



DEPARTMENT OF THE ARMY

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

June 10, 2003

REPLY TO
ATTENTION OF:

Military Programs Directorate

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

Dear Mr. Waxman:

Thank you for your letter of April 16, 2003, concerning recent press reports regarding U.S. Army Corps of Engineers contract with Kellogg Brown & Root Services (KBR) to perform work in Iraq.

There has been confusion in the press about the estimated costs of the current KBR contract and the new acquisition now being planned. The cost of the current contract will be the sum of the cost of the orders placed under it. As of May 20, 2003, five orders have been placed. The total estimated cost of those five orders as of May 27, 2003 is \$184,786,000. We are limiting orders under this contract to only those services that must be performed or initiated prior to the availability of competitively awarded contracts. The situation in Iraq is dynamic, and requirements (and associated costs) are determined based on the results of ongoing assessments of the condition of the infrastructure, and decisions as to what has to be done now versus what can be initiated and done later.

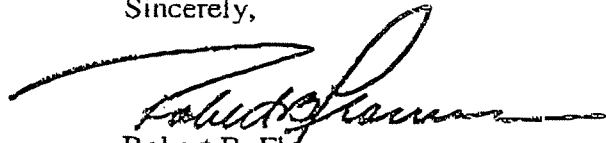
The estimated cost of future contracts is not known because the full extent of the work required on the Iraqi oil infrastructure is yet to be determined. As of today, about 60% of the southern oil infrastructure and approximately 25% of the northern oil infrastructure have been assessed and evaluation of the northern and western fields has just begun. Our understanding of the magnitude of this work will improve as more assessments are completed. We will describe the nature of the situation, and our latest understanding of the magnitude of this work, in the solicitation that requests competitive proposals. The contracting approach used will provide the degree of flexibility needed to operate in this dynamic environment.

You requested copies of the (1) current contract, (2) the justification and approval documents and (3) the task order that the Army issued to KBR to develop contingency support plans for repairing and continuing operations of the Iraqi oil infrastructure. These items are classified documents. The Corps prepared the current contract and the justification and approval document. We are able to share the contract and justification and approval documents, but it must be in an approved, secure setting with cleared

personnel. Mr. James Rausch, 202-761-1059, of my staff will contact your staff to arrange such a meeting. However, the Corps did not contract for the Army's contingency support plans. In November 2002, KBR was issued a task order to develop this plan, which was within the scope of the U.S. Army Joint Munitions Command (JMC) Logistics Civil Augmentation Program III contract DAAA09-02-D-0007. We are coordinating with JMC to make the order available to you.

I trust this answers your questions. Thank you for your interest in the US Army Corps of Engineers activities and our procurement process.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert B. Flowers", with a long horizontal flourish extending to the right.

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

Copy Furnished:
U.S. Army Joint Munitions Command
1 Rock Island Arsenal
ATTN: AMSJO, ACI-S (Mr. Valiant DuHart)
Rock Island IL 61299-6000)