



UNITED STATES DEPARTMENT OF STATES  
OVERSEAS BUILDINGS OPERATIONS

# INDUSTRY ADVISORY PANEL



APRIL 8, 2008

I, Richard J. Shinnick, certify that this is the true and correct version of the Minutes of the April 8, 2008 Meeting of the Industry Advisory Panel.

Signed:



4/21/08

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Richard J. Shinnick  
Director Ad Interim  
Overseas Buildings Operations

April 8, 2008

UNITED STATES DEPARTMENT OF STATE  
OVERSEAS BUILDINGS OPERATIONS

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INDUSTRY ADVISORY PANEL

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April 8, 2008  
9:00 a.m.

Department of State  
2201 C Street, N.W.  
Room 1107  
Washington, D.C.

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Director, ad interim

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1 P-R-O-C-E-E-D-I-N-G-S

2 (9:00 a.m.)

3 MR. COOPER: Before we begin, I would just  
4 like to start off with some safety and security  
5 instructions that we would like you to comply with  
6 while you're attending the conference today. First,  
7 if there's a subsequent emergency or evacuation of  
8 the facility, we're going to exit through this door.

9 So I just need everyone to calmly get up  
10 and in an orderly fashion exit, and we're going to  
11 go down the hall immediately to the left and up the  
12 stairs to the 23rd Street side of C Street, and  
13 we're going to rally up on the opposite side of that  
14 street. So, of course, you'll have OBO  
15 representatives with these red badges, like myself  
16 and the individual standing out front, that will be  
17 assisting you in evaluation.

18 In case you have any special needs or any  
19 particular concerns that you need in case of an  
20 evacuation, you can get one of us and we'll do our  
21 best to assist you in that. Also, while you're here  
22 you'll be wearing visitors badges, and while you  
23 have those visitors badges, you need to be escorted  
24 at all times. So if you need to leave for restroom  
25 breaks or anything like that, make sure that you

1 have an OBO representative with you. They'll assist  
2 you in restroom or whatever you need in that  
3 capacity. Also, while you're wearing these badges  
4 they need to be worn above the waist and on the  
5 outermost garment so that it could be in full view.  
6 If you have any other questions or concerns that you  
7 want particular addressed, you can get with myself  
8 or Linda Lewis-Clay, and we'll help you out on that.  
9 And before you depart the facility, just make sure  
10 that you return the badges back to myself or Linda  
11 Lewis-Clay. And again, welcome and thank you for  
12 coming out today.

13 MR. SHINNICK: Thank you very much. Would  
14 you hit that microphone off there? Just hit that  
15 button. I'd like to echo that sentiment. Welcome  
16 and thank you very much for coming today. I'd like  
17 to thank the members of the panel, and I'd like to  
18 also thank our observer guests also for coming today  
19 and point out that, as an example of the importance  
20 in which this subject matter is held by the Congress  
21 and OBO, we have Mr. Sam Bernet from the Government  
22 Accounting Office with us today.

23 I'm going to ask Sam if he'd raise his  
24 hand. Sam's with us. And we also have Tim Kauffman  
25 from Federal Times, who's with us today. So it's a

1 noteworthy event and deserves the attention of the  
2 Congress because of the importance of the issues  
3 involved. And also, it deserves the attention of  
4 the press because Mr. Kauffman realizes the  
5 importance of the issues involved. As a matter of  
6 fact, he had a double article hit in the last  
7 Federal Times, and one was the embassy in Baghdad  
8 and one was the greening of U.S. embassies. So you  
9 can seek out either one of these gentlemen,  
10 depending on your agenda, but I would like to  
11 encourage you.

12           And some of you may have been at the AGC  
13 meeting, at which I explained, and so did the team,  
14 that the General Accounting Office would be at OBO  
15 and that one of their priority inspection items or  
16 ordered items was the shrinking contract to pool and  
17 how that might affect OBO's ability to complete its  
18 very ambitious construction program to place our  
19 staffs overseas in more secure embassy and consulate  
20 facilities.

