

STATEMENT

BY

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AMEC EARTH & ENVIRONMENTAL, INC.

BEFORE THE

COMMISSION ON WARTIME CONTRACTING IN IRAQ AND AFGHANISTAN

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Co-Chairman Shays, Co-Chairman Thibault, and members of the Commission, thank you for the opportunity to share AMEC's experience and observations relating to performance of U.S.-funded reconstruction projects in Afghanistan.

My name is Charles Mouzannar and I serve as the Executive Vice President in charge of the Major Projects Group for AMEC Earth & Environmental, Inc., a subsidiary of AMEC plc.

AMEC is a focused supplier of high-value consulting, engineering, and project management services to the world's natural resources, nuclear, clean energy, water, and environmental sectors. AMEC designs, delivers, and maintains strategic and complex assets for its customers worldwide. With annual sales of approximately US\$4B, AMEC has major operations in the Americas and the United Kingdom, and works internationally for customers from the Arctic to Australia. The company employs approximately 23,000 people in 40 countries, and more than 4,000 employees are in the United States.

AMEC Earth & Environmental, Inc., the principal AMEC entity that performs work for the U.S. Government, provides multi-disciplined services in program management, environmental consulting, engineering design, materials testing, and water resources services to both government and commercial customers. In 2010, AMEC Earth & Environmental, Inc.'s sales to the U.S. Government for work performed in Afghanistan were approximately US\$58M.

Recurring Problems in Afghan Construction

The Commission has invited us to appear at this hearing to provide our perspective on recurring challenges relating to U.S.-funded construction projects in Afghanistan. Some of the key challenges that we have encountered, along with our recommendations for improvement, are provided below. Additionally, we have provided a brief summary addressing ethics and compliance. We have done this because we believe that our corporate commitment to business ethics and our focus on business systems and internal controls help to ensure superior contract performance.

Site Preparation

One of the challenges we face when developing proposals for construction work in Afghanistan is our inability to access project sites during the proposal phase. This access is necessary to ascertain the status of existing site conditions that can affect work progress and costs. Many sites are not accessible due to security concerns or the presence of unexploded ordnance (UXO). In addition, very few of the Government solicitations we have reviewed for construction work in Afghanistan contain detailed topographical surveys or geotechnical reports. Despite the lack of access to project sites and/or site information, the Government increasingly solicits projects on a firm-fixed-price basis, and awards to the lowest price technically acceptable offeror. The short turn-around time between solicitation and proposal response dates, coupled with performance uncertainties, forces offerors either to make significant assumptions based on limited information or to decline to submit a proposal – we have no other choices available to us and we do not believe that either promotes an efficient or fair competitive acquisition process.

We recommend that the Government provide site surveys and geotechnical reports in solicitations for firm-fixed-price projects in Afghanistan. We believe this will promote a level playing field among competing offerors, reduce the likelihood of contractors being terminated for default, and reduce the number of contractor requests for equitable adjustment associated with differing site conditions or other unexpected changes.

A necessary precursor to site preparation is the identification and removal of UXO. On one of our projects, the Afghan National Defense University, the UXO removal work was anticipated to be completed by others prior to the start of construction by AMEC. The project site is approximately 6 square kilometers (1,500 acres) that had been the location of various military conflicts over the years. Due to the means by which the Government contracted the UXO removal, the UXO clearing was completed in a phased approach concurrently with AMEC's construction work. This approach to UXO clearing was not effective because, during the course of the project, the extent of UXO presence at the site was significantly greater than anticipated and this significantly impacted the progress of construction. To avoid potentially adverse impacts to construction projects, we recommend that UXO clearing be completed prior to the commencement of construction activities, and that the phased-approach concurrent with construction be abandoned as unreliable.

Costs, Schedule & Quality

A clear and comprehensive scope of work is a prerequisite to achieving desired cost, schedule, and quality objectives. Further, the development of detailed project schedules and budgets must be prepared by the Government taking into account security, logistics, and supply chain conditions.

Faced with aggressive deadlines, it appears that the Government is increasingly using firm-fixed-price type contracts competed and awarded on the basis of the lowest price technically acceptable offer. This contracting method is effective when site conditions are known, security conditions are relatively stable, the supply chain is available, and the scope of work is reasonably defined. However, many of the projects that are currently funded across Afghanistan do not conform to the above criteria and could easily result in significant cost overruns, delays in contract performance, and the Government's failure to achieve its mission at the project location at the desired cost.

