or programme manager in the sectors below, then you will be functioning in that particular sector. You will have with you, in the same office, representatives from the various Ministries that are involved. For instance, in electricity, you will have people from the Electricity Ministry as a customer's representative. You will be looking at just that sector that you are in, while the PMO oversees everything.

An example of what we do not want to happen is that a water treatment plant is built and there is no power, or a power plant is built and there is no fuel supply to it. We need to work together to ensure that we get that kind of coordination. In this organisation, we will also have a great Iraqi presence and, in addition to the Ministries, I will have an Iraqi deputy, and we will have Iraqi engineers and others throughout.

In my organisation we will have between 120 and 130 staff. We have finance, information, logistics, contracting, and programming. This is important for you, because if you are going to bid on the PMO, you are going to have to support me in all these areas. These numbers indicate that we are going to have some people in Iraq and some in our office in Washington.

VI. PMO Programme Management Office Staff

[‘PMO Programme Management Office Staff’ slide shown]

We will first of all have some legal people, some concerned with general security and our internal security at our office. We will also have somebody to talk to our auditors, and some involved in communications with others. We are talking about communication with the press, with various governments, with the Iraqi Government, and anybody else who needs to know what we are doing.

VII. PMO Director of Finance Staff

[‘PMO Director of Finance Staff’ slide shown]

We are bringing only a few people able to do finance – the decision makers and those who can sign. There is a budget portion and a programme analyst portion to this, and I will expect you to supply people to support them.

Next is the information system, but I do not expect that a lot of you will need to supply many people to do that, since we are pretty well self-contained there, but we may ask you to do that.

VIII. PMO Director of Logistics Staff

[‘PMO Director of Logistics’ slide shown]

Logistics will be the most important thing that we have to deal with. Visualise with me for a moment: we have \$18.5 billion that we are trying to infuse into the country in a short period of time. The Oil for Food programme, as it continues, could be under a new name and a new approach, but those kinds of things, of a magnitude of \$1 billion to \$5 billion, will be involved. On top of that, you have the donors, and I believe there is something like \$13 billion. There will also be normal commerce, and all of this will be going on inside the country while we are trying to do all of our construction – the lines of communications, the roads, the railroads and the ports. Everything will be stressed and so we are going to try to manage that as well as we can. That is what logistics is all about.

We will do have some Government-furnished equipment and materials, so we will have to buy it and manage the shipment of it. We are talking about long lead-time items like generators, turbines and boilers, and other things that we need in construction. We are also talking about various and sundry materials that we may need.

Security operations have already been mentioned by Sam. We are asking contractors – not so much the PM contractors, but certainly the construction contractors – to bring their own security. That needs to be integrated. The Coalition Forces will provide blanket security, and all the internal forces that Sam outlined will be assisting as well. If you additionally bring your own people, I want to ensure that that is all coordinated, because we cannot have unfortunate circumstances around friendly-fire casualties. That is what security operations is all about, and I will expect you to bring somebody to help me to do that, if you propose on this.

Documentation is something we all do for a living. Transportation is trying to coordinate all the movement around the country. The railroad was capable of running about 36 trains per day, but, right now, it is running between eight and 12, so we need to work out how to make the whole system work, and that is what that will be doing.

There are also some administrative people. In contracting, we are only going to bring a few people. We need support there from clerks and administrators.

IX. PMO Director of Programming Staff

[‘PMO Director of Programming’ slide shown]

This is where the bulk of what you do will be done on a normal basis. There will be a group that is focused on programme management and that does the usual things, such as high order requirements, programming of what needs to go where, and some project controls such as estimating and scheduling. On the other end of that chart is planning and design. We are going to need to have planning and design support. Most of what we are going to do is design/build on a lot of the projects, but we are going to need support, and it could be back-office support, where design and, sometimes, master planning, will be have to be done.

The concept of ‘level of effort’ is very complex. You have money and requirements flowing in; you have limitations on the logistics of the country and on labor, but the goal is to analyse all of that, and do the loading correctly on our contractors. My goal is to keep all of those construction contractors fully loaded for the time they are there, because we do not want to pay mobilisation and de-mobilisation. This group is going to be looking at how to manage everything so that everybody is kept moving forward. It is a very specialised effort and we will need support from you.

X. PMO Electricity Sector Programme Management Office Staff

[‘PMO Electricity Sector Programme Management Office Staff’ slide shown]

This is a typical sector programme management. In each of the sectors you will probably find no more than 10 people as owner’s agents. In some of them you will find a lot less. There will be a senior programme manager, some financial people, some contracts people, and some project management people who will help you out. We are looking for the bulk of the work to be done by the sector programme manager.

XI. Acquisition Strategy Plan

The charts are all on the website. I am now going to talk about how the programme management work is going to be approached from an acquisition standpoint. There will be details here about how you apply to all of this. Do not worry if you do not understand it, because the charts are on the website. There is already a synopsis on FedBiz and other places, which can give you some of this information.

We are going to tell you how to propose on all of these things, but I want to tell you what the programme management objectives are. We are responsible for fiscal control, accountability, requirement management, and change management. We are going to maximise the local Iraqi support, and we are going to create metrics that people are going to measure our performance by. Finally, we are going to try and transition this as rapidly as we can.

XII. Procurements

I have explained to you the differences in roles between the owner’s representative and the owner’s agent, but I want to talk a little bit about the differences in PMO. If you go for the big jobs in the PMO, you are going to have more of a global responsibility over all the sectors. If you decide to go for one of the sectors, then you will have that specific sector. I will tell you shortly how you can make a decision on how you do that.

1. Programme Management and Sectors

We are going to do two procurements. The first one will be for the programme management contract, and there will be one solicitation and one selection made from that. If you are interested in that, there will be one solicitation. For the six sectors, there will be one solicitation with multiple selections off that. If you look at the website, you will see synopses that talk about two distinct things. One is the Programme Management Office and the other is the six sectors. We have done that to make it easier for you to apply, so you do not have to work too hard at picking out the sectors.

You will learn today what kinds of projects will possibly be involved in each of those sectors. We are not doing that so that you can bid on those projects. What you are going to do to is to put in a cost-type proposal that will tell us what cost you will be associated in.

There will be other contractors and contracts that you will have to oversee as we go through this programme management. There is our execution group, but there is also the Corps of Engineers, AID and Treasury. You will have to help me keep track of all that if you are in the big PMO. If you are in one of the sector areas, and if an entity is working in your sector, you will have to keep track of it, because we have to roll all of this information up, and we have to be able to tell people where we are against what we have been asked to do.

There will be one solicitation for the PMO. There will be one solicitation for the six sectors. I will talk a little later about how many of those you can have, and what you can apply for.

Security requirements, for both operations security and communications security, will be very important, and you will see it in our RFP. Somebody this morning mentioned the 'de-Ba'athification' of Iraq. The Ba'ath Party was Saddam's gang of henchmen who did his bidding. There were many people in the Ba'ath Party, and it is very important to some that the Ba'ath party and its people do not benefit from anything we do. So there is a vetting process, which can be done in country, but one of the things you will have to be concerned about in your security is the ability to determine who was previously in the Ba'ath Party. The Governing Council is taking up a process to assist you, so that should not be a problem once we get there.

2. The Procurement Contracts

The contract will be a cost-plus-reward-fee. We will talk about the reward and what it all means. We will ask you to propose a fee. I want to have a technical approach to how you do things, but I am not asking for a lump-sum bid. We are going after a cost-plus-incentive contract in the programme management, both at the PM and sector management levels. This is something that is very familiar to us that have been in the business. There will be an award fee that will go with that.

There will also be a capability to provide other support to us beyond what we have described. You need to come with the idea of flexibility. I am not looking for a pat solution that you are going to bring for us to live with through to the other side. We will not do that. We have constructed it very reasonably, so that we have flexibility as we move forward. Not only can we add work to it later on through the contract, but we can also have options to extend. The contracts will probably be for two years, with an option to extend.

3. Reward Fee Factors

In the US people talk about it as me being satisfied. It really is not, though – it is really about doing a good job. Some things that will be considered as we do the award fee after you have been awarded this contract will be such things as completing associate contractor agreements. This is a process where you work with the other contractors in our team and ensure that you have a good understanding of how you are going to operate together. Ladies and Gentlemen, we absolutely cannot tolerate any kinds of friction or inter-company rivalry as we go through this thing. We are going to have to work together, so we hope that having some agreements with your fellow contractors will perhaps be a way to do it.

4. Evaluations

We will evaluate things like quality of performance; how you are helping us transition your knowledge to the locals; how you are doing in terms of subcontracting, or if you are doing any subcontracting. We will look at your security, and your customer satisfaction. One of the things that will be very important to me is, if you are awarded one of these contracts, I need your help, and I need it now. Essentially, it is just about me and a handful of other people trying to do this now. I cannot wait a long time for you to organise yourselves and get on site.

5. What We Are Looking For

What you will see in the documents that you receive in this RFP will be a Statement of Objectives. It will not be a detailed scope that tells you everything we want. It will describe the outcome that we want, and what we are looking for you to do is to tell us how to achieve that outcome – how you would do it from an organisation standpoint and from a management standpoint. Do not expect a detailed scope on what needs to be done. We are doing that because we want you to provide innovate alternatives. When you see the Programme Management RFP come out, it will be marked 'Draft', so that you will correspond with us and suggest changes, so that we can improve it. Do not be put off by anything that you see. Everything is flexible, so tell us what you do not like. We will respond on our website. By telling us how you would do it, you are giving us an opportunity to evaluate how you would approach it.

6. Reporting Requirements

There will be many project controls and metrics, such as cost scope and schedule. One of the big things is going to be on reporting requirements as we evaluate your performance. There will be some special clauses in the programme management contract we write with you. There will be a 'Must be on the ground by xxx date' in there, and that will be specific.

When you decide how to approach it, it is up to you to decide what you do in Baghdad and what you do elsewhere, whether it is in London, elsewhere in the Middle East, or wherever. I would recommend you do in Iraq only what absolutely has to be done in Iraq. It is a complicated place to work. We will have the usual things around badging, insurance and employment, so you will see some special clauses.

7. Source Selection

We are going to use a process known as source selection. Iraqi Coalition partners and US contractors will be those competing for this. In terms of what you can be selected for, you can be

selected for one of the PM projects at the top, or one of the sector programs, as long as you convince us of your ethics. If you are the PMO, make sure you will treat the subordinate PMO just as you would any of the other subordinate PMOs.

You may be selected for up to two sector programme management officers. If your specialties lie in electricity and general buildings, you could be selected for those two. I am not allowing one company to do the whole works because of risk management. If I had one company do everything and that company did not perform, I would have a big problem. If I have four or five companies in there, I have a better chance of making it to the other end.

One important issue is that if you are selected as a PMO in a sector, you cannot be a construction contractor in that sector, because I do not want you overseeing what you are doing. I am sure that would not be a problem for anybody here, but I want to avoid any appearance that might have a problem.

8. Past Performance

In the evaluation criteria, we are going to start out with something called 'ability to succeed', and this is the first piece that you will be asked for. It refers to your past performance and your financial capacity. It can be a joint venture, as long as it is a good joint venture with quality partners. We will ask you for past performance and financial capacity, and that is going to come very fast. When I was with Parsons Brinckerhoff, we always had that stuff on the shelf. We would scrape off the old name and write the new name on the proposal.

Later on you will be asked about management approach. It will be about organisational structure, roles and responsibilities, communication and integration methods. It will then be about your programme management approach, and we will look at the management process you are going to use, how you will do risk mitigation, how you are going to do scheduling, how you are going to ramp up, and generally how you are going to manage the whole thing.

Finally, we will look for how you are going to transfer your knowledge and your ability to manage large programs to the Iraqis that we have with us. We will ask you to propose on a cost-price consideration, and we will generally ask you for a fee.

For the programme management group and the sector management group, it will be the same, except that, in the sectors, we are going to ask you for some special requirements. We will ask you about your approach to planning for that specific sector and to developing performance requirements and work statements, and about how you would manage that sector specifically.

9. Timetable

As of yesterday, we posted the synopsis for the programme management acquisition on the FedBizOpps website. Within the next few, we will release a draft RFP. The draft RFP is marked 'Draft' for a very specific reason. We want you to look at it and feedback to us what you think about it. Our RFP will then be released on 03 December, so you will only have a few days. This is all going to go very, very fast, so if you want to participate, you will have to keep on your toes. On 05 December, we are going to ask you for your ability to succeed. What we are talking about is your past performance and your financial strength. That is all we need for this first stage.

After that, there will be an industry conference, probably in Washington, which will be for those who submitted their ability-to-succeed information. The information is due on 05 December, and

the conference will be sometime during the week of 10 December. That is when RFPs will be discussed and more information will be provided.

We will then be down-selecting during the remainder of December, to three contractors or joint ventures for each of the contracts. Those people will be invited to provide their management information and your cost-price information, which will be due 29 December. From there on, the process will move forward to where we have a contractor award by the end of January. It takes this long because we have a lot of different steps we have to go through to in order to make that all happen.

That is the PMO, and I will give you some other information on the construction contracts shortly. However, let us open the floor to questions on the programme management contracts and how we are going to run those.

Questions and Answers

Participant

You said you are not body-shopping [inaudible]?