21           And I asked the folks at the AGC, solicited  
22 their comments and also asked them if they felt it  
23 would be useful, and I did, to get directly in touch  
24 with the GAO because I'm the new guy. You know, for  
25 me, this is all blame-free. Hey, I just got here.

1 Tell the GAO all your concerns. And I mean that  
2 also because they will write an official report, and  
3 that official report for us will be both binding,  
4 perhaps constraining, but it also in some ways will  
5 be liberating in that they will be able to put forth  
6 directly what the opinions of those in the industry  
7 are about the way we go about contracting. So  
8 that's why I invited them to be here today, to  
9 observe the interplay between us and our industry  
10 partners and also to be fully aware of the frictions  
11 that might exist between us in our attempts to carry  
12 out our stewardship of the public resources and  
13 advance this program, and the contractors and  
14 professionals, who have responsibilities either to  
15 shareholders or to the owners of their firms, should  
16 have a return on investment.

17           We're not Communists at OBO. We understand  
18 return on investment. So with that, I'd like to  
19 tell you a couple background issues, one of which  
20 was the seat on my left is empty. Jonathan Blyth,  
21 our Chief of Staff, is up today on the Hill with a  
22 team of nine or ten of our very senior folks from  
23 project execution. A name, Joe Toussaint, is one  
24 that you'll know of. And Rob McKinnie, who heads  
25 construction and commissioning, and various members

1 of our professional disciplines at OBO are up today  
2 to not testify, but to brief Congressman Waxman's  
3 staff. This is in lieu of my appearance, which was  
4 scheduled today, in which I was supposed to go up  
5 and give an account of my stewardship, specifically  
6 as regards the Baghdad embassy because Congressman  
7 Waxman has been very interested in that and we had  
8 previously briefed him, albeit in smaller numbers,  
9 before our team went to Baghdad recently to  
10 accelerate the issuance of certificates of occupancy  
11 for the buildings on the New Embassy Compound.

12           So all of you are in the industry, and I  
13 know you're probably hanging on every article in the  
14 Washington Post, as everyone else in Washington is,  
15 about the "difficulties of the Baghdad embassy."  
16 Well, folks who go out there are flabbergasted to  
17 see 27 buildings fully constructed because that, in  
18 effect, is what we have out there. These buildings  
19 are up and they're built, and some of the issues are  
20 in the press are of accreditation and certification  
21 and acceptance and commissioning and certificate of  
22 occupancy issues.

23           They are not due to large-scale  
24 construction deficiencies. So we now have overcome  
25 those. We expect to have our full fire acceptance

1 done by the end of this week, very timely, since the  
2 intensified indirect fire into the Green Zone has  
3 resulted in, as you can imagine, a great demand for  
4 safer sleeping quarters that will be able to provide  
5 in the NEC. And fortunately, the team was able to  
6 be there to advise the ambassador, Ryan Crocker, and  
7 he was able to offer his folks the ultimate sleeping  
8 arrangements of being transported to the NEC where  
9 they could stay in a safer reinforced concrete  
10 building.

11           And I won't say large numbers, but a  
12 substantial number people have been availing of  
13 themselves of that opportunity and staying in the  
14 buildings that are now being commissioned. So  
15 that's the report on OBO's Baghdad adventure. The  
16 bigger picture of Ryan Crocker and General Petraeus  
17 will be playing out all day on the Hill, and I don't  
18 think Waxman wanted to run a little sideshow with  
19 the director, ad interim of OBO, so I escaped the  
20 hook, and we'll see how long that lasts. But I'm  
21 very happy because I want to be called up there when  
22 we're all finished.

23           I don't know what you're talking about,  
24 congressman, and I came in January and it's all  
25 done. Hopefully, then I'll be able to tell that

1 story thanks to the performance and achievements of  
2 the team that we sent out to Baghdad, largely civil  
3 servants, 90 percent civil servants, who went out to  
4 Baghdad at a time of certainly apparent increased  
5 risk to themselves. And they went out over a  
6 holiday season. They were there on Easter and they  
7 went with no hesitation whatsoever and performed  
8 superbly. So I had the opportunity to give an  
9 interview to Mr. Kauffman, at which I raised that  
10 point and I thank him for putting that in the  
11 article because they did deserve all the credit in  
12 the world for being out there to support the people  
13 who are serving overseas at a very dangerous post.

