



DEPARTMENT OF THE ARMY

U.S. Army Corps of Engineers
WASHINGTON, D.C. 20314-1000

June 10, 2003

REPLY TO
ATTENTION OF:

Directorate of Military Programs

Honorable Henry A. Waxman
House of Representatives
2157 Rayburn Building
Washington, DC 20515-6143

Dear Mr. Waxman:

Thank you for your May 6, 2003 letter and your interest in the U.S. Army Corps of Engineers emergency contract with Kellogg Brown and Root Services (KBR) for repair and continuity of operations of the Iraqi oil infrastructure.

Preparation for and execution of this mission have been a challenge for the Department of Defense (DoD), since the condition of the oil infrastructure after military operations was an unknown and the only comparable situation was after the Kuwaiti war of 1991. In that war, sabotage by Iraqi troops damaged more than 700 oil wells and resulted in tremendous environmental damage and economic disaster in Kuwait. DoD's planning had to consider and encompass the wide range of activities that might be necessary to handle a similar or possibly worse situation. Planning for the oil mission began in November 2002 when the U.S. Army Materiel Command issued a task order for contingency planning to KBR under its competitively awarded Logistics Civil Augmentation Program (LOGCAP) contract. The contingency support plan prepared under this contract was finalized in early February 2003.

Responsibility for execution of the plan was assigned to the Corps in mid-February, and we had to have a viable plan in place in a few weeks to accomplish the mission. In addition, since the DoD plan was classified, the Corps options were severely limited. When the Corps considered ways to accomplish this mission, there was only one practical alternative: use KBR, who was already mobilized in the region and was fully knowledgeable of the mission. With only weeks to be prepared to execute, full and open competition was not feasible. However, the Corps, the Army and DoD fully recognized that we should plan to migrate to competitively awarded contracts, as soon as possible, consistent with mission requirements. Accordingly, we began this process immediately.

Nonetheless, the scope of the emergency contract with KBR intentionally was left very broad to allow the Corps to order work necessary to help the Iraqi people with oil industry related emergencies as they arose. In fact, since there were so many unknowns, it had to cover the full scope of the mission in case we had to execute any part of the mission before competitively awarded contracts could be executed. Contingency plans to operate the Iraqi oil infrastructure and distribute fuel products were included in the contract and were stated in the DOD news release on March 24, 2003. These tasks were not ordered under the KBR Indefinite

Delivery Indefinite Quantity (IDIQ) contract until the emergencies developed and requirements were known. For example, the domestic needs of the Iraqi people recently became very critical and we placed an order under the KBR contract for gasoline and liquid petroleum gas to be imported into Iraq on a temporary basis, in order to provide them these essential fuels until domestic Iraqi production can meet domestic needs.

We are also nearing completion of our required acquisition strategy for the follow-on, competitively awarded contracts, if needed. Once awarded, these contracts will be used to continue to assist the Iraqi people. This mission will last until DoD determines that it is no longer needed as a vehicle for helping the Iraqi people restore the oil sector to full operation – a determination that DoD will make in close consultation with the Iraqi team that has already assumed responsibility for managing the Iraqi oil industry. Additionally, the competitively awarded contracts will be one of many sources available to the Iraqi management team; the Iraqis will not be required to make use of the contracts and may procure required services from other sources if they so choose, in which case DoD funds would not be involved.

The Iraqi Oil Ministry and its component production, refining, marketing and distributing companies are being reconstituted and initiating operations, although they are not at full production levels. We are working closely with the Oil Ministry to supplement and reinforce their efforts. However, the ability of the Iraqi people to fully operate all aspects of the oil industry is severely hampered by significant problems, including the need to establish a secure operating environment, restoration of adequate communications systems, and easing of restrictions on transportation and freedom of movement around the country.

Until these problems are resolved, the U.S. Government will continue to make available oil infrastructure related assistance through the KBR contract, as well as the follow-on competitively awarded contracts. Although these contracts likely will be vital to meeting Iraq's pressing needs related to the oil infrastructure, the use of them is not inconsistent with Iraq controlling its assets. Iraqis will make all decisions about how much oil and refined products to produce, when and where to produce for the domestic market and how to distribute the product. Mr. Thamir Ghadhban is the senior official in charge of the Iraqi oil sector. Coalition representatives and an advisory board advise and assist as needed, but Iraqis will decide for themselves all matters relating to development, production, sale and distribution of Iraqi petroleum products, including future development of petroleum resources, how much to export, to whom sales are made, and on what terms.

The Department has provided information about this mission and contractual actions supporting it immediately upon the information being declassified. A press release on March 6, 2003, informed the public that the Department had developed plans to extinguish oil well fires and to assess damage to oil facilities that might occur in Iraq in the event of hostilities. That press release identified Brown & Root Services, a division of Kellogg Brown & Root, Inc., Houston, TX, as the contractor that developed the plan. When the March 24 press release was issued, a detailed Fact Sheet was also available to those seeking further information. An updated version of that Fact Sheet has recently been posted at <http://www.acq.osd.mil/dpap/iraqreconstruction/iraqcontractinfo.htm>.

We are able to make available for review two of the documents requested in your April 16 letter, but it must be in an approved secure setting with cleared personnel since these documents are still classified. I will be pleased to meet with you in such a setting to discuss our mission and share the details of our efforts. My staff has been in contact with your office to schedule such a meeting. The third document, the classified task order under the LOGCAP contract for development of contingency support plans, is controlled by the U.S. Army Joint Munitions Command, which awarded the task order. We have informed that command of your request. Again, thank you for your interest in this extremely important mission.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert B. Flowers". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Robert B. Flowers
Lieutenant General, U.S. Army
Commanding