David Nash

The question is: 'Are we looking for just one company for the PMO or one entity?', and the answer is 'yes'.

Participant

Does that have any impact on your ability to provide reconstruction projects?

David Nash

You will have to come up with a statement as to how you will prevent any kind of conflicts of interest in those two. Particularly, I just do not want the people running a particular sector involved in construction.

Participant

I am a little bit concerned that [inaudible].

David Nash

The question is: 'It appears to be very difficult to have so many contractors across the spectrum here', but I have no choice and we are going to manage the whole programme. To me, that is the way you manage a programme. You have somebody watching the entire programme, then sector

managers, each of who will be responsible for their particular sector. You try to get leverage by having centralised policy and decentralised execution. If you take on one of the sector programme manager jobs, you will have big time responsibility and a broad spectrum. No matter which sector you take, it will be very complex and it will require good management, but that is why I am asking the best in the world to help me.

Participant

[Inaudible]

David Nash

The question is: ‘Are we going to give any preference to Iraqis or Iraqi joint ventures?’ The answer is probably a little different to what you might have expected. The contractor selection process and the way it is put together is done with the Federal Acquisition Regulations and good acquisition practices. I am not going to be responsible for selecting any contractors. I have been associated with other companies, so I will not be a source selection authority. Having said that, your proposal will be considered on how you approach things. One of the factors will probably be how you are going to help Iraqi subcontractors. It will be particularly important in the construction contract areas, but it is also important in the programme management areas. One of the evaluations of how you get the contract will be based on how you are helping the Iraqis.

Secondly, each of these contracts will involve an award fee, which means that you and I, and the panel, which meet periodically to discuss your performance, and the award fee or incentive will be based on how well you are carrying out many things. One of the most important will be how you are helping Iraqi contractors move forward and help them learn what to do.

The answer is ‘yes, yes, and yes’.

Participant

Where can we find information about those projects? And will the programme management [inaudible]?

David Nash

The question is about prioritisation and how it will be done. My goal is to put as much construction under way as I can by mid-summer. It will mean that we will be deployed in all sectors doing work across the entire country. All the projects are top priority, but we are prioritising those that have the most impact and those that make the most sense from a construction standpoint.

What we are doing is putting that list together now. I have had engineers out there who have been identifying projects and putting some order of magnitude and estimate of cost on them. That is moving forward through our system and it will get to Congress on 05 January. When it hits Congress, we will put it on our website. In the next sessions, we are going to tell you about what kinds of projects these are. However, as you can imagine, any kind of project in an infrastructure that has been neglected for 20 years is going to occur, as well as the non-construction projects, which are worth about \$4.3 billion, to do with training, equipment, and so on. The \$18 billion is not going to fix Iraq’s infrastructure, and much more investment will be required.

Participant

Each body will make different decisions on how that money will be spent.

David Nash

The question is about all these sources of funds, and there is even an additional one, which is bilateral funding from other countries that are not among the donors. There are about \$13 billion of funds that will be either in the UN fund or in the World Bank fund. It will be managed by a joint committee, but the point is the Iraqi prioritisation mechanism that we talked about. Essentially, what is happening is that the Ministry of Planning is going away, because that is not something that happens in a democratic country. However, it is going to be replaced by a Ministry of Development, Cooperation and Planning. We are going to help them prioritise all the work in Iraq, as well as set standards for what they expect. That will be the mechanism that prevents interference, and prevents two countries or two entities working on the same project. That is up and running right now.

Participant

Will that be the focal point of prioritisation?

David Nash

Not for the Supplemental, because it will not be functioning by then, but we are getting lots of Iraqi participation from the Ministries, from the Governing Council, and everyone else we can find. We are trying to build some consensus.

Participant

Would you consider penalty clauses?

David Nash

Like liquidated damages? Penalty clauses? I have very mixed feelings about that. I have seen where we had liquidated damages or penalty clauses and no reward for going faster, and we may have something like that in case we have a contractor that does not deliver. It is very difficult because it is a task-type contract, and not a lump-sum single contract, but being a positive guy, I want to focus on the positive, and tell you that I hope the incentive motivates you to move faster and better, and not a negative impact to try to get you involved.

Participant

Regarding cash flows, how are you going to handle actually putting the money down?

David Nash

We understand cash flow and we understand business. It is even more difficult for the Iraqi companies than it is for you, because they are really destitute in terms of business whilst still having to cooperate. We are going to work on ways to make sure you get paid in time. The

Federal Government still has a requirement to pay within 30 days. We will try to use electronic funds transfer as best as we can. So let me assure you that it is a policy of the United States Government to pay on time, and we will do that.

Participant

[inaudible]

David Nash

Yes, you will see in our contracts that there is a clause that requires payment to subcontractors, and I am sure I will be talking to some of you as we go through all this, because if there is some sort of dispute between a prime contractor and a subcontractor as to who gets paid, I usually find it to be very complex. Usually, it is wrapped around whether there is satisfaction in the product that was delivered.

Participant

How detailed [inaudible]? What will be the weighting in relation to the quality and price proposals?

David Nash

Firstly, on the detail of the cost proposal, I think you will find it is not all that detailed. However, I would alert you to the fact that it is susceptible to audit. Everybody needs to know that this is full and open and transparent, and the US Government has very good people who understand business and can see what is going on. That is not before the award, but afterwards. The second part was?

Participant

[repeats question]

David Nash

Remember that we are not asking for a fixed price; we are asking for a fee. There will be a very detailed description of how you put that together. We understand that there are many things that you cannot guess ahead on, and there will be allowances for direct cost that go over and above your management costs.

Now I remember the second part – how important is price? Price is always important, and we want to ensure that we get a price comparable to the market. However, as I said before, this is best value. Best value says that we want the best solution, and we may be willing to pay a little more to obtain the best solution. This is not a low bidders' contest, neither is it a high bidders' contest. It is about working out what is fair and reasonable for the work you are about to do, based on the people you are going to bring, and what you feel you ought to receive in terms of remuneration.

There will probably be very little clarification done. There will be no follow-on sessions to discuss your proposal. There will be communications and clarifications, but we will not have very much time to go through your proposal, so I would encourage you to do your very best on your submittal.

Participant

[inaudible]

David Nash

We have now changed our name, although there is no sinister reason for it. We are now PMO, and some of my superiors found IIRO too hard to say. We are a programme management office. The contracts that TAC[?] is putting out, and TAC is part of the engineers [inaudible].

Participant

If power is handed over any earlier, do you think there will be an effect on the whole project management situation?

David Nash

There will probably be successors to the CPA. For us specifically at the PMO, our plans will continue on until we are finished. We have to continue to work and to manage. As far as I am concerned, this money must be spent the way we intended, the projects should be online and be completed, and will be completed. We will be there until the last dollar is spent, the last nail is driven, and the last facility is turned over to the Iraqis.

Participant

Do you have a date by which you expect to announce the down-selection?

David Nash

We will have the down-selection probably in late-December, and the final announcement of work will be at the end of January. That will be in the specific synopsis that is on the website, so I would refer you to that. The agency that is doing this for us is the Pentagon [inaudible] Office. They are contracting us just like the army, the navy and others, so they will be the ones managing this procurement. Telephone numbers, addresses and contacts will be given, and this is also published on their website. There will be plenty of access to this synopsis.

Participant

Will there be a regional split between those contractors being selected for [inaudible] regions [inaudible]?

David Nash

No, that is a Director of Construction, and that is a Corps of Engineers, but you will find it in the construction contracts. Besides being divided by function, there is also, for example, an Oil (North) and an Oil (South), and Electricity Generation (North) and Electricity Generation (South). So there will be some regional division.

Bill Henderson

I think we will call time there. Thank you very much, David.

Breakout Group Session 1

Public Works and Water Resources Sector

Jeff Quay

I. Opening Remarks

Good afternoon. My name is Jeff Quay, and it is a pleasure to be here this afternoon. Just about any excuse would have been good enough to get me out of Baghdad, but visiting London is a real treat.

II. Overview

I would like to start with a few basic facts about Iraq. Iraq covers an area of approximately 437,000 square kilometres or about 168,000 square miles. It is approximately the same size as the State of California. It has a population of approximately 25 million people. It is bordered by Saudi Arabia, Jordan, Syria, Turkey, Iran, and Kuwait.

[Map slide shown]

The CPA has divided Iraq into three regions for administrative purposes: north, south and central. The map shows the division lines. The northern region contains the Governorates that are largely Kurdish in population: [govarbile and su-enaliya?]. Those areas are really different from the rest of Iraq having been autonomous since 1970 and far more settled than the other areas of the country.

The city of Baghdad is administered separately. Baghdad has a population of approximately five million inhabitants, about 20% of the population.

III. Funding in Supplemental for Public Works

[‘Funding in Supplemental for Public Works’ slide shown]

The Dollar values that were contained in the Supplemental are shown on this screen. This is how the money was allocated in the Supplemental. These amounts may change slightly depending on how the projects are prioritised. There may be some shifting of funds, but basically the breakdown is as follows:

- Potable water, which includes existing and proposed water distribution and water treatment plants, has about \$2.8 billion allocated to it.
- Water conservation is shown in the Supplemental as a separate line item, but it is really part of the potable water. I will explain that later in the presentation.
- Sewerage, which includes existing and proposed sanitary sewer systems and sewerage treatment plants, has \$675 million allocated to it. Solid waste management has \$22 million allocated to it.

The total is approximately \$3.5 billion. As Admiral Nash discussed in his presentation, up to 20% of this money may be used for things other than construction projects such as equipment procurement, vehicle procurement, training and setting up infrastructure management systems for the Ministries.

IV. Funding Supplemental for Water Resources

[‘Funding Supplemental for Water Resources’ slide shown]

The funding of the Supplemental contained for the water resources sector represents:

- \$150 million for pumping systems and generators.
- \$130 million for irrigation and drainage systems.
- \$130 million to complete major irrigation and drainage projects. Those are projects which were either under construction and were stopped, or projects for which the design had been completed but they were never let.
- \$100 million for dam repair, rehabilitation and reconstruction.
- \$200 million for a water supply pipeline to provide raw water to Basra and Umm Qasr
- \$40 million for a project called the Basra Channel Regulators.

Once again, some slight adjustments may be made in these totals as the result of project prioritisation.

V. Prime Contracts Anticipated

[‘Prime Contracts Anticipated’ slide shown]

It is anticipated that in the public works and water resources sector there will be five prime construction contracts let. Based on some confusion that arose at the Industry Day in Washington a couple of days ago, I would like to emphasise the distinction between these construction contracts and the contracts that Admiral Nash was talking about, the format[?] for the PMO contract and the sector PMO contracts. They really have absolutely nothing to do with each other. The PMO contracts are to engage firms and basically will be administrating the prime construction contracts.

It is anticipated that there will be five prime contracts in the public works and water resources sector: one each for potable water, sanitary sewerage and solid waste in the north region, the central

region, the south region and the city of Baghdad. There will be one nationwide contract for the water resources work.

VI. Contractor Considerations

[‘Contractor Considerations’ slide shown]

The slide shows some items that potential bidders should consider when putting together their proposals.

1. Construction Specifications

It is anticipated that European Union standards will be used because of the lack of any national current design standards in Iraq. That is a general statement, but there may be some variations from that as we develop the packages for the individual task orders. However, in general, we are planning to use the European standards as the design standards for infrastructure reconstruction.

2. Maximum Use of Subcontractor

I think it has been mentioned a couple of times that one of the goals of this programme is to enhance and increase the Iraqi capabilities in the construction and construction supplies’ field. The contracts will encourage the prime contractors to maximise the use of Iraqi subconsultants, subcontractors, suppliers and labour.

3. State-owned Enterprises

Most of the Ministries in Iraq have State-owned enterprises with them. I think that came about as a means of keeping construction costs artificially low. The Ministries want to privatise those enterprises and it has been decided that the State-owned enterprises will be allowed to work for the prime contractors for these five contracts.

The mechanism whereby that will be allowed to happen has not really been worked out. Provisions will need to be made to ensure that the State-owned enterprises do not receive Government subsidies while they are working as subconsultants, but they will be allowed to work for the prime contractors. Several of them have significant resources both of skilled labour and construction equipment. I believe the Director of Planning at the Ministry of Water Resources told me several weeks ago that they have approximately 500 pieces of construction equipment in the country with trained operators.

4. Ministry of Environment

An Iraq Ministry of Environment has recently been created. I do not believe they have been able to staff-up at all at this point. We are not sure what role they are going to play, but I am sure there will be some kind of role for them in setting standards, for example in drinking water quality and effluent standards from sewerage treatment plant. So that is something that contractors should consider. Hopefully, by the time the task orders are let, there should be more definition for that. I just wanted you to be aware that there is a Ministry of Environment which will have to be dealt with.

5. Security

As you have heard about already today, one of the problems we face is security. I think Captain Dickson's briefing was right on the money. Certainly, it is as important as any other consideration that you may face.

VII. Dora Water Treatment Plant

[Water treatment plant slide shown]

I rather wish I had been assigned one of the more exciting sectors. Captain Dickson was able to show pictures of tanks and armoured cars and so forth. The best slide I can come up with is a water treatment plant. The Dora Water Treatment Plant is one of the major water treatment plants for the city of Baghdad. It is not yet at 100% capability, but I think it is currently functioning at about 80%.