14           That said, I'd like to move into some of  
15 the things that are very important to this group and  
16 repeat some of the things that I said before the  
17 AGC. We want increased competition, which means we  
18 want the larger contractor pool. We want the folks  
19 who bid our contracts and who are awarded those  
20 contracts to be able to perform those contracts in a  
21 manner that assures them that they are going to be  
22 able to realize a reasonable profit on their work  
23 and on their activities.

24           So it's not just a question, with all  
25 respect to Mr. Ferrell who's here representing

1 logistics management in our contracting division.  
2 With all respect to them, there's more to the issue  
3 just than fixing the specific elements in the  
4 contracting process that would facilitate the  
5 easier, more transparent bidding, et cetera, et  
6 cetera. It is also certain operational issues that  
7 have to be addressed so that the winners of the  
8 contract or the bidders in the contract can be  
9 assured that they are going into a construction  
10 operational environment that is not stacked against  
11 them.

12           Now, we can't be assured that we're either  
13 in the process of creating that or that we have  
14 created that without the input and feedback of the  
15 general contractors organization and certainly,  
16 certainly most importantly, our Industry Advisory  
17 Panel, who's very name sums up the kind of activity  
18 that we want to be engaged in, which is getting  
19 advice from industry.

20           So my special thanks to the panel for  
21 giving us this opportunity. And for those of you  
22 who are out there in the construction industry, be  
23 aware that we are going to have another AGC event  
24 which OBO has arranged, but that particular event  
25 will be led by our contracting people from the

1 Bureau of Administration logistics management  
2 organization, which does our contracting. So  
3 they'll be taking the lead at the next AGC meeting.  
4 And somebody will have to bail me out and tell me  
5 what the date is of that event, which is very soon.  
6 April?

7 UNIDENTIFIED SPEAKER 1: The 29th.

8 UNIDENTIFIED SPEAKER 2: April 29th.

9 MR. SHINNICK: April 29th. So mark your  
10 calendars now because we'd like to also see you at  
11 that event, informed by what you've heard here or  
12 with questions that might be provoked by what you  
13 heard here or didn't hear here. So we'll ask you to  
14 show up for that, too. It's a lot of time to devote  
15 to OBO, but this -- it's an important issue for the  
16 national security of our nation. We have to be  
17 represented overseas.

18 And one can argue about -- and you've seen  
19 a lot of that even in the press and certainly in the  
20 industry press, about the desirability or the  
21 acceptability of building what are termed fortress  
22 embassies. Well, we build those embassies in  
23 response to congressional legislation and the  
24 clearly expressed will of the people that the taking  
25 of casualties overseas in a diplomatic environment

1 are unacceptable to the country.

2           And yet, we have to balance that by our  
3 absolute need to have these platforms overseas on  
4 the universality in every country, from which all of  
5 the agencies of our government can operate. I'm not  
6 preaching to the choir here because you guys have  
7 done the work and you know how many agencies are  
8 involved and what their requirements are. So  
9 embassies, you know, connotes waving palm trees and  
10 people standing on the terrace as the sun goes down,  
11 with cocktail glasses in their hands. You know  
12 that's not the reality of the situation. They're  
13 big factories and office buildings.

14           So thank you for helping us to move and  
15 achieve this because with the help of the industry  
16 we have moved around 17,000 people from less secure  
17 to more secure facilities overseas. So it's an  
18 enviable record, and I salute my predecessor,  
19 General Charles Williams, affectionately now known  
20 as Chuck, for his achievement and also, as a career  
21 management officer in the Foreign Service, the  
22 achievement that I am most impressed by was his  
23 ability, due to the credibility of the program that  
24 he put in place, to achieve long-term desire of the  
25 State Department to get capital cost-sharing for our

1 capital projects.

