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Bechtel Lands Iraq Contract

San Francisco firm will get up to \$680 million over 18 months for the rebuilding project. Critics decry the lack of an open bidding process.

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The federal government Thursday selected San Francisco's Bechtel Group for a \$680-million contract to oversee the rebuilding of Iraq, a massive task that will involve everything from airports, schools, roads, bridges and railroads to power grids, water systems and sewers.

So crucial is this work to America's postwar presence in the wounded nation that the 98-page request for bids secretly sent out to a handful of American companies declared the effort essential to keeping the

peace there.

Bechtel said it was "honored" to have been selected by the U.S. Agency for International Development. Even critics acknowledged that the task was extraordinary.

"This has never been done before — an American corporation rebuilding an entire foreign country," said Danielle Brian, executive director of the Washington, D.C.-based Project on Government Oversight.

The government said Bechtel will initially receive \$34.6 million under the contract, which provides for up to \$680 million over the next 18 months. But USAID

officials said the total will be far higher.

Experts say it will cost tens of billions of dollars to fulfill the agency's goal of creating "the fundamental structures for democracy and economic growth."

Bechtel, the nation's biggest U.S. construction and engineering firm, said it had already started working with USAID to "prioritize and detail" what needs to be done.

The company's next step is to find subcontractors. Bechtel will be responsible for coordinating construction work by dozens of subcontractors employing thou-

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sands of workers.

"It will be a full and open and international bidding process," Bechtel spokesman Mike Kidder said.

None of that was true in the first round. The size of the rebuilding contract — the biggest of eight totaling \$1.7 billion being awarded by USAID — and the fact that it was cloaked under the veil of national security drew criticism from Capitol Hill and government watchdog groups.

"A troubling pattern is starting to emerge," said Sen. Ron Wyden (D-Ore.). "We're seeing some of the country's most powerful business interests showing up and getting these contracts. That ought to set off bells."

Wyden is cosponsoring a bill to force public disclosure of Iraq contracts awarded without open, competitive bidding.

The General Accounting Office, Congress' investigative arm, has launched a wide-ranging investigation. An amendment to the \$80-billion war-spending bill President Bush signed this week allocates more than \$4 million for USAID's inspector general to monitor and audit money spent in Iraq.

Bechtel, which was founded in 1898 by Warren Bechtel and is closely controlled by his descendants, built the Hoover Dam in the early 1930s. Other major company projects include the San Francisco-Oakland Bay Bridge, the Trans-Arabian Pipeline, the Bay Area Rapid Transit System and the Channel Tunnel.

Bechtel has often worked on military as well as other government contracts, including the Yucca Mountain nuclear waste repository and the Idaho National Engineering and Environmental Laboratory.

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Bechtel Lands \$680-Million Contract to Rebuild Iraq

sively with the government, it has been a large political contributor: \$1.3 million to federal campaigns and candidates since 1999, according to the Federal Election Commission. Fifty-nine percent of the money went to Republicans and the rest to Democrats, records show.

Over the decades, Bechtel has been closely tied to the government in other ways, too. George P. Shultz, Treasury secretary for President Nixon, stepped down in 1974 to become president of Bechtel. In 1982, Shultz became President Reagan's secretary of State. Shultz is currently a member of Bechtel's board.

Caspar W. Weinberger was a Bechtel director, vice president and general counsel before becoming Reagan's secretary of defense in 1981.

Officials have stressed that politics played no role in awarding the contracts.

USAID administrator Andrew S. Natsios emphasized that all 123 employees in the agency's procurement division are career civil servants, and that he and all other political appointees are legally barred from participating in the process. The procurement staff awarded the contract after evaluating the companies' capabilities and reviewing the cost estimates.

Nevertheless, the company is a lightning rod for activists. Bechtel's headquarters in San Francisco's financial district was the scene of several demonstrations as the war began at the end of March.

Even after the protesters stopped coming, the company left the crowd control barriers up in front of its building, just in case.

Bechtel has been the subject of more substantive criticism too. In Boston, Bechtel has come under fire for its co-management of the Big Dig project to replace a 7.5-mile elevated highway with an eight-lane underground tunnel.

Over its nearly 20-year history, the cost of the project has ballooned from \$2.5 billion to \$15 billion. The state government is investigating whether Bechtel is responsible for making mistakes that total more than \$1 billion.

"They were in charge of the biggest infrastructure project in the history of America, and they screwed it up," said Brian of the Project on Government Oversight.

Bechtel has defended itself vigorously and says the criticism is "fundamentally flawed."

Reaction was muted Thursday for the losing finalists, who received no formal notice from USAID.

"Thanks for letting us know," said a surprised spokeswoman for the low-profile Louis Berger Group of New Jersey, the dark-horse candidate. "There's not much to say," said a spokeswoman for Pasadena-based Parsons Corp.

Fluor Corp. was more upbeat. "We have never seen this as the only contract to rebuild Iraq," spokesman Jerry Holloway said. The Aliso Viejo-based contractor secured on April 4 a civil engineering contract from the Army Corps of Engineers worth up to \$100 million. Much of the work will be done in Iraq and Afghanistan.

USAID officials defended their decision to use the streamlined process that exempted it from open, competitive bidding, saying President Bush requested that the contracts be awarded in about two months. A competitively bid USAID contract could take six months. The Bechtel contract was awarded in 63 days.

A last-minute hurdle arose when finalists raised the issue of liability and legal costs they could face in such a potentially dangerous country, and asked USAID to indemnify them.

It's very unusual for the government to provide such insurance, but the White House released an order Thursday signed by Bush indemnifying Bechtel from claims arising out of "chemical, biologi-

cal, radiological or nuclear weapons, agents or materials; land or sea mines or similar explosive devices or unexploded ordnance."

In the month since the administration's plans to rebuild Iraq were first disclosed, the project has often been compared to the post-World War II Marshall Plan. But that project involved direct grants to European countries, which used the money to jump-start their devastated economies.

This time, the funds are flowing directly to U.S. companies. Among those winning earlier USAID contracts were Stevedoring Services of America, which won a \$4.8-million contract to operate the port of Umm al Qasr, and International Resources Group, a Washington consultant that will get \$7 million for planning, monitoring and reporting on the reconstruction.

The rebuilding of Kuwait after the Persian Gulf War in 1991 cost \$650 million. But the emirate had very different circumstances.

"Kuwait was damaged, it wasn't destroyed," said Ralph Locurcio, former commander of the Kuwait Emergency Reconstruction Office. "We weren't starting from rubble."

Moreover, Locurcio added, "in Kuwait you had a fully functional government that was cooperative and had money. A third of my team was Kuwaiti. We weren't being imposed on them. If there's not a complete acceptance of this assistance by the Iraqi population, I would think it could be a very hazardous undertaking."

Now a senior vice president at STV Inc., a privately held Pennsylvania engineering firm that hopes to work in Iraq as a subcontractor, Locurcio feels that USAID's 18-month timetable for rebuilding is within the realm of possibility.

"It doesn't boggle my mind," he said. But he notes that when he went to Kuwait in 1991, he told his wife he would be back in three months. He was gone a year.

Streitfeld reported from Los Angeles and Fineman from Washington.