VIII. Potable Water – Existing Conditions

The current state with regard to potable water in Iraq is dismal. That is probably the best way to put it. I have outlined some background information on the current state of things.

1. Rainfall and Rivers

The average rainfall in Iraq is approximately 10 inches, more in the north and less in the south. The Tigris and Euphrates supply two-thirds of Iraq's drinking water. There are some other perennial streams that come in from the east that provide minor amounts of drinking water, but almost all the water comes from the Tigris and the Euphrates.

In the northern part of the country the groundwater quality is good enough that it is drinkable without treatment. Many of the villages in the Kurdish areas utilise groundwater supply wells.

The headliners of both the Tigris and the Euphrates are in Turkey. The Tigris flows south through eastern Turkey, through the city of Baghdad and down through to the Persian Gulf. The Euphrates arises in Turkey, flows south-west into Syria and then south-east into Iraq and generally across Iraq in a south-easterly direction. The two rivers join near the south-east corner of Iraq and form the Shat Al-Arab.

Both rivers have a high suspended solids content, ranging from 280 milligrams per litre for the Tigris where it crosses into Iraq, to 1,500 milligrams where it joins the Euphrates. The Euphrates has a dissolved solids content of 600 milligrams per litre where it enters Iraq and that rises to 3,000 milligrams per litre where it joins the Tigris. The salinity in the water also increases as the rivers flow south.

2. Water Treatment Facilities

Currently, there are 226 conventional water treatment plants and about 1,200 compact water treatment units in Iraq. The compact units were purchased beginning in the 1980s during the Iran-Iraq War. Iraq went with them because they could easily be put in place and they could be operational in a short time. Iraq continued to purchase them after the 1991 war as a short-term solution to the disruption of water treatment plants that occurred then. However, they are not really

appropriate for long-term use except in some special circumstances. For instance, the use of compact units may be appropriate in cases where there is an isolated village that really cannot be easily reached with any other type of water treatment. In general, the goal is to phase them out and replace them with conventional water treatment plants.

The existing plants date from 1990 or earlier. The international sanctions imposed since the 1991 war have resulted in very minimal maintenance and replacement for the electrical and mechanical systems since then. The pumps and motors are in very poor condition. There are few spare parts left and equipment has been cannibalised to keep other equipment in operation. Additionally, power fluctuations, outages and surges have damaged the sensitive control mechanisms and equipment. Much of the equipment is being operated manually by operators who are not necessarily very well trained.

There was equipment purchased under the Oil for Food Programme, but generally it is of poor quality. It was purchased and supplied on a haphazard basis so there has been a large amount of mismatching and making-do with equipment.

3. Potable Water Distribution

The theoretical coverage figure for potable water distribution in urban areas is approximately 60%. That figure assumes the water treatment plants are in operation 24 hours a day and that there are no leaks in the distribution systems, but neither of those scenarios is really the case. Power outages have been reduced but they are still occurring. Approximately 60% of the water going into existing distribution networks is lost to leaks or illegal connections. The leaks result from a variety of factors. In many cases, the original construction was of poor quality. Many of these systems have been in place for 50, 60 or 70 years. There was some collateral damage to the system primarily in the 1991 war, due to the fact that the pressure in the system is very low and there are outages in service. With all the leaks that exist in the systems there are many areas where potable water becomes contaminated with raw sewerage or other contaminants.

The people at the ends of existing networks often receive as little as 50 litres of water per person per day – that is if the taps were turned on for 24 hours per day. So the situation is even worse than the coverage figure of 60% would indicate.

IX. Potable Water – Urban Coverage

[‘Potable Water – Raise Urban Coverage to 75%’ slide shown]

There are two tiers of goals for potable water in the Supplemental level.

The first goal is to raise coverage across the country to approximately 75%. In urban areas that will be achieved by the repair of leaks, removal of illegal connections, construction of larger feeder water mains, and provision for service reservoirs and storage tanks. Currently, there are very, very few water storage systems or reservoirs in the water distribution systems. Basically, water is treated and pumped into the system and there are not arrangements for provision of water during periods when the water treatment plants are not running for some reason.

There are also needs to be more control valves and distribution loops introduced into the system. There are very few of those provided with most of the existing systems, with the result that when there is a need for repairs or expansion of a particular water distribution system much of the system has to be shut down. More services needed to be provided as part of this.

Furthermore, as part of reaching that goal of 75% coverage in urban areas, the existing distribution networks will need to be expanded. The existing water treatment plants will need to be rehabilitated and expanded and new water treatment plants will need to be constructed. The estimated cost for this first tier of work in the water distribution sector is \$1 billion.

X. Potable Water – Rural Coverage

[‘Potable Water – Raise Rural Coverage to 75%’ slide shown]

It is also a desire to increase coverage in the rural areas to 75%. There are many towns and villages in Iraq for which the only source of potable water is water delivered by tank truck on a regular basis. The intervals range from once every day to once every seven to 10 days. Improving those supplies will necessitate the construction of additional water treatment plants so that the haul distances for water will be decreased.

These villages are primarily in the south where the water quality has become more saline than in the north. Treatment plants in this area will probably use reverse osmosis. The estimated cost for this part of the potable water programme is \$530 million.

XI. Potable Water – Coverage Across the Country

[‘Potable Water – Raise Coverage Across Country to 90%’ slide shown]

I said there were really two tiers or levels of goals for potable water in this sector. The second is to raise coverage across the country to 90%. The new dams will be necessary to further extend existing water distribution systems in urban areas; to construct new water distribution systems in urban areas that are not yet served and do not have any water treatment associated with them. It will be necessary to construct additional new water treatment plants both to serve urban areas and to help improve supplies to rural areas. The estimated cost is about \$1.3 billion.

XII. Sewerage – Existing Conditions

I literally went through thousands of slides to come up with the few I have included here. There are lots of pictures of destroyed buildings, piles of rubble and toppled statues of Saddam. There are not very many that show structures that relate to this field. It took a lot of searching to come up with four or five pictures.

[Slide shown]

This is a picture of the Qart[?] sewerage treatment plant in the city of Baghdad; one of two major sewerage treatment plants that serve the city. It is operating, but several of its process lines are currently offline.

As bad as I said the situation is with potable water in Iraq, the condition of the sanitary sewerage situation is even worse. Only 6% of the sanitary waste in Iraq is currently being treated. However, 80% of Baghdad and 9% of the remaining urban population has sanitary sewers, but because of the ongoing power outages over the last several years and the resultant lift station shutdowns there has been solid deposition and sewer blockages in many, many cases. There are several places where the sanitary sewerage backs up onto the surface and floods the surface areas.

There are 13 existing sewerage treatment plants in Iraq and like the water treatment plants they have suffered greatly from a lack of maintenance funds or lack of replacement equipment and so forth. Most waste water, even the water that flows through the sanitary source, passes directly from the plants without any treatment and goes directly into the rivers. In addition, there are many areas that do not have sanitary sewers but have been provided with septic tanks or cesspools. When those are pumped out the trucks drive to the river and pump their contents into the river as well. It is estimated that approximately 0.5 million cubic metres is going into the rivers every day and those rivers are the primary source of drinking water. The situation is extremely abysmal.

The goal in the sanitary sewerage sector is far more modest than the goal in the potable water system. The goal is to increase sewerage coverage in the cities to 11%. To do that it will be necessary to repair the existing sanitary sewer network, extend those networks, rehabilitate and expand existing waste treatment plants, and construct new sanitary sewer networks and new sewerage treatment plants.

One of the things that the CPA is very interested in is the use of some innovative low-tech treatment systems. Iraq has a lot of empty land. The CPA will be interested in discussing low-tech sewerage treatment systems. The estimated cost for this programme is \$675 million.

XIII. Unregulated Garbage Dumps

[‘Unregulated Garbage Dump Near Baghdad’ slide shown]

I said the situation is bad with potable water and worse with sanitary sewerage, but the situation with solid waste is even worse. The slide shows an unregulated garbage dump near Baghdad. There is absolutely no existing solid waste strategy for Iraq. Over half of the solid waste generated is not collected on any regular basis. Their fleet of trash collection vehicles has deteriorated and grown smaller over the years. Often trash collection consists of neighbourhoods finally getting so fed up with the garbage that has piled up in their streets that they clean it up themselves and drive it out of town and dump it in the nearest waddy.

The solid waste that is collected often contains dangerous medical or industrial waste, or even unexploded ordnance. As I said, really all the waste is just dumped in unregulated garbage dumps with no controls whatsoever.

XIV. Solid Waste Management Proposed Programme

[‘Solid Waste Management Proposed Programme’ slide shown]

The Supplemental did contain £22 million for solid waste management. The request made for the Supplemental was for about \$150 million with much of that money to go to the provision of trash collection vehicles and operating vehicles for the landfills. That portion of the request was deleted as the Supplemental went through Congress so that the \$22 million that is provided is allocated solely to landfill construction. That money will be enough to construct a few sanitary landfills, primarily just to make a start with sanitary waste collection. It is not a large enough amount to make any kind of dent in the solid waste programme. However, it is enough to construct some landfills that can serve as examples for the rest of the country and be used as models as Iraq starts to generate its own oil revenues and continues with the infrastructure reconstruction.

XV. Partially Filled Reservoirs

[‘Partially Filled Reservoirs’ slide shown]

I only put this slide up to introduce every sub-sector I am talking about.

XVI. Water Resources

[‘Water Resources’ slide shown]

In the water resources sector I finally get to talk about an area that is not in quite as bad shape as the others. The water resources infrastructure is still functional. There has been some damage due to looting and vandalism that took place after the initial passage of the Coalition Forces through the country. Maintenance replacement of irrigation pumps has been minimal since 1980, but the Iraqi engineers have managed to keep the raw water supply and the irrigation systems functioning at least to some degree. But all of the existing irrigation and drainage systems do need major rehabilitation.

XVII. Water Resources – Proposed Programme

[‘Water Resources – Proposed Programme’ slide shown]

1. Replacement of Control Mechanisms

The proposed programme for the water resources sector includes replacing the pumps and electrical controls for 125 pumping stations that the Ministry of Water Resources has identified as priority stations out of a total of approximately 270. The average pumping station has four to six pumps and approximately half of those pumps at the 125 priority stations need immediate replacement.

The programme includes replacement of the standby generators for the key pumping stages, barrages and dam sites. I do not know if the word ‘barrage’ is used commonly in England. It was unfamiliar to me other than that I knew it was the French word for ‘dam’. The barrages in Iraq are fairly low structures across rivers that are normally associated with a lock system to enable navigation. There is a navigation system. The Tigris is navigable all the way through to Mosul, although I should say that it is theoretically navigable because many of these locks are no longer functioning. I think the Euphrates has a system of barrages and locks for about a third of its length.

2. Irrigation and Drainage Projects

Another item in the proposed programme is to complete 10 major irrigation and drainage projects. That is the language in the Supplemental, but when we actually got the list of projects from the Ministry there was a lot more than 10 projects, but some of them were fairly small in nature: of the order of \$10-15 million. I do not remember the exact amount of money in the Supplemental, but we think \$130 million will be sufficient to complete that item.

3. Water Supply Dams

The next item is the construction of 11 rural water supply dams. In the Envar[?] Province in the western part of the country, it is mostly desert. There is some rain there in the winter months. The

goal of this line is to construct 11 dams along those water courses so that at least part of the potable water will be provided for the semi-nomadic people who live in that area. We are talking fairly small, uncomplicated structures here.

4. Improvement of Water Supply for Kurdish Areas

Earlier I mentioned that much of the water supply to the Kurdish villages comes from groundwater. The next line item basically consists of grouping villages that are served by their own well in three-to-five village clusters providing for a common storage tank or reservoir and a distribution system that serves all those villages, so that they are no longer dependent on just one well for their water.

5. Dam Safety Structural Rehabilitation

Another line item is dam safety structural rehabilitation. This really applies to one dam in particular. There is a dam on the Tigris near Mosul which is, logically enough, called the Mosul Dam. It used to be called the Saddam Hussein dam but they recently decided to change the name. The major problem with that dam is that it is underlain by a larger area of gypsum. In the design of the dam the gypsum was misidentified as bauxite. The mistake was discovered during construction and the construction was altered while they tried to figure out what to do. Saddam said he wanted his dam finished so they went ahead and finished it. The water reservoir is dissolving that gypsum at an alarming rate. I think the reservoir's pool is about half full and the only thing that is maintaining that reservoir level is the battling operations which are ongoing 24 hours a day, seven days a week.

This is a dam that supplies hydroelectric power. It is also a high-hazard dam. If it were to fail, the end-reach analyses have shown that the floodways would reach as far as the city of Baghdad. This is an item of major concern and one of the first task orders to be issued under the water resources contract is the development of a programme to permanently remediate that situation.

There are many smaller dams in Iraq. The US Army Corps of Engineers did an assessment of 16 of them in the spring right after the end of the war. They found some minor safety repairs and security improvements that needed to be made. Most of the dams are in pretty good structural shape and most are earth embankments. Several of them have problems with their operating mechanisms so those all need to be repaired. They also all need to have security improvements made. Most of those security improvements consist of fencing the reservoir and dam areas.