We recommend that acquisition officials reconsider the use of cost-type contracts with best value selection criteria for projects when site conditions are unknown, security conditions are unstable, the supply chain is unavailable, or the scope of work is not well defined.

Culturally Appropriate Construction & Sustainability

AMEC follows a local and sustainable approach to delivering projects. We maximize the use of Afghan workers and engineers and support the Afghan First policy. Since 2006, AMEC has delivered its projects with a construction workforce consisting of a minimum of 95% Afghan workers closely supervised and trained by AMEC technical staff. We are proud to have surpassed five million man-hours on the Afghan National Defense University project without a single recordable health & safety incident, while also building a sustainable local workforce.

A key component of our approach to managing construction in Afghanistan involves assigning and retaining qualified technical staff with the technical and interpersonal skills required to lead multicultural teams. Retention of staff allows for a continuity of lessons learned from contract-to-contract. AMEC sees cultural training as an integral part of its contracting in Afghanistan. AMEC staff is given cultural training to maximize the effectiveness of the management team, build sustainable business relationships with the stakeholders and supply chain, and avoid cultural incidents. We believe this approach is critical for Government and contractor staff alike to successfully deliver projects in Afghanistan.

AMEC is very proud of the fact that we have successfully delivered complex projects in Afghanistan. It has been our experience that the quality of the civil and structural work, including masonry and concrete placement, performed by Afghan workers has consistently improved, reaching competitive levels of proficiency and productivity. However, skills relating to electrical construction have lagged other trades due to a prevailing local practice that is not up to par with that found in other parts of the region. One of the main adjustments made by AMEC to address this challenge has been to increase the oversight level for subcontractors performing electrical construction. It is our recommendation that funding be allocated to create one or more training centers for Afghan workers with the mission to provide technical training on electrical construction. A similar approach was implemented in Iraq where the US Army Corps of Engineers funded task orders to provide training for technicians working for the Iraqi Ministries. The results of these efforts were very positive in Iraq and the Afghan workforce can benefit from a similar training program. We believe such actions would greatly increase the sustainability of the Afghan workforce for the long term.

AMEC also focuses on sustainability from planning through commissioning and we have developed various designs that maximize the sustainability of facilities and minimize the operations and maintenance efforts during the useful life of the facilities. The four-story barracks designs developed by AMEC at the Afghan National Defense University have been adopted as standard designs for other barracks in Afghanistan. Our design team has also developed a design standard for locked mechanical rooms constructed behind wet walls in enlisted latrines. The design allows for surface-mounted water and sanitary piping that is securely protected against damage or defacement, while still remaining easily accessible for repairs by appropriate personnel.

AMEC has received positive results by engaging and training Afghan workers and engineers, yet we are challenged with balancing these goals against achieving aggressive contract schedule and cost requirements. We believe the Government can achieve desired sustainability goals for the Afghan workforce by setting-aside a percentage of projects that specifically allot contractors time and funding to train and develop Afghan workers and engineers.

Ethics & Compliance

One of the Commission's charters is to identify instances of waste, fraud, and abuse in wartime contracting. AMEC firmly believes in the need for all Government contractors, including those in Afghanistan, to maintain a sound ethics and compliance program. AMEC has a work

environment and culture that promotes a high standard of conduct. We have long maintained a written Code of Business Conduct (COBC) and a COBC Supplement for personnel involved in U.S. Government work, an independent ethics reporting helpline, regular ethics and compliance training, and an internal audit organization that conducts routine and unscheduled audits of business units to ensure on-going compliance.

AMEC also maintains a full complement of business systems and internal controls to ensure contract performance is compliant, economical and technically sound. We have accounting and billing systems that have successfully completed adequacy audits by the Defense Contract Audit Agency, and a purchasing system approved by the Defense Contract Management Agency. We are current on our incurred cost electronic submissions and there are no Cost Accounting Standards non-compliances. To ensure its continued compliance with laws and regulations governing its work, AMEC employs personnel with extensive experience in Government contracting, subcontracting, cost accounting practices, ethics and other compliance matters.

Closing

In closing, AMEC is proud and thankful for the opportunity to contribute to the reconstruction of the country of Afghanistan. Our ability to deliver projects in Afghanistan during the current challenging circumstances reflects the contributions of all stakeholders, including the Afghan end users, U.S. Government, and the AMEC team supported by our Afghan engineers and workers.

Thank you for the opportunity to brief the Commission on AMEC's perspective on successfully delivering reconstruction projects in Afghanistan.