2           And those of you in this room might be  
3 aware that he did do that and also be aware that  
4 that provides us with roughly 30 percent of our  
5 capital costs to build these projects. So I have  
6 chosen not to show the slides of the completed  
7 embassies in the expectation that you may have seen  
8 those several times in the past. And it's a product  
9 that I can't take any personal credit for, so we are  
10 not going to show them. But it'll give us more  
11 time, if I hurry, to take a few questions from you  
12 guys before I turn it over to the much more  
13 qualified construction professionals that I have  
14 with me today.

15           And just as a quick introduction, I'll  
16 point out that planning is here, Jay Hicks, and the  
17 head of our resource management office who funds the  
18 whole thing, Managing Director Jurg Hochuli. And on  
19 my right we have Will Colston, who is sitting in  
20 Joe Toussaint's chair and is also his deputy. And  
21 just tell you how proud we are of our professional  
22 organization, you all remember the Pentagon wing  
23 that was destroyed on 9/11 and our very own Will  
24 Colston was the man who was the project director for  
25 restoring that wing to service, which was a billion

1 dollar project.

2           So he's very well qualified to be sitting  
3 in Mr. Toussaint's chair now and -- well, that's all  
4 I can say. I point him out to you as a particularly  
5 well-qualified individual. And my own deputy,  
6 Paul Rowe, is here and Paul is in the unfortunate  
7 position of sitting in my old job because too many  
8 years ago I was the director of operations, so I  
9 know how important that job is. And it brings me up  
10 to perhaps the vision and goal. If I were other ad  
11 interim my major goal would be to do on the  
12 maintenance side what General Williams did on the  
13 construction side. We are building these wonderful  
14 assets for the United States, 55, with Baghdad, 56.  
15 We have 30 more in the pipeline and we have 75 yet  
16 to build.

17           And we need a commensurate amount of  
18 maintenance money to maintain this tremendous  
19 investment by the American people, and we also have  
20 legacy maintenance needs. And in our haste and  
21 understandable haste to build facilities and get our  
22 people out of very, very dangerous situations. We  
23 haven't had the resources and the organizational  
24 energy to devote to the corresponding issues we have  
25 with maintenance.

1           There are two kinds of maintenance issues  
2 we have. We have legacy maintenance issues that  
3 we've always had in trying to keep up some decent  
4 but some very decrepit facilities overseas. And  
5 then we have the new -- I have to get a word -- to  
6 coin a word if I'm using legacy for the old ones. I  
7 don't know. Investment protection. I have to get a  
8 catchy phrase for the Hill, as to justify why we're  
9 going to need large outlays of money to protect  
10 these properties because they have a very nasty  
11 habit of breaking down as soon as the warranty  
12 period is over. And that brings me to -- one of our  
13 organizational goals right now is to enhance the  
14 hand over, to improve the hand over process from  
15 when the contractors complete the construction of a  
16 building or a mission or NEC, to when the bureau and  
17 the post assume control and responsibility for the  
18 facility.

19           And there has been an organizational gap  
20 between -- which has precluded a smooth handoff. We  
21 have a very professional group of facility managers  
22 stationed at our posts abroad, and certainly we have  
23 one at every place we are completing a NEC or a  
24 major facility. And so we do have the resources to  
25 maintain these buildings correctly, but we are going

1 to our attention to the transition period between  
2 the end of construction and the turnover to the  
3 mission.

4           There are a lot of things that have to be  
5 crammed into that period, training of the  
6 maintenance staffs, et cetera. And in some places  
7 we are aware that we have larger issues in this  
8 transition and you hear phrases over in OBO now,  
9 such as dumb buildings. That's not a building built  
10 by dumb people, but it would be a building that  
11 would have a lower level of maintenance complexity.  
12 Perhaps it doesn't make us look very good if we  
13 build complex facilities in places of the world  
14 where the ability of the eventual owner of the  
15 building to get qualified maintenance people is  
16 minimal. And I can name places in West Africa, et  
17 cetera, et cetera, where you cannot find one  
18 qualified air conditioning person in the entire  
19 country.