6. Sweetwater Canal Project

There is also a project involving what is known as the Sweetwater Canal. The Supplemental contains a line item of \$230 million for a water supply pipeline that would serve the cities of Basra and Umm Qasr. However, in subsequent discussions with the Ministries of Water Resources and Public Works, it has been agreed that it makes sense to have a lower-cost interim system whereby repairs and improvements are made to the existing Sweetwater Canal, which carries water a distance of approximately 260 miles to water treatment plants in Basra. Only half of that channel is concrete-lined and the banks of the unlined portions have suffered a great deal of erosion and slippage. A lot of water is lost from the unlined portions. It is envisaged to line the portion of the channel that is unlined, make repairs and reform the banks in those areas. The preliminary cost estimate for that work is about \$64 million.

7. Basra Canals Project

The last project on this list is kind of a neat one. The city of Basra has a series of canals running through it. I am not sure when those canals were constructed. I would guess at least 70 or 80 years ago. I have seen a report prepared in 1983 that recommended a project for those channels. Over time, the canals, which really do not seem to have any apparent use any more (at least as far as I have been able to discover), and the channels have become choked with waste. As I said, the report I read was done in 1983 and the photographs show channels that were almost completely choked with waste. If the depositions continued at the same rate you can now probably walk across those channels in most areas.

This project consists of cleaning those channels and then installing a series of gates at the intersection of those channels with the river. The river is tidal in that area so the idea is to use those gates, opening and closing them so that the tidal action will flush the channels on a regular basis. I believe the estimated cost for the project shown in the Supplemental was \$40 million.

Questions and Answers

Participant

You talked about stand-by generators and pumps that need to be replaced. How will that work be done? Will it be procurement of equipment or will it be contracts to restore the machinery?

Jeff Quay

Quite honestly, that decision has not been made. We see advantages from both a cost basis and a uniformity basis for obtaining the pumps and generators through procurement rather than through a contractor. But they will still need to be installed. I think the most likely course is that the CPA will procure the pumps and generators and then contracts will be let for their installation.

Participant

Does that have to be met with [inaudible] CPA or can it be British companies[?]?

Jeff Quay

I am anticipating that the same provisions that apply to contracting will apply to equipment, which means that it could certainly be British.

Participant

With the 10 years of war in the 1980s and the two conflicts, what is the prevalence of ordnance in these river-ways and dam-ways?

Jeff Quay

That is a very good question. The possibility of unexploded ordnance certainly exists. This sector is one where that issue could be quite a problem. The other sector where it will be a major issue is probably with restoration and construction of electric transmission and distribution lines. I think it will be a problem primarily in the southern portion of the country. Nevertheless, it is a problem and provision will have to be made for surveys and the location and removal of ordnance that might be present.

Participant

What form will the construction projects be let on? Will it be a cost-plus basis?

Jeff Quay

The intent is that the prime contracts will be awarded basically on the contractors' qualifications and past history. I believe there will be a price component to the proposals, but it will not be a major element. The individual task orders will be issued to the contractor and the prices will be negotiated. The cost basis may vary; it could be lump sums in some cases or it could be unit price in others. For water distribution networks, especially new ones or sanitary sewerage systems, a unit price base would probably be most appropriate. For water treatment plant or sewerage treatment plant, it could well be a lump sum price.

Participant

Will these be design/build contracts?

Jeff Quay

Yes, they will almost all be design/build projects. There are some cases where projects were completely designed and ready for letting and they were never let. In those cases, there might be issues where plant specifications will have to be updated, but those might be issued as traditional design/build projects. However, the vast bulk of the projects will be design/build.

Some of them may be what we are calling – and I had not come across this term before – design/build-plus projects. These are projects where the CPA is not able to uncover or put together enough background information to come up with a design/build package. It is anticipated that we would do those task orders in two phases. The first phase would be for the prime contractor basically to go out and develop some preliminary designs. Those could then be used by both sides as a guide for a cost estimate and as a basis for costs for the second phase, the design/build phase, which would then be negotiated between the CPA and the prime contractor.

Participant

Will the prime contracts be on a [inaudible] basis? Will they be in a regional area, or will they be spread out?

Jeff Quay

Yes and no. I did show a slide which talked about the prime contracts. There will be four prime contracts for the potable water/waste water/solid waste sector. There will be one for the northern region of the country, one for the central region, one for the southern region and one for the city of Baghdad. The prime contract for the water resources sector will be a nationwide contract.

Participant

[Inaudible]

Jeff Quay

The schedule calls for the prime contractors to be selected and the contracts awarded by the end of January 2004. Immediately upon signing of the contracts we will issue the first task orders to those contractors. We will issue as many as we have been able to prepare by that time. If I had to put a number on it, I would assume that for each of those five contracts we will have at least four or five task orders ready at minimum when the contracts are signed, but hopefully we will have more than that.

Participant

There has been a lot of activity on tendering, subcontractors and supplier negotiation. Recently in the UK we have handled that by what we call framework[?] contracts; basically, a [inaudible] arrangement. Do you see that sort of thing coming into play [inaudible]?

Jeff Quay

I do not know. That is probably a question better directed to Admiral Nash. He is not in the room but he is still here.

Participant

There is a little point of confusion.

Jeff Quay

There are many of those, so I will do my best to clarify.

Participant

The PMO is running these contracts with the prime contractors, but where does the CPA come into this?

Jeff Quay

The PMO is part of the CPA. Admiral Nash is Head of the PMO and works directly for Andy Bearpark, who works directly for Ambassador Grant[?]. The PMO is part of the CPA.

Participant

Do you supply the PMO contracts that are going to be let by [inaudible]?

Jeff Quay

Yes.

Participant

[Inaudible] separate contracts?

Jeff Quay

And the construction contracts as well, although there are two different elements. You already have another question ready to ask. I think I know what it is, but I will not guess. I will let you formulate it and then I will try to answer it.

Participant

I thought first of all the PMO contract came out [inaudible]. They will then fund the schemes and they will [inaudible].

Jeff Quay

That seems to make a lot of sense. Indeed it does make a lot of sense; however, there is not enough time for that. Currently, there are a couple of firms that contract with the Corps of Engineers and we are acting as the PMO. I work for one of those firms. We are providing Admiral Nash with the initial staff to try to get things up and running. When the PMO and the sector PMO contracts are let, as the selected firms come up to speed and set up offices in Iraq, they will take over development of the tenders for the task orders, and take over administration of the letting process. My firm will be phased out and I will get to go home.

It is a very good question. The selections are going to take place pretty much simultaneously. The firms that are selected as the sector PMOs and the overall PMOs will come on board and be brought up to speed as quickly as possible, but in the interim the contracts will still be let to the construction contractors. At first they will be prepared by my firm and the other firms we are working for; but later on as the PMO staffs come up to speed they will take over that work.

Participant

So the PMOs are going to look at the priority on the projects in the various areas, but there will already be contracts with prime contractors in the water sector and in the other sectors already established. Does that mean they just negotiate with the already-selected contractors for the prices for individuals?

Jeff Quay

Let me just rephrase your question to make sure I understood it. The project identification and prioritisation is taking place now. When we get back to Baghdad there will be a draft list of projects and priorities for Admiral Nash to review. Once he is happy with it he will submit it to Ambassador Bremer and if he is happy that list will be submitted to Congress. I think Admiral Nash talked about that taking place on 5 January. The projects have been identified and the prioritisation will be established and set by early next year.

As soon as we finish project identification and prioritisation we will begin assembling tenders for the task orders for the highest priority projects. Therefore, we will have as many of those as possible ready to issue to the prime contractors as soon as they are selected. It is really incorrect to call them tenders because they are not exactly bidding on the work. I would prefer to call them a set of performance specifications. They will be given a package which enables them to cost the project. The PMO will also develop a cost estimate for the project. After the contractor has had a chance to review that package and develop a price, he and the PMO will negotiate a price for that work. As I said, it may be a lump-sum price, or a unit price depending on the type of work involved.

Participant

Where does the [inaudible] process for the final [inaudible] plans [inaudible]? Is it the same timescale as the PMO has set [inaudible]?

Jeff Quay

Roughly. I am not positive when it is, but it is roughly the same timescale. We anticipate having those contracts in place at the end of January.

Participant

When this is all up and running, will it replace what KPR is doing in the oil industry?

Jeff Quay

I am not sure of the answer to that question. What we are doing in the oil sector is not well defined. Our group is really not doing anything with the oil sector. I believe that work is being handled by a group called Taskforce RIO (Rebuild Iraq's Oil). I am really not sure of the answer to that as far as the oil sector goes.

Participant

You defined the north sector as basically five sub-sectors. How many prime contractors do you envisage appointing to serve those five sub-sectors?

Jeff Quay

Five: one for each sector. There will be five prime contracts.

Participant

Can I expand on that? You are saying that one company can hold more than one prime contract.

Jeff Quay

I did not say that. I do not think I said that.

Participant

Secondly, what is forming the basis of the project identification and prioritisation process? Is that the World Bank assessment?

Jeff Quay

No, on the first go-through the project identification and prioritisation is being done by the Ministries involved. We are working with Ministry staff to identify and prioritise projects. In some cases we share our thoughts on how the prioritisation should be done with the Ministries and, in general, we have reached agreement on how those priorities should be established. It is the Ministries who are establishing at least the initial priorities. There may be some revision to those to ensure sure that each part of the country is receiving its fair share. We really need to compile all the projects and priorities for all the different sectors before we can look at that issue.

I have to end here in order to get to another presentation. Thank you very much.

Breakout Group Session 2

Communication

Jim Davies

**Director of Regulation for Communications,
Ministry of Communications, Baghdad**

I. Preamble

Good afternoon. My name is Jim Davies. I am the Director of Regulation for Communications in the Ministry of Communications in Baghdad. I have been there since the end of June and will remain a little while longer to work on licensing regulatory issues for communications.

Some background first of all. Some of you will be interested in communications because you will be working in the country; others will be interested because you want to do some work on communications yourselves. I will attempt to give a presentation that informs either interest.

II. Communications in Iraq

Iraq has a population of 24 million people. Pre-war, there were around 1.1 million telephone lines. Teledensity is 4.6%. Of those 1.1 million lines, currently 850,000 are serviceable and 260,000 are out of service. Most of the latter are in Baghdad and were taken out of service by action during the war.

13 new switches are being put back to replace pretty much line for line the ones that were destroyed during the war. The problems are being solved and we should be back to where we were by around the end of January. That is the target and we may even beat it. The switches are going in now month by month and increasingly more lines are coming on even as we speak.

III. Exchange Status

[‘Exchange Status’ slide shown]

The slide shows the situation immediately after the war. The areas in red show where the exchanges were taken out in Baghdad. As I said, they are slowly being replaced at the moment.

The slide shows the site of one of the switches. The switch is actually on the floor area precisely where the Tomahawk missile went in. This is a building that stands up right in the middle of Baghdad, so it was a good example of ‘shock and awe’. The replacement cabins shown on the left of the picture are being put in in containers. They are being brought in pretty much complete by road through Kuwait. Once they are in place the cables are joined and the lines are joined up back to subscribers. This picture was taken a few weeks ago. Most of the equipment is now on site and we are hoping to get it operational very soon.

1. Reconstruction: Sinex Exchange

[‘Reconstruction: Sinex Exchange’ slide shown]

The picture shows the high walls around the area. They are not that high, but high enough to give some protection to the site.

IV. National Fibre Network

[‘National Fibre Network’ slide shown]

The pre-war communications network in Iraq was actually pretty good. Although it was fairly small, there was a good fibre-optic trunk network in the country. The figure-of-eight network right from Baghdad in the centre down to Basra in the south and right up in into the north as well has mostly been reconnected. There is one point where it is still broken [points to dark mauve circular marking in middle of slide.] However, the rest is all linked up and we now have NE-to-NE communications between the Governorates across the country. So there is a good system of national communications but few subscriber lines at the moment.

V. Mobile

[‘Mobile’ slide shown]

Moving on from where we are at the moment, in addition we have been working very hard for the last few months on getting out some licences for mobile operators. There will be three licences. There was a mixed bid for licences of two CDMA operators as well as the GSM operators. The winners were all GSM, although either technology would have been perfectly acceptable. The licences are regional: one in the north, one in the centre and one in the south.

1. Regional Split of Licences

[Map slide shown]

This map shows how the areas are split up. They do not quite follow the same administrative borders that are used for other reasons in the country, but they give a fairly equal split of subscriber numbers. Of course, the most valuable one at the moment is in the centre in Baghdad.

By splitting up the country in this way we hope to get rapid national coverage. We felt that if we just gave licences to cover the whole country then everybody would have gone to Baghdad and we would have been left very short of communications in the north and south. As a result, we have gone for this split system. As part of the bid, the operators were asked to give their build-out targets. When an operator reaches the 12-month build-out target he can apply for a national license.

The guys in the north and south will be working extremely hard to get into Baghdad as soon as they can, while the guy in Baghdad will be working hard to ensure that he picks up all the available customers before the others get there. We hope we can set up a system which will provide really strong competitive pressure.

2. Draft Licences

The licenses are just for two years because that was as long as we felt the CPA could reasonably be expected to commit for. Of course, we are handing over to an Iraqi Government and that will happen rather quicker than we expected. There is an expectation that, all things being equal, the new Government will continue to honour the licences that we will have issued by then.

