

**Statement of Bechtel National, Inc
to the Senate Democratic Policy Committee
November 3, 2003**

Mr. Chairman:

We appreciate the opportunity to submit a written statement to your Committee, and hope we can continue a dialogue regarding the Iraq Infrastructure Reconstruction Project and Bechtel's role in it.

Many have confused the U.S. Agency for International Development (USAID) contract *competitively* awarded to Bechtel with the *noncompetitive* award to Halliburton/KBR by the U.S. Army Corps of Engineers. These are two completely different contracts awarded by different agencies according to different procedures. Each deserves to be evaluated on its own merits.

Bechtel was one of a number of competitive bidders invited by USAID to bid on the reconstruction work. Bechtel is one of the world's largest and most experienced engineering and construction companies. Since 1898, Bechtel has completed 20,000 projects in 140 nations on all seven continents, often in exceptionally difficult circumstances. Notable accomplishments include Hoover Dam, Bay Area Rapid Transit, Hong Kong Airport Core Programme, Channel Tunnel, extinguishing the oil fires in Kuwait, Jubail Industrial City, Athens Metro, the Jeddah and Riyadh international airports, Croatia Motorway, Three-Mile Island nuclear cleanup, build-out of wireless networks for AT&T and Cingular Wireless, and many others. Bechtel has worked in the Middle East for 60 years.

USAID conducted its selection in an objective and competitive process that followed Federal Acquisition Regulations. Each bidder was judged individually on competence, performance, experience, and capabilities.

USAID Administrator Andrew Natsios explained the competitive process and the reasons for the selection in an interview with CNBC (April 18, 2003):
"I told the career staff, the career foreign services officers and civil servants, to keep all political appointees out of the process from the beginning. They chose the seven companies based on their records of having done work with AID or the federal government, of knowing the federal accounting system, federal procurement law, having no legal efforts against them now or no audit findings by the IG [Inspector General], in terms of AID's records. They chose them. I did not know who they chose. . . . I asked our senior foreign service officer, who is the head of procurement, a man of great integrity, I said, 'Why were they (Bechtel) chosen?' He said they had one of the lowest prices with the highest technical reviews."

As Bechtel CEO Riley Bechtel told employees, “We won this work on our record, plain and simple. We have a decades-long record of experience and performance on tough jobs under tough conditions, including the Kuwait oil fires and scores of other projects in the Middle East and around the world. It’s a record that few, if any, companies in the world can match. Any implication that we won this work as a result of anything other than our capabilities discredits our record, and the great work you do and will continue to do. “ (April 21, 2003)

Like most companies in the United States, Bechtel has legitimate interests in matters before Congress and we address our interests openly. We support candidates who share our concerns, not in the expectation of political favors, but because failure to do so would cede the field to candidates supported by others. This is legal, ethical, normative, and a constitutional right.

Nevertheless, Bechtel is not a leading corporate contributor. According to Reuters (April 4, 2003): “Bechtel’s donations look small compared with those of software giant Microsoft Corp., which gave \$4 million during the past two years alone.” Only twice in the last 12 years, has Bechtel’s political action committee (PAC) even broken into the top 20 construction industry PACs. The average contribution by Bechtel PAC is \$1700, less than one-fifth of the allowable limit to a congressional candidate. For the 2000-2002 election cycle, Bechtel PAC gave considerably less to congressional candidates than did those of the five leading competitors for the USAID contract Bechtel was awarded.

In the last three election cycles, construction industry PACs have leaned heavily toward Republicans -- never closer than 74-26 in favor of Republicans, while the spread for Bechtel PAC was never more than 60-40. In the current election cycle (2003-2004), Bechtel PAC has thus far contributed 52 percent to Republicans and 48 percent to Democrats.

In the most recent election cycle (2002), two of the competitors for the USAID contract gave 100 percent of their “soft money” to Republicans and another gave 78 percent to Republicans, while Bechtel gave 48 percent to Democrats. Of course, Bechtel’s soft contributions ended after enactment in 2002 of the Bipartisan Campaign Reform Act (BCRA).

All of this information is in the public record. Most of it was ignored in the highly publicized, agenda-driven reports about campaign contributions released as recently as last week. A great deal more information about Bechtel is available to anyone who checks our Web site, reads our annual report and other publications, or calls us with questions. Those who know us best—our customers in both the private and public sectors—know that our reputation for excellence is grounded in a proven ability to get the job done well, along with an uncompromising commitment to integrity, honesty, fairness, and safety.

We have conducted our work in Iraq in a transparent and public manner. We have briefed more than 100 members of Congress in Iraq and Washington, D.C., as well as business leaders and international governmental delegations. We also have provided Members of Congress with fact sheets and background information on a regular basis, as well as an open offer of detailed follow-up briefings. We publish our fact sheets and background papers on our Web site. We have responded to thousands of media inquiries from around the world and have worked with scores of journalists who are in Iraq.

Within five weeks of contract award, Bechtel launched a series of conferences for contractors in Washington, D.C., London, Kuwait City, Baghdad, and Basrah to lay out the scope of our work, clarify government contracting to local contractors, present a simplified procedure for qualifying contractors, and demonstrate how interested firms could register. More than 6,500 people attended these conferences and over 10,300 companies have registered their interest in doing work on this project. Bechtel has also posted the conference presentation and handouts on our Web site (www.bechtel.com) for those who could not attend. As of late October, the Iraq Project section of our Web site has been visited over 200,000 times by people reading and downloading this information.

Bechtel maintains an office in the Baghdad Convention Center with Arabic-speaking staff to make it easy for Iraqis to register and qualify their firms simply by completing a contractor questionnaire. Iraqi contractors that complete the questionnaire are listed as registered bidders. We have so far identified more than 1,000 qualified contractors in this way. Information on all subcontract awards is a matter of record, although details about exactly which Iraqi companies have won contracts are not routinely publicized in the interest of security.

In a low-margin business, Bechtel's actual *earnings* from its work are a very small fraction of contract totals. Bechtel's contract has a fixed fee. Bechtel does not earn additional fee by subcontracting out to specific companies or workers of any given nationality. We do not earn more by using any specific contracting or procurement practices because the fee is fixed.

Bechtel's contract with USAID totals \$1.03 billion but most of that value will be subcontracted and/or go toward equipment and materials. To maximize the cost-effectiveness of the work, and to help revitalize the Iraqi economy, Bechtel is awarding the vast majority of the subcontracting work to Iraqi subcontractors. As of October 24, 2003, Bechtel had already awarded 110 of 149 subcontracts to Iraqi firms, and the overall proportion of contracts awarded to Iraqis will continue to rise through the life of the contract. Before the work is completed, more than 40,000 Iraqis will have been employed by Bechtel and its subcontractors in the extraordinary effort to reconstruct their nation. Overall, we will subcontract 90 percent of the workhours performed on this project, with 70 percent going to Iraqi firms.

Many U.S. government agencies oversee our technical and financial performance in Iraq, including USAID, the Defense Contract Audit Agency, the U.S. Army Corps of Engineers, and the General Accounting Office. Every aspect of our work in Iraq is subject to close and constant inspection and audit.

Much more information is available on our website at www.bechtel.com, and we will be happy to answer additional questions from you or other Committee members in the future.

For further information, please contact:
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