20           And someone said, well, maybe we could get  
21 AID to run maintenance training schools in the  
22 country, as part of their programs, and that would  
23 be an ambitious program and one we'd like to see  
24 happen. But one of the -- someone pointed out to  
25 me, what is the problem? When you train these folks

1 they'll come to work at the embassy for six months  
2 and given our wage scale, they will be gone to Rio  
3 Tinto, you know, or major mining companies or large  
4 industries in these countries and they will hire all  
5 the qualified local people we can train and turn  
6 out.

7           So we do have a big disconnect in our  
8 maintenance programs, between building them and our  
9 ability to maintain them. So I just wanted to hit  
10 on that so you will know that you will be hearing  
11 more and more of that as we go to our planning and  
12 designing our next tranche, if you will, of  
13 buildings. So I want you to talk about the  
14 contracting phase and I'll tell you all our  
15 maintenance problems. But one of the things we were  
16 quick to work on were realizing that the published  
17 schedules that we -- or the knee-jerk motto we have  
18 is 24 months, we were going to build these NECs.  
19 And yet, when analysis was done by our -- by the  
20 folks who build them, it was that -- the sad news  
21 for me was -- I said, well, how do they get late?  
22 And the answer was a lot of them are late and that  
23 the reality is we're not building them in 24 months.

24           I mean, Will, interrupt me because that's  
25 the way we operate. So we're taking a more

1 realistic approach, and we believe we are going to  
2 stretch those construction periods out to 28 months  
3 because it's one thing to harass a contractor over  
4 making a schedule, but it's another thing to harass  
5 a contractor over a schedule that isn't being met on  
6 a large number of projects.

7           There must be a reason. Twenty-eight might  
8 be -- since we are completing a significant number  
9 in 28 months, 28 months might be a time figure  
10 that's more acceptable to the industry. And over  
11 this discussion in periods that we have and on the  
12 fringes of these meetings, you might give us your  
13 thinking on that, how that would impact your desire  
14 to bid our projects and your ability to complete  
15 them. We also want to schedule our RFPs during the  
16 year. Jay wants to avoid the clumping of the RFPs  
17 into one intense period. In other words, get them  
18 out on a schedule during the entire year so that  
19 they're not being either bid or considered in large  
20 clump; that you get one this month and there's  
21 another one next month, hopefully.

22           We're not there yet, where we're going to  
23 have them that well spaced, but that is the --  
24 that's the direction we're going in, is to end that  
25 end-of-the-year rush to get all the contracts out

1 and bid on. So Jay's head is going up and down and  
2 I'm glad because it's his plan, and it's going to  
3 help alleviate, I think, a lot problems, both for us  
4 and for the industry.

5           Also, in the planning and development area  
6 are the Standard Embassy Design improvements  
7 initiative and we're going to want to get your input  
8 on that. We have an embryonic program or project to  
9 look at our Standard Embassy Designs from the  
10 standpoint of the rules of real estate. I'm not a  
11 real estate expert, but I know the first rule is  
12 location. I forget the other two, but I know the  
13 first one is location. And it came home to me  
14 because I was the principal officer in Milan, a very  
15 dangerous hardship post overseas, with bad food and  
16 unattractive people. I've suffered for my country.  
17 But when I was there the post was -- the building  
18 still is about five blocks from the triangolo d'oro,  
19 the big rich shopping district and all of the  
20 cultural facilities in Milan. And La Scala is  
21 walking distance. I lived in an apartment near the  
22 Beretta.

23           So when I came I saw to my surprise that,  
24 fortunately, you figure there's 55 built, 30 in the  
25 pipeline, you're talking 85, well, we come around

1 now to Milan because we know it has the largest  
2 Muslim population in certain areas of Western Europe  
3 and you know, from reading your newspaper, that a  
4 lot of the terrorist activities, financial and  
5 otherwise, were sent to there, so it is a very  
6 logical place to have a security construction  
7 project. Okay, where are going to put it?