As I said, the draft licences are out with the operators. We are discussing the details. We have seen some reports that they were held up for some reason but that is not true. It is a complex process, made more so by the area. In fact, we have probably achieved a world record for the length of time since starting the process to getting the first operators to start building. All three of them are currently out there building, boring concrete, putting up towers and bringing in switches: AsiaCell in the north, Orascom in the centre, and AtheerTel in the south. It will not be long before we have GSM mobile coverage in Iraq. Somebody earlier today said it would not be until January or February. I will stick my head out and say December. It will not be national by then, but we will have some service by December.

VI. The Projects

['The Projects' slide shown]

We have been looking very hard at the work that needs to be carried out to take Iraq from where it is now to where it needs to be. This includes the work to provide the communications a company needs to support the very rapid economic growth that we are expecting to occur over the next few

years. As I said, the basics of the communications system are reasonably good, but it is not very extensive. We need to increase the teledensity and improve the management in the telephone company. I have to keep reminding myself that it was just a few months ago that the Iraqi Telecoms and Post Company (ITPC) was a national monopoly. Again, we are setting new records here for the speed with which we are moving from monopoly to full competition: a matter of months from one company, initially, to four, including the three major mobile operators. That is a real challenge for any nationalised PCT and ITPC has more than its share of challenges.

VII. Modernisation of the Iraqi ‘Telecoms and Post Company’ (ITPC)

[‘Modernisation of the Iraqi Telecoms and Post Company slide 1 shown]

1. Identifying the Present Situation

The ITPC needs to be modernised, but before we can do that firstly we must discover what exactly is there. It is pretty typical of the situation a national phone company finds itself in when privatisation or competition beckons: it does not really know what it has; it does not know what is profitable; the tariffs are grossly out of balance. The average pre-war phone bill was something like \$1.50 per month in a country where there is pretty heavy phone use. It is the usual situation whereby international calls subsidise domestic calls. It is something they will have to sort out pretty quickly as competition arrives.

2. Implementation of Business Structures

We need to implement appropriate business structures once we have sorted out identifying the current situation. The first job is to do a full ground-up audit, starting off by giving the organisation an opening balance sheet, as it were. At the moment, it is pretty typical ‘shoebox accounting’ whereby they put some money in the shoebox at the start of the month and refill it when it is empty. Hopefully, there is a surplus at the end of the year. If not, in the past they have sourced from elsewhere, probably from the Oil Ministry, for example. So the accounting system is very poor and it is a fairly difficult situation to move on from.

Ultimately, they need enterprise software systems, although that is unlikely to happen within the reduced timescale we now have for the CPA in moving out within that seven months. We need to establish a plan for developing the national network. These are all things we will try to have contracted and working over the next few months.

There is no comprehensive data network across Iraq, yet there is certainly a great need for it, initially for ITPC’s internal needs, but also for the rest of Government and for the financial sector and business. We must ensure we lay the groundwork for the establishment of a national data network.

To underpin all this, we need to train their staff. It is typical of all the State-owned enterprises in Iraq at the moment that due to the ‘de-Ba’athification’, which removed Ba’ath Party members, the enterprises have lost roughly their top three management layers. If you do that to any company it will present a huge challenge, but do it to a company that has been centrally controlled for all of living memory presents a far greater challenge. We now have very talented people setting up lower down but with very little experience.

The challenge is huge. I hope you are starting to see some areas where there will be a need for input from companies that specialise in the sort of areas I have mentioned.

3. Telephone Numbers

The current numbering scheme is very haphazard. Somebody said earlier that there is no '911' system. In fact, they will adopt international standards and have a '112' system. Obviously, that needs to be set up. Furthermore, we need to think about premium rate numbers and short codes. All of this needs careful study and considerable work over a lengthy period.

One of the other issues to mention, as it is potentially quite a high-ticket item, is that most of the back-up generators across the country have either been looted, or they are not operating, or they are on their last legs. Huge investment is required in that area.

4. Supply Chain Management System

We need a supply chain management system. Looking back to the current management structure, which as I have said is almost non-existent, we need to examine how the company works at the moment. Improvement in the structure can provide the infrastructure needed by other companies coming in (both other communications companies coming in to provide more communications and other companies in entirely different fields) so that we get some idea about customer service and how to take and fulfil orders within a certain length of time. That does not exist at the moment. It was a fairly static system before the war. The top people to get telephones already had them and hence no growth occurred. The system was simply being managed as it was.

We will be looking at extremely rapid growth over the next few years and the company needs to be restructured in order to do that.

5. Mobile versus Fixed Networks

[‘Modernisation of the Iraqi Telecoms and Post Company’ slide 2 shown]

In fact, it is very likely that mobile phones will overtake the fixed network. My guess is this will happen in about six months. It is not too challenging for three operators to get up to just over one million subscribers in that sort of timescale. I think they will do it, particularly given the shortness of their licences. They have every incentive to get out there and sell as quickly as they can.

I do not think Iraq will have the sort of all-pervasive fixed telephone network that we see in countries such as the UK, US and elsewhere. Fixed telephones will largely be for business, and perhaps potentially for data into the home, but I think it will largely be a business operation. ITPC will be doing that and also providing the national backbone required by the new operators, including the mobile operators, but also others who may come along in the near future to provide other sorts of networks.

6. Post

[‘Post’ slide shown]

ITPC is also responsible for the post. The postal system is a disaster and barely operational at the moment. Letters are being delivered in the centre of Baghdad while international post is just about possible but it is a real challenge. Do not rely on being able to send postcards home.

We potentially have some funds available for this area but they will not be great. The slide shows the sort of elements that might be needed for the postal system.

7. Public Safety Network

[‘Public Safety Network’ slide shown]

One thing that Iraq will need very quickly is a public safety network, and you have had some flavour of it from other presentations today. At the moment, the Ministry of Oil is setting up its own rep[?] trunk network and others are doing the same thing. There are a huge number of Passport radios going in; some of them are trunked but most of them not and almost all of them incompatible. In the Ministry of Communications, we think most of those will have to be thrown away or integrated into some other network within 12-18 months.

We desperately need to bring in a national trunked radio network to provide the security communications that the country needs for fire, police and ambulance, other public utilities like electricity, oil and railways and for the private sector as well. Security is a major issue and good communications, wherever you are, will greatly aid security improvements. We are still looking at ways to do that. We think we have reasonable funding available, especially given that a large amount of funding is going in from different Ministries across the country. I believe we are also likely to need some private sector investment to make this work. We are potentially looking at a public-private partnership that would fund, set up and operate the nationwide trunked radio system.

8. Ownership Structures

Given the timescale, the new Iraqi Ministers in the Government, post-June, will have a strong input. It is quite possible they will want ITPC to be State-owned, in which case there will need to be some arrangement with private sector investors to allow them to use part of it or to give them some sort of return from the investment. There are many possibilities, but it is something that very much needs to be done and is high on our list of requirements.

We will be working on that over the next few weeks. We will be putting out some sort of request – probably a statement of objectives rather than a full RFP – and looking for the best proposals to come back that give the best returns on investment and provide the best system for Iraq that contributes to its security.

That was a quick scamper through the current situation and how we see the development in the near future.

Questions and Answers

Participant

How soon will ITPC be operational again?

Jim Davies

They have never stopped. In fact, outside Baghdad the telephone system carries on pretty much as it used to on a care and maintenance basis, but that is pretty much how it was before the war as well. Of the 1.1 million lines around, 900,000 are already operational and the rest will return very soon.

Participant

What are the operating budgets?

Jim Davies

Operating budgets is a concept we are trying to introduce in the company. As I said earlier, it is very much a 'shoebox accounting' method at the moment. They do have some revenue, not a lot, and we are working to make that happen.

Incidentally, last week we returned the international lines to operation and they are now available for the first time since the war. That is also starting to come together.

Participant

What is the state of the earth stations?

Jim Davies

I do not think there was one left. We have put in three new ones so far: one to ArabSat, one to Intelsat, and I forget the third. The stations were destroyed during the war so we have had to replace them. As you would expect in this situation where the regulatory control is fairly lax to say the least, there are a lot of DSATs going in with people putting in small telephone networks linked internationally by satellite.

Participant

There is something called a Palace upgrade network project going on at the moment. What is the status with that?

Jim Davies

We are working in Saddam's Republican Palace in Baghdad. The telephone and data networks were put in there very quickly immediately after the war to get the CPA up and running. Now there is a very strong need to upgrade it to a more permanent system. I am afraid I do not have any details on that. If you send me an email I will pass it on to the relevant people when I return to Baghdad.

Participant

Is there a data network requirement?

Jim Davies

Most definitely there is a requirement for a data network. Do you mean within the Palace or nationally? At the moment, I think they have two fibres out of 10 lit. Bechtel has just let a contract to light up two more with wave division on the link from Baghdad down to Basra on the western side. It will be going in shortly and will provide some capacity that can be used for a data network, but it is not functional at the moment.

Participant

Is that separate to the ITPC backbone?

Jim Davies

That is the ITPC backbone. It is all that is there right now. Whether it would be sensible to put in a totally separate data network is something we will look at over the next few weeks. We hope we can integrate the whole thing and as a result upgrade some of the rest of the fibre-optic backbone.

Participant

Bechtel is involved with [inaudible].

Jim Davies

Bechtel has a contract from USAID basically to put the system back as close as we can to the way it was pre-war. The major part of that contract is the 13 switches going into Baghdad to replace those that were destroyed. The work is well underway, but there is some more money still left in that contract that we are now using to develop the fibre network.

The relationship between Bechtel and ITPC is very odd. Bechtel say it is the first build programme they have ever done where there were no drawings. They had to use photographs. They take photographs of the site, stitch them together and then draw where they want the concrete laid on the photographs. Then ITPC organises for the concrete to be laid. A week later they take another photograph and compare the two. That is how the project is managed. Some of the engineers amongst you will really enjoy working in this environment.

Participant

What is the state of the microwave links?

Jim Davies

There are several microwave links around the country. We do not know how many and nor does ITPC, although they own them. We have a record of what should be there and what has been there at some point. Many of them probably no longer exist, either because of war damage or because they have simply faded away over the years. Parts of the network use microwave networks for links. Because of the mountainous nature of the north there is talk of putting in a microwave shot across the mountains to link into Turkey.

There are a considerable number of microwaves and many more going in. Some of the mobile operators are talking about using microwaves for their primary trunking and ITPC's fibre for backup, while others are doing it the other way around. Nevertheless, all of them will be putting in a considerable amount of microwave.

Participant

Do the individual mobile operators have contracts with particular OEMs?

Jim Davies

Yes, they do. AsiaCell is sourcing its equipment from Oawi[?] in China, but I am not sure who is physically putting that in. They are bringing in their switch on an Ilyushin into one of the airports in the north because it is safer than bringing it in by road. I can tell you some more about transport if anybody is interested.

The central zone is Motorola but, offhand, I do not know the operator for the south. Do send me an email and I will let you know.

Participant

I understand there is a project management contract for transportation and communication. How many construction contracts are foreseeable for the centre?

Jim Davies

I cannot give you a precise answer yet. We have not yet finalised what money is available for communications and transport. We have some tough negotiations ahead with our transport colleagues. We do not know what our budget is yet, but it will certainly include the national safety network and some upgrade to the existing fibre network.

Participant

Several unlicensed and unregulated wireless ISPs are being set up across Baghdad and Iraq as a whole. What will happen in the future?

Jim Davies

The intent is for the provision of internet to be deregulated with a system of pro-regulation when it comes to content. This is something that the Iraq Minister for Communication seems quite comfortable with. The idea is for internet access to be fairly freely available, but if a provider steps out of line and provides content that is unacceptable in an Arabic country then the Government would have reserve powers to step in and stop it. The expectation is for the industry to regulate itself in the main and for the Government only to step in as a last resort.

Participant

When will that be in place?

Jim Davies

As soon as we can do it. The transport issue is a very interesting point in relation to any industry working in Baghdad. As we said earlier, the airports are starting to happen and mobile operators are using the airports in a big way, partly as places to put their switches and partly to bring in equipment because they provide a secure environment.

Participant

On the point of European communications and the rollout, we are seeing communications networks going into schools, libraries and so on. Are there plans to incorporate such a network? Will we see good internet access going into schools, public libraries and the public sector?

Jim Davies

The last question is the most difficult one to answer, but we would very much hope so. We have some money in the Supplemental targeted in that direction. We hope it will be part of the national data network I mentioned and potentially that it is provided through ITPC via connections direct to their switches. We also have ideas to set up wireless open loop both for data and voice. There are many ideas and very little time in which to do them. Getting the contracts let in the next couple of months is a real challenge.

I will have to end my session there. Please drop me a line by email if you have further questions. Thank you.

Transportation

Jeff Quay

I. Overview

Iraq covers an area of approximately 437,000 square kilometres or 268,000 square miles. I have seen different figures today, but the population numbers around 24-25 million.

[Map slide shown]

The three Governorates in the north-eastern corner of are the Kurdish areas: Dahuk, Erbil and As Sulaymaniyah. They have been semi-autonomous since 1970. The security situation in those areas is better than in the rest of the country. They have been pretty stable.

II. Economic Profile

['Economic Profile' slide shown]

Iraq has a transitional economy that at least until fairly recently was dominated by the oil sectors. As soon as oil production is up and running again that domination will resume. The oil sector typically represented approximately 93% of Gross National Product (GDP).

There are many fertile agricultural regions along the rivers. All the agricultural regions are irrigated and the irrigation really began in this area approximately 6,000 years ago.

There are some other industries, basically domestic ones. Iraq used to export a large amount of fertiliser, but in most cases they now only produce it for domestic consumption.

III. Transportation

['Transportation' slide shown]

There are three major international airports which could at least be of international standard: Baghdad, Al Basrah and Mosul.

There are three major ports in the south-eastern corner of the country: Umm Qasr, Khawr az Zubayr and Al Basrah.

There are about 38,000 kilometres of paved roadways in the country and about 2,000 kilometres of railroad.

1. Poor Existing Conditions

['Poor Existing Conditions' slide shown]

Existing conditions with the transportation infrastructure, as with every other sector of the infrastructure, are very poor as a consequence of 30 years of neglect, three wars and Saddam's reluctance to invest money in anything other than his military and his palaces. It is basically a 30-year old system that has not seen much attention in the last 30 years. There are missing links and severe mobility constraints.

I left Baghdad last Friday and drove to Basra and then to Kuwait City. For most of the journey we were on a six-lane limited-access highway in excellent condition. In the middle of the trip there was roughly a 60-mile stretch that had never been paved. It looked like it had been raided at some time, but it had never been paved. That is just an example of the links that were never completed and where construction simply came to a halt. Of course, that imposes severe mobility constraints.

The road we took, Highway 1, is the major route between Umm Qasr, Al Basrah and Baghdad and is used by a few thousand vehicles every day. Among other things it is used to transport all the fuel into the interior of the country. We passed convoy after convoy of 50 or 60 tanker trucks roaring north.

2. Bridge Damaged in 2003 War

[‘Bridge Damaged in 2003 War’ slide shown]

I have put some pictures here to break up my talk. This is a picture of a bridge that was damaged in the 2003 war.

IV. Objectives of Programme

[‘Objectives of Programme’ slide shown]

The objectives of the programme were basically to re-establish the lines of communication. As you heard in the previous talk, the state of communications within the country is extremely poor. I was in a conversation with an official in the Ministry of Water Resources a month or so ago. They were trying to pay their employees out in the Governorates and the only way to communicate as to how much each employee needed to be paid was to drive the information back and forth. For someone who is used to living in a modern western state it is just amazing that there is no way of communicating other than by travelling person to person, with the primary exception of the city of Baghdad.

We want to provide basic mobility. Having the transportation system restored will help improve the conditions for internal safety and security. As with many of the sectors, transportation will also serve as the catalyst for economic development.

V. Contractor Considerations

I just want to mention some considerations that potential bidders may want to evaluate as part of their decisions as to how to proceed with bids on this work.

1. Construction Specifications

Iraq does not really have any nationwide current design standards. Except perhaps in special cases, we are planning to use the current European Community standards as the design standards for the various task orders that will be issued in the transportation sector.

2. Maximise Use of Iraqi Subconsultants/Labour

As you have heard several times today, one of the goals of the programme is to build the capabilities within Iraq for the construction, supply and equipment industry. To that end, one of the goals of the programme is for the prime contractor to maximise the use of Iraqi subconsultants and labour.

3. State-Owned Enterprises

Many of the Ministries have State-owned enterprises associated with them. The Ministry of Housing and Construction for example, which was the Ministry that did most of the road construction, has sizeable State-owned construction enterprises associated with it. The Ministry of Water Resources is another Ministry that had fairly extensive construction capability.

The desire within the Ministry is to privatise those enterprises. As a way to help that, it has been determined that the State-owned enterprises will be eligible to work as subcontractors to the prime contractor. The detail of exactly how that will work has not yet been developed. We have to find a way to make sure that the State-owned enterprises are not being subsidised and that they are performing the work on the same basis as all the other subconsultants. They will be allowed to participate and they do present a source of trained workers and construction equipment.

4. Ministry of Environment

There is a newly-formed Ministry of Environment in Iraq. So far, I do not think they have much of a staff and their role has not yet been very well defined. I anticipate that there will be some involvement with them as far as environmental regulations during construction. I just mention that for your information.

5. Security

Security has been highlighted several times today, but, once again, I do not think it can be emphasised enough. Security concerns certainly need to be addressed by anyone who plans to work in Iraq.

VI. Challenges

[‘Challenges’ slide shown]

Some of the challenges that will face contractors are as follows:

1. Transition from CPA to Self-governance

We are not really sure how this will play out. I do not think it will have a major effect on this programme because Iraq is basically getting almost \$20 billion and I think they will want that money to continue to flow. I do not think there will be much interference with this infrastructure reconstruction programme, but it is something that we will have to work out and will face in the fairly near future.

In terms of the basic scale of the reconstruction that will take place it will be simultaneous construction across the nation in all the sectors. This will present a real challenge, especially as far as demands on domestic resources and the logistics for the contractors. Getting all the people, equipment and supplies into the country will be a real challenge especially given the existing state of the ports, railroads and highways.

2. Challenges for the PMO

Project definition and prioritisation are the challenges primarily facing the PMO. We are well along with those and anticipate having a preliminary prioritisation list available when we get back to Baghdad on Sunday or Monday.

VII. Procurement Mechanism

[‘Procurement Mechanism’ slide shown]

As the Admiral said this morning, the procurement mechanism will be dynamic, flexible, streamlined at least as far as Government processes go, and fully transparent. There will be one prime contract in the transportation and communications sector. The contractor will be selected primarily on the basis of demonstrated capabilities and past experience. Task orders will be negotiated on a task-by-task basis with that contractor.

Most, if not all, of the tasks will be done on a design/build basis, or what we are calling a design/build-plus basis. That is a new term for me, but in this context we mean using it for projects where we do not have enough information or enough time even to develop a package to serve as the basis for a typical design/build contract. In that case we would award a phased contract in which the first phase would necessitate the contractor doing investigations and enough of the design so that there is at least a basis for pricing the project. We would then negotiate a price for the project and it would then proceed from that point as a typical design/build job.

VIII. Baghdad International Airport

[‘Baghdad International Airport’ slide shown]

This is a picture of the busy Baghdad International Airport on a slow day. The photograph was taken after the war at some time this summer.

IX. Aviation

[‘Aviation’ slide shown]

In the aviation sub-sector, we will need to address airside and landside infrastructure systems, including air traffic control systems and operations support. It is important we get the airports back online as quickly as we can, not only because they will be vital to the infrastructure reconstruction effort but because they can serve as a vehicle for revenue generation for the Iraqi Government.

Very preliminary order of magnitude cost estimates for the reconstruction work for aviation are \$32 million for Baghdad Airport, \$21 million for Al Basrah and \$21 million for Mosul. In addition to that there is \$17 million for nationwide air traffic control coordination.

X. Highways and Bridges

[‘Highways and Bridges’ slide shown]

[‘Damaged Road Bridge with Temporary Bailey...’ slide shown]

This picture shows an ingenious use of the Bailey Bridge, which as we all know came from Great Britain. It serves a very good purpose here by allowing an otherwise unusable bridge to remain in service.

The highways and bridges sub-sector has approximately \$200 million available. There is \$42 million for what is called the ‘Governor Roads Programme’, which are basically secondary two-lane roads, farm-to-market type roads. For task orders in that programme, we anticipate that the information given to a contractor would probably consist of some typical cross-sections and a basic alignment and that would be about it.

Other projects that we intend to complete are the Dora Yousifia Freeway for \$77 million; the Baghdad/Ba’qubah Expressway for \$36 million; and \$12 million for a bridge across the Shat Al-Arab. The Shat Al-Arab is the body of water that runs from the junction of the Tigris and Euphrates down to the Persian Gulf.

XI. Ports

The total amount that is estimated for the work in the ports is about \$45 million. Programme elements consist of dredging, infrastructure systems, berth rehabilitation, fire, safety and security systems and container handling and operations. I know that there have been extensive de-mining operations. I do not know whether that work has been completed or whether some of that is included in this as well or not.

XII. Rail

[‘Rail’ slide shown]

This picture shows the Baghdad Railroad Station. I think Iraq purchased about 60 of the locomotives shown in the photograph from China. In order to keep some running, they have had to cannibalise others. I believe 20-25 locomotives are still running. The station is also the headquarters for the Iraq Republic Railroad.

Work involved under the rail programme includes repair and rehabilitation of the Baghdad Station, track reconstruction, operations equipment, shops and station restoration, signals, communications and a headquarters local area network. Track reconstruction will be included in this programme while construction of new track will be carried out by the Iraq Republic Railroad under separate funding.

The operations equipment includes rolling stock, rail ties, maintenance equipment and spare parts. Those fall into the category of costs other than construction project costs that Admiral Nash spoke about this morning.

Signals and communications equipment for the railroad is now non-existent. Admiral Nash talked about this morning. They used to run about 36 trains per day on the railroad and now they are running between eight and 10 per trains per day. The signalling system basically consists of going slowly enough so as not to run into the train in front. The engineers have to be especially alert. There is no signalling system anymore.

The total budget for the railroads is about \$200 million. The soft costs of the equipment and so forth represent about one third of that. There is about \$130 million allocated to construction projects related to the railroad.

Questions and Answers

Participant

Are you saying that there will be one final contractor to cover all sectors?

Jeff Quay

Yes, and communications as well.

Participant

Are you considering BET structures for the project?

Jeff Quay

I really do not know the answer to that. I am not in the transportation sector and was assigned to it simply because we did not bring over everybody from Baghdad. You could email me that question and I will be happy to get an answer for you.

Participant

So there is one contract for the project management and one project for the construction.

Jeff Quay

There will be one contractor to do the sector PMO for both transportation and communications combined. There will also be one prime construction contractor for all the construction projects in the transportation and communications sectors. Obviously, the contractor will need a variety of specialised subcontractors because of the wide range of work involved.

Participant

Has this model been tried somewhere else?

Jeff Quay

I do not know.

Participant

Quite frankly, it strikes me as being rather a difficult communications project.

Jeff Quay

We talked about having one prime contractor, but that prime contractor could easily be a joint venture. I do not know whether it has been done before. We made all the prime contracts roughly the same size without having too few prime contractors. That is the decision that has been made.

Thank you. My email address is quayj@orha.centcom.mil, and I have business cards for anyone who would like them.

Breakout Group Session 3

Electricity Sector

Gary Foster

Deputy Programme Manager, PMO

I. Preamble

This particular breakout session is focused on the electricity sector. As you know, the PMO is looking at mini sectors in Iraq, and this particular one is the electricity sector. My name is Gary Foster, and I am very happy to be here. Welcome to this particular session, which is the last of our sessions during the last three days. It is an honour and a privilege to be here in London, where I always enjoy being.

I am sure you all heard Admiral Nash's presentation this morning, and I am not going to dwell on too many of the issues he talked about, but we will cover just a few. My name is Gary Foster and I work with Admiral Nash in the PMO, and I work with 15 other engineers in looking at the various sectors in Iraq. My particular area of focus is the electricity sector. Accompanying me today is Lt Col Randy Richardson, from the Coalition Provisional Authority in Baghdad. I am also in Baghdad. Randy is with the Ministry of Electricity, and his position is senior advisor, which is the same as Minister of Electricity of the interim Government, if you will, and he reports directly to Ambassador Bremer. He is the direct link between the Iraqi Ministry of Electricity and Ambassador Bremer himself.

II. Supplemental Funding

[‘Supplemental Funding’ slide shown]

This is my interpretation of the Supplemental funding, and you will find it in your written folders. We are going to act as a catalyst to rebuild Iraq's economy through reconstruction of the electricity sector. I think it is a very succinct statement and, following that, what is more important to all of you is the total amount of the electricity sector's Supplemental.

You will recall that the Supplemental is around \$18 billion, and for the electricity sector it is \$5.6 billion, spread out over the following sub-sectors: generation, \$2.81 billion; transmission \$1.55 billion; distribution \$1 billion; automation, \$150 million; and security, \$50 million.

I want to point out that the number that has been pretty much cast in stone is the total amount of \$5.56 billion. That will not change appreciably as time goes on, but within the sub-sectors these amounts can change, and there are no restrictions on them, other than what our own personal beliefs are and how we go about allocating funds for the various sub-sectors.

III. Orientation Map

[‘Orientation Map’ slide shown]

This is just a general orientation map of Iraq. You can see the two rivers, the Tigris to the north and the Euphrates to the south, with their confluence somewhere north of Basra. If you look at a world map, Iraq is a small country, until you get on the ground and you realise just how big and diverse it is. There are very stark deserts in the south, with arid hill country in the north, and Baghdad in the centre between the two rivers. It is very diverse, and it is not such an easy country because it is much larger than your perception would allow.

IV. Reconstruction of Iraq

[‘Reconstruction of Iraq’ slide shown]

The reconstruction of Iraq is the most monumental challenge facing the Iraqi people today, and will be for the next couple of years. They are a very strong and intelligent people. They are resourceful, but they lack resources. They cannot build Iraq by themselves; they just do not have the resources. They have the will, but not the resources. We are going to help them. The one sector that has the single largest impact in Iraq is electricity. It is true in the United States, in England, and in Iraq.

V. Objectives

Therefore, there are two objectives: firstly, to restore the system and provide reliable electricity to the citizens of Iraq and, secondly, to prepare for future demand. If we were to do one without the other, the result would not be positive.

VI. Current Reconstruction Initiatives

1. World Bank and UN Development Group

[‘Current Reconstruction Initiatives in the Electricity Sector’ slide shown]

The current reconstruction initiatives in the electricity sector amount to several agencies that are providing funding. The World Bank and the United Nations Development Group have done a pretty comprehensive study of the needs of Iraq; out of those needs, they estimate that Iraq needs \$12 billion in money to restore the electricity sector alone. You saw the Supplemental of \$5.56 billion earlier, and you will see that we are somewhat short of what the World Bank is saying is really needed.

2. USAID

The USAID programme has a little less than \$500 million, and their programme is primarily in power generation restoration and transmission line restoration. Along with that is a totally separate initiative – not with the same money – is the US Department of Defence, through the Corps of Engineers and a task force called Task Force Restore Iraqi Electricity, to the tune of a little over \$1 billion. Again, their focus is restoration of power plants and transmission lines, with some distribution projects. They have 26 well-identified projects all in progress now, and their mission will end late-December.

3. UNDP

UNDP is providing financing for equipment and materials in Iraq. Much of this material was purchased a long time ago, and has been sitting in Jordan, Syria and Kuwait. It is now being transferred into Iraq through the UNDP programme, and the person coordinating that is with Randy Richardson. He can fill you in with more details of these initiatives.

4. Other Sources

There are generators from Japan but, unfortunately, they are diesel generators and there is no diesel fuel in Iraq. We will discuss that in some detail later.

VII. Contracting Structure

1. Six Prime Contractors

[‘Contracting Structure’ slide shown]

You heard Admiral Nash talk earlier about PMO contractors and about the sector PMO contractors. However, he did not talk about the prime contractors which are actually executing the work. In the

electricity sector, we are looking at six prime contractors, which are not the same as the PMO contractors. These are not the senior PMO – the one contractor at the very top. These are not the sector PMO. These are the actual contractors which will implement and execute the work. We are looking at two contractors for new power generation, one contractor for rehabilitation of power generation facilities countrywide, and three contractors for transmission, distribution and communications. I failed to mention in previous sessions: it is not one contractor for transmission, one for distribution and one for communications – it is three contractors who have the capability of doing all three sub-sectors. I wanted to make that clear. Therefore, we are looking for a total of six prime contractors.

2. Contracting Practice

[‘Contracting Practice’ slide shown]

Our contracting practice will be indefinite delivery and indefinite quantity contracts. Work issues will be by negotiated task form. A typical project will be design/build or design and build. Some consideration is being given to BOT and BOOT. Do not be too concerned with that, since it may not work out, but we are not going to exclude it. There has been some discussion as to whether prime contractors will be allowed to use state-owned enterprises. There are quite a few contractors in Iraq which are owned by the state. The feeling now is that contractors can use them to work on their projects. I would assume that that will remain true.

3. Capabilities

[‘Contractors’ Capabilities’ slide shown]

What we are looking at from contractors in terms of their capabilities includes the following. We would like to see contractors with a lot of international experience and certainly Middle East experience. A question was put to me some time ago about whether Middle East experience meant exclusively Iraqi experience – that is not the case. We are looking for Middle East experience. However, more importantly, we are looking for people who can work in diverse cultures and strange environments.

We are also looking for contractors with experience of very large and very complex projects. These projects that will be identified and submitted to contractors are going to be done in a very short time frame, and the contractors will have to come onboard ready to work. You heard Admiral Nash say this morning that we do not have the time to hang around for everything to be perfect; this has to be done very quickly. We have a lot of money that we have to move in a very short time.

We are looking for contractors with diverse programme management skills, rapid mobilisation capabilities, procurement, logistics, scheduling and budgeting – typical programme management functions – and security management.

4. Security

Let me address security a little bit. You heard Captain Dickson talk about security earlier, and I would like to re-emphasise that security is probably the most important element in what you intend to undertake in Iraq. It is going to be expensive, labour intensive and, to some degree, capital intensive, as you bring these people in and house them, feed them, give them transportation, etc. Do not cut that short. That is very, very important. I have tried to put cost numbers next to

security; to be honest with you, I cannot. The first type of project will be a discreet location, such as a power plant, which is relatively easy to cost out, but when you talk about trans-country projects such as transmission lines, it becomes very problematic. You are expected to build this into your costs. Do not take this lightly.

The number that you saw earlier, the \$50 million for security, is not intended for your use as a contractor to provide security for your project or your people. That is intended for the Ministry of Electricity to develop its own security.

VIII. Iraq's Electricity Situation

1. Overview

[‘Iraq’s Electricity Situation’ slide shown]

This is a summary of Iraq’s electricity situation in very brief terms. Just as it does in the United States or the UK, it impacts every aspect of Iraqi life. Dependable electricity is a fundamental economic driver, along with oil, but oil and electricity are so interdependent. However, electricity is very, very much in demand. The past two decades have deteriorated that through war, sanctions, neglect, and criminal activity such as looting. There is a growing demand for reliable electricity, and this demand has to be satisfied very soon. Understandably, the Iraqis are growing relatively impatient; they need to get their system back up, running and reliable, in order to meet the demand with appropriate supply.

2. Electricity Sector Statistics

a. Qualitative statistics

[‘Electricity Sector Statistics’ slide shown]

There have been no new power plants since the 1980s; they are working with very old technology. The equipment is very outdated and there are no replacement parts. Power plants are operated to their extreme limit with little effective maintenance. It is a Band-Aid approach. However, I said earlier that Iraqis are very resourceful people, and they have somehow managed to keep their power plants running and they will do so until the whole system collapses. We are going to arrest that and stop it now, turn it around, and make the system work.

Spare parts have been difficult to acquire; long-term system planning has been lacking; and Iraq, for all of its oil reserves – number two in the world – is fuel starved. There is no fuel in Iraq. There are oil and gas reserves, but there is no fuel.

The control systems at the distribution and transmission level are outdated and in poor condition. Transmission lines have been damaged or destroyed across the country. Distribution stations have been looted, and they are operating largely under manual control; there is no automation. Lack of equipment and vehicles for line maintenance is causing lots of problems. Currently there is no billing and no revenue. Randy has told me that they have started billing at the commercial level, and it is expected to start soon at the residential level, but Randy will talk about that a little later.

b. Quantitative statistics

On the quantitative side, there are power plants. There are eight steam generation power plants; these are the kind of base load plants that you would expect. There are also 16 gas turbines, which we would consider to be peaking stations or peaking plants; in Iraq, they are used as base load plants. There are single cycle plants. The installed nameplate generation capacity in Iraq is a little less than 10,000MW.

Peak demand is currently near 6,000MW; it is expected to increase very quickly and is increasing daily, but by next summer it will be much, much more than that figure. However, the current output that we are experiencing is hovering around 4,000MW. Since I have been in Iraq it has been between approximately 3,500MW and 4,300MW. So there is a big shortfall of supply versus demand. You might ask how there is a nameplate capacity of 10,000MW with only 4,000MW being produced. Many units are not online – many units are falling offline daily – and they cannot seem to keep all the units running all the time, so there is a shortfall.

We can talk about power purchase agreements a little later, but we are currently importing 150MW from Turkey and Syria. The transmission system is 400kV/132kV. Distribution is 33kV/11kV and 400V. 90% of the population has access to electricity, which seems like a high number until you consider that the per capita consumption is only 700KW hours per year.

3. Objectives of Enhanced System

[‘Objectives of Enhanced System’ slide shown]

What we are trying to do, and what we want to do, is enhance the system by increasing generation to meet future loads, rebuild and expand the transmission system – some people call that reinforcing the transmission system. The simple fact is that they need new transmission lines at the 400kV and 132kV level. We want to modernise the distribution systems to access more customers. We want to manage the grid through communication and control systems, which are basically non-existent today. Finally, we want to provide security for facilities in the future. Security is part of that \$50 million, not the security I talked about a moment ago that would apply to a contractor.

[Power plants slide shown]

These are a couple of power plants, which I will not dwell on. The Beji[?] power plant north of Baghdad is to the left, and the South Baghdad power plant is to the right.

IX. Power Generation

1. Budget

[‘Power Generation’ slide shown]

For the sub-sectors in the electricity sector, the budget for power generation is roughly \$2.8 billion. That is not cast in stone – it could be between \$2.6-3.1 billion, but it is around there and that is what has been allocated. These numbers have been generated by Randy’s people over the last several months; they have gone to Congress and have wavered back and forth, but the final number is \$2.8 billion. It is divided into new generation, and rehabilitation, restoration and maintenance. However, there is no percentage allocation between the two. We do not know if \$1.8 billion will

go to new generation or \$1.8 billion to rehabilitation with the balance going to new generation. We have not figured that out, and there are no restrictions on that division, so we are looking at that now as we identify and prioritise projects.

I would like to return to the map for a moment. Power generation is basically in the south and around Baghdad in the middle, and there is some power generation in the north.

2. Typical Power Generation Projects

[‘Typical Power Generation Projects’ slide shown]

Typical power generation projects that we are going to task out are new gas turbines at new locations. These will be between 50MW and 100MW units. We would like to see the Iraqis go to the larger units, although they feel more comfortable with the smaller units. There will possibly be the use of combined cycle. We need power quickly and we really cannot wait for the long-term base load thermal-type power plants. We will try to get a few installed but we really need power now. Randy can attest to that.

New steam thermal plants: I put that in the plural because we do not know if it is going to be one plant or three plants. It probably will not be five, owing to the Dollars required, but we are going to leave the Iraqis with a new steam thermal plant one way or another. Diesel power plants: as I said before, Iraq is diesel-starved, so we are tending away from diesel. However, we are not going to exclude diesel power plants as an option for appropriate locations. We will consider it, so I have left it in the list of possible generation schemes.

3. Rehabilitation and Maintenance of Existing Plants

We think that rehabilitation will probably take precedence over new generation in the short term, for a couple of reasons. The plants are already there and the generators and steam are already there, but they just need to be upgraded and rehabilitated. When that happens, a lot of generation capacity will come online.

Here is a sample of a transmission line – I believe that is in southern Iraq – which has now been destroyed; it is currently being restored by Corps of Engineers and also through the USAID bechtel programme.

X. Transmission

1. Overview

[‘Transmission’ slide shown]

The key in Iraq is not necessarily generation. They need generation, but what they really need is a way to move the power around. The transmission budget is \$1.5 billion. We will do these projects in a manner that balances generation with the ability to move it through transmission. We are not going to focus on one sector without focusing on the other. A generation project may take precedence as a number one priority, but I guarantee that a transmission line will be right behind it to convey their electricity around the country. Many lines have sustained damage. However, some lines, especially the 132kV lines, remain intact and are functioning today, but the entire 400kV and

132kV transmission system requires reinforcement to meet the due demands of the rehabilitated plants, as well as any new generation that is going to be installed in the coming months.

2. Typical Transmission Lines

[‘Typical Transmission Lines’ slide shown]

The transmission lines follow the generation plants in the south up to Baghdad, which is the load area, and these are lines that require reinforcement, as well as some power plants in the north down to Baghdad.

The typical transmission lines that you would see in Iraq today are probably similar to what we will install in the future. The names are not as important as the distances - 360km down to 200km. I would say the average lines run for 250km. That gives you an idea of the magnitude of transmission lines. For the 132kV lines it is around 55km-70km.

XI. Distribution and Communication

I have combined the distribution and communication sub-sectors. The budget for distribution is \$1 billion; this number is only the tip of the iceberg of what is needed in Iraq. Just like the red-haired stepchild, distribution has been neglected by the other programmes. There have been some initiatives, but not many. It is very much the case that technical assessment is difficult to conduct. Distribution assessments will have to be done on the ground, by going to each region and each location to identify projects, substations, distribution needs, etc.

This will not be an easy task. I think that is probably the reason why it has been neglected. Generation is easy, transmission of big voltage is easy – one transmission line. However, when you get to the distribution system, you are not talking about a north-south-east-west grid, as you are in the US; you are talking about a mélange of lines going everywhere – up and down the streets, with substations here and there. These all have to be visited if we are going to upgrade the distribution system.

We are going to maintain the budget of \$1 billion as best as we can for two reasons. One is that it takes the power that is going to be generated and transmitted around the country to the local customers, the residents, and will be the source of revenue generation in the future. It is very important for the Ministry of Electricity to get revenue flowing again. The distribution is centred in the south, in the Baghdad area, and in the north. Those are the three areas of distribution. The problem is that the regions are not communicating with each other on distribution needs because automated communications are controlled.

XII. Typical Distribution Project

[‘Typical Distribution Project’ slide shown]

It is difficult to define a typical distribution project, but what we try to do is just give you an idea of what is needed. We do not know the extent of this yet, but we will when we start assessing each region and each locality. We are looking at:

- An extension of existing substations, where appropriate, or perhaps new substations if they are needed.

- New 132kV bays; each bay will include 132kV circuit breakers, two bus isolators, one minor isolator, and one 132/33/11kV transformer. This is typical but it is not going to be the case everywhere.
- Medium-voltage switch gear.

XIII. Communications/Control

[‘Communications/Control’ slide shown]

The communications control budget is \$150 million. The problem with this is that there is not much money; we have to be very, very selective in how we identify the SCADA controls for the three distribution regions. It is possibly the largest SCADA system ever built; if we had more money than this, it would be a terrific undertaking. One tenth of the SCADA system is country-wide: it is not going to be isolated to Baghdad or the south; it is intended to be country-wide. We want to develop regional and local control centres, which are currently non-existent; we are in the process of identifying this. We have a man very familiar with SCADA systems on the ground in Iraq right now taking a very, very hard look at this. We want to upgrade the system and communicate between the three north-to-south regions. We also want to balance state of the art and cost effectiveness with SCADA components. The problem with a SCADA system is that any off-the-shelf item that you will find in the US or in Europe right now will probably not function very well in Iraq, owing to lack of compatibility of the parts. Therefore, we have to be very careful with whatever we prescribe for upgrade of the SCADA system.

XIV. Security

[‘Security’ slide shown]

I just thought I would mention this. In the electricity security sub-sector, there are going to be some opportunities available for contractors, but they will probably be tied in to a task. It is only \$50 million, so I would not focus too much on this. It involves recruitment and training of power police, improvement or construction of new facilities and provision of equipment. The power police is the long-term goal of the Ministry of Electricity. As you saw before, the power lines have been knocked down in the past; it is absolutely essential that they are not knocked down again. \$50 million is not much money but it is the best that we can do at the moment.

This Supplemental is not going to correct all the deficiencies in Iraq; it is not going to correct all the deficiencies in the electric sector. It cannot possibly do that. The World Bank identified \$12 billion as a need; we currently have \$5.6 billion. We are going to do the best we can with the money and resources available; it is enough to get things going in the right direction.

I would now like to introduce Randy Richardson, who is the senior advisor with the Ministry of Electricity; he has been there quite some time. Randy is the direct link to Ambassador Bremer and Iraqi Ministry; practically everything that goes up to Ambassador Bremer flows through Randy. He and I have been working very closely together to develop these projects.

Questions and Answers

Randy Richardson

Senior Advisor, Ministry of Electricity, CPA

It flows into a distribution system that was largely badly looted and, to some degree, not very well constructed to begin with. We have a lot of challenges. In September, we put together a [full court press?] to bring our generation capacity up to approximately 4,400MW, from approximately 3,200MW at the end of the summer. We were successful in reaching that goal in early October. Since then, we have gone into some scheduled outages and are down at about the 4,000MW level again. However, as Gary said in his presentation, we need to get up to around 6,000MW of generating electricity by the summer in order to come close to meeting the demand that we anticipate.

Participant

[inaudible]

Randy Richardson

That is a good question. I believe the UNDP and the UN initiatives will compete, or operate independently. They are going to manage their own contracts; they are going to make arrangements with the Ministry of Electricity to manage that. I think that one of the big challenges will be to ensure that what the PM, the UN and the World Bank are doing are not in conflict or on top of each other. That is going to be a big challenge.

Participant

Is the UN concentrating on small-scale projects?

Randy Richardson

No. In fact, if you look at the commitments that were made over the years under the Oil for Food programme, major thermal plants have been built. The one in [Nusser Thia?], which is south-east of Baghdad, is currently being built by a Russian firm, and is 10-15% complete. They could have a unit online producing approximately 200MW of power within about 15-18 months. The UNDP was not doing small projects; there were some very major initiatives going on. As Gary said, typical projects.

Participant

What is the second fuel considered for the gas turbines?

Randy Richardson

We would like to have most of the gas turbines multi-fuel. Always talk about fuel in general in Iraq because they are so intertwined. You cannot talk about electricity without fuel. The two challenges I see as we move forward with this initiative are: security and fuel. With fuel, we have a large reserve of crude oil in Iraq and a large reserve of natural gas. Natural gas reserves are not developed or are not developed properly. Natural gas is really the fuel of choice for electric power generation in Iraq over the next five years or so. Currently, however, the distribution system for natural gas is in severe dire straits.

Even though we have a strategic pipeline which runs the length of the country, it is in bad shape and is being constantly interrupted by the enemy. When that natural gas pressure drops, we know at the power plants immediately: our units go offline. We do not store natural gas at any of our plants; it is straight off the pipeline. Fuel is definitely an issue. Residual fuel oil is in abundance. We have units that have fuel conditioners which can run that. Again, the distribution of that is mainly by truck across the country – that is not the best way to do that. We could burn crude oil, but again, the Ministry of Oil looks at the cash equivalent – that is their way of making cash for the country. They do not like to see us burn crude oil in the power plants. Natural gas is the fuel of choice; we just do not have the infrastructure to support that strategy at this point in time.

Participant

It seems that the Basra and Beji[?] refineries are running at approximately 80% capacity. What is the reason? One of the products is the fuel...

Randy Richardson

The state of the refineries is a major issue in Iraq. If you look at what the Ministry of Oil is trying to do: one, fix the refineries; two, increase their capacity to export crude. Those are their two big initiatives.

Participant

Why is this sector missing today?

Randy Richardson

I do not know. They are certainly our partner in any plans to increase electrical generation capacity in Iraq. I have told a lot of people as we develop the projects for the PMO: plan on spending our sector money on fuel infrastructure. Without that, we will not be able to power our generators.

Participant

What is the schedule for the award of the six prime contracts?

Randy Richardson

By 01 February.

Participant

When will the advertisement for the prime contractors come out?

Gary Foster

It will come out very soon. I would advise you to watch the website and the commerce business daily, FedBizOpps. I am sure there is a website; I have not seen it. All I know is that the advertisement for the prime contractors will come out very, very soon. There will be two dual acquisition processes in place at the same time: one for the super-PMO at the top, the sector PMOs, and the contractors. Everything is going to be contracted by the first week in February.

Participant

Will the tenders be published on the website on the same date as the PMO?

Gary Foster

I think everything will be on the website. I do not know exact dates but I would advise you to monitor very closely.

Participant

How many prime contracts will be available?

Gary Foster

There will be six prime contracts. Many of you have asked me why there are six: 'There should be a transmission contract; there should be a gas turbine contract, etc'. The fact is that we have very limited resources; even \$18 billion is not a lot of money, to be honest with you. It is staggering to us but it is not a lot of money. We do not have a lot of time to process a lot of contracts. The PMO started out thinking about four prime contractors; we eventually got that up to five, and Admiral Nash has allowed six, but not seven. So we are stuck.

Participant

Does the fuel storage facility that runs your units come from your budget, or is it a separate budget?

Gary Foster

This is a very complicated issue. Let me bring it back up to a broader issue, beyond fuel. We are going to try to put into the budget, the scope of work, a few things that are very, very gravely needed. One of them is training: there has been no training in Iraq, and there is no training budget. To build a brand new power plant without any training is not the right way to go. We are going to have a training component in the task. We are also going to have a component for the purchase of spare parts and for, we hope, operation of the power plant for one year, or a facility for one year.

Also, if it is needed, we are going to include in the tasking development of oil infrastructure for that site. This will ease the pain, I believe, of not having fuel for the power plants, especially the ones

that we are going to provide. The Oil Ministry also has an amount for their Ministry, but they want to export oil; that is really intended for increasing their exportation of oil, as opposed to providing oil for internal use. Every barrel that they export is revenue for the country.

Participant

What about having a gas storage facility?

Gary Foster

In my mind, that comes under the heading 'fuel'. If we have a gas turbine, we do not have gas storage facilities that will become part of that project. We are not going to go around the country installing gas storage units; the intent is electricity production. We just recognise that having a power plant without having the ability to fuel it is contrary to what we are trying to achieve. You can find the presentation that Randy and I gave, on the web in the next few days – in fact, it will probably be on there tomorrow. We have given this presentation about five times in total over the last two days, at Washington DC and here. It will be on the web. If you have any questions concerning contracting, the web is the place to go: that is on www.rebuilding-iraq.net.

Closing Remarks

Bill Henderson

UKTI, and Session Chair

I would like to thank everyone for their very interesting presentations. We will publish the transcript on our website: www.uktradeinvest.gov.uk. We wish you well in your endeavours.

Contract Bid Details

Tina Ballard

**Deputy Assistant Secretary,
Acquisition, Logistics and Technology,
The Army**

The following information is specifically applicable to the PMO sector PM solicitations.

[This presentation was accompanied by several information slides]

I. Solicitation Synopsis

The solicitation synopsis was issued and posted on 19 November. I have copies of that available so that you can have those immediately. It has a small business standard of \$6 million. So there is \$6 million for [inaudible] small business for the purposes of the PMO sector PM contracts.

The solicitation will be issued today and features the website information. There will be frequent updates on the website. We ask that you register for [inaudible] notification services at the FedBizOpps website. That will provide you with automatic updates on information so you do not have to search for it.

The synopsis contains contact information and the RFP that is being issued today.

One key point to make is that offers have to be in the Central Contractors' Register. Please register for that in plenty of time to respond to requests for proposals.

II. Best Value Award

Admiral Nash covered this during his presentation this morning so I will not spend a lot of time on it here. The Best Value Award means we do not have to award to the lowest offer. We carry out a cross-reference analysis and a best-value assessment and make the award based on that.

III. Points of Contact

You may want to take a minute to copy down the contact information. The name of the Contract Specialist is [Dawn McCann?]. She is in the [inaudible] as is the Contracting Officer, Nancy Valews[?].

IV. Contract Applications and Schedule

There were many questions this morning about which contracts you could receive so we have put this together as an illustration. If you are a company ('Blue Peak' for the purposes of this illustration) then you could be the PMO contractor and the PM contractor in the water sector, for example; or be a PM sector contractor for electricity and water. So you are either a big PM and one of the PMs in the sectors, or you can have two awards as PMs in the sectors. But you can have no more than two at any given time.

Furthermore, if you are the PMO and the PM in the sector you may not be one of the construction contractors under that sector.

All that information will be on the website.

You should run through the schedule for the PM and PMO contracts because they run parallel to the construction contracts and the timelines are fairly close.

To confirm:

- The synopsis for the PM/PMO contracts was issued on 19 November.
- A draft RFP will be issued today.

- The actual final RFP release is 03 December.
- We are asking for the submission of work[?] to secede information by 05 December. This is for the PMO/PM sector contracts.

[Slide shown regarding Bidder's Conference in Washington DC]

- The ability to secede feedback will actually be 19 December for the PMO contracts.
- Your cost management volumes are due on 29 December.

You can see that there is a rolling opportunity for you to provide proposal information. We expect to award the PMO/PM sector contracts by the end of January 2003.

V. Construction Award Schedule

- The synopsis for the construction contracts is being posted today.
- Next Wednesday we will release the draft RFP. The final RFP will be issued on 05 December. Again, these are on a fast track and there is considerable activity happening.
- The draft RFP on 26 November will be something upon which we base your ability to secede information.
- Your ability to secede information has to be submitted to us by 09 December.
- Under the PMO/PM contracts they asked for something different. They specifically focused on financial capability and past performance. In the case of the construction contracts we also want your organisational structure, support plan and the details of your staff's experience. In terms of construction we will be looking at what your capability is today and what ability you feel you have to succeed in this particular environment. So it asks for slightly more information.
- Around the 15 December timeframe we will give you feedback on your ability to succeed and whether we think you are a contender for an award.
- We will be having Risk Conferences in Illinois and the West Coast.
- Final proposals will be due on 29 December with the award of all these contracts planned for 01 February. Since that is a Saturday the announcements will likely be made on 3 February.

That concludes the information on schedules.

Questions and Answers

Participant

So 01 February is the date for the big PM/small PMOs and the construction contracts?

Tina Ballard

Yes, all of them.

Participant

Where will we find these documents on the website?

Gary Shafovaloff

You should go to www.rebuilding-iraq.net.

Participant

Which box?

Gary Shafovaloff

‘Business Opportunities’.

David Nash

[Inaudible] in Baghdad it is harder because it is not so easy to keep in contact with us. The idea is to give straight information on the timeframes that will happen. We will put it all on the website. You need to think carefully about what you are going to propose on. I will guarantee that we will think very carefully about who is selected. Even though it seems like it is a short period of time, we have the [inaudible] who will be helping us. They are experts in the procurement business. I have no concern at all that this will be anything less than fair.

Participant

There are two outstanding bids for major oil contracts. On the slide you show five oil construction contracts. Are those the same or is that two plus five?

David Nash

That is electricity as well. There are only two, north and south. As I have told other people, procurement is currently underway for the oil sector that the Army has set up. If it turns out correctly and fits into what we talked about as full and open competition then there is the

opportunity for it to be used. If it does not, then we will put out a new [inaudible] for oil. So that was underway.

We will still have a programme management contractor, although some of the CPA staff will come over on a civil [inaudible] support contract.

Bill Henderson

I think we have asked enough of you for today.

David Nash

We thank you very much for coming. We really appreciate it. We are in awe of being in the home of civil engineering. We look forward to working with you. Certainly it will be challenging and it is moving very fast, but you can be part of it. All you have to do is be flexible and [inaudible] yourselves and you can be a part of it. Thank you very much for coming.

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