8           And guys in the real estate section came up  
9 and showed me the options and one of the options had  
10 -- when we do real estate, we might take options on  
11 three properties. One of the three had some issues  
12 with zoning and I said, well, what's the zoning  
13 issue, and it was that it was currently zoned, not  
14 industrial, not commercial, not residential, which  
15 you would expect to be a problem, but this  
16 particular one was zoned agricultural, which makes  
17 me think we may be getting a little too far out.  
18 You know, when the site of the new post has cows in  
19 the field, we're not in the center cities anymore,  
20 where we do most of our interactions with the staff.

21           So we kicked it around, and Jay Hicks and  
22 our security folks at the highest level, their  
23 number two man in diplomatic security, are working  
24 aggressively to look at what we are calling, for  
25 want of a better name, an urban SED, in other words,

1 what is the Standard Embassy Design that you could  
2 put into a center city situation? Now, the rumors  
3 are flying around that, no, they're going to do away  
4 with the 100-foot setback and they're going to not  
5 blast-proof walls and they're not going to have --  
6 we're going to have all of those things.

7           We need 100-foot setback and we need blast-  
8 protected walls. We need anti-ram capabilities, et  
9 cetera, potential capability. We need all of those  
10 things. We need that setback. So it's a very  
11 challenging situation for Mr. Hicks and his  
12 collaborators in diplomatic security. And also  
13 right in OBO, of course, Joe Toussaint and his guys  
14 in project execution and design are all over that  
15 project, too. So that is one of our big  
16 initiatives. And again, any input from -- we have  
17 very skilled AIA architects here. They're familiar  
18 with our requirements. And one of Mr. Hicks'  
19 intellectual gifts is that he's open to radical  
20 thinking. So just get to him. He's going to be  
21 desperately seeking an answer by the end of the  
22 month or next month.

23           So a couple of things. A local materials  
24 database being set up by Will Colston's shop, to get  
25 a database of what our acceptable local materials

1 that would assist you folks in figuring out your  
2 staging plans and where you have to buy and how far  
3 you have to ship your materials. It will be more  
4 helpful than guessing or trying to interact with us  
5 or negotiate with us over an acceptability of some  
6 unknown materials.

7           You're going to have a chance to have, for  
8 want of a better word, a formulary list of  
9 acceptable building materials. So you can look  
10 forward to that happening. And we also are putting  
11 more attention our requests for equitable  
12 adjustments because what are we doing? We're going  
13 to put more people to work on these issues and we're  
14 going to do them centrally now at OBO and have the  
15 highly skilled people working on these things  
16 because we realize that an equitable adjustment, by  
17 their very names, has to be an equitable adjustment  
18 in the interest of both parties, but it also  
19 certainly has potential as a neuralgia point between  
20 us and our partners. So we would like to minimize  
21 that and do everything we can to make the process  
22 less threatening and perhaps even more equitable.

23           So you can look forward to seeing that.  
24 And just to go back to the SEDs for a moment, we're  
25 going to look for more consistency because the SED

1 process does lend itself, the way it's designed, for  
2 SED change requests and we can change the SEDs.  
3 Now, we're not going to change any SEDs that violate  
4 the goals that -- that threatened the goals that we  
5 have to meet to have safe, secure facilities.

6           But if we get reasonable initiatives from  
7 industry, we have a SED process that is a thing to  
8 behold and we can legitimately change these  
9 requirements if they don't threaten our programs and  
10 do so in very transparent way so that we will have  
11 the -- the bureaucratic word is paper trail -- to  
12 make this transparent to the Congress and to show  
13 the accountability. So that's another thing that we  
14 will be soliciting your thinking about, is how can  
15 we be more consistent in dealing with you? And  
16 perhaps it would be a change of some element of a  
17 Standard Embassy Design that you might find to be a  
18 very difficult thing to work around. So claims. I  
19 want you to know that I am -- you see me glance down  
20 at my talking points and my talking points consist  
21 only of yellow lines on a letter, which I signed  
22 yesterday, to Steven Sandherr, who's the Chief  
23 Executive Officer of the Associated General  
24 Contractors of America.

25           And in that letter I outline some of the

1 things that I'm sharing with you today because you  
2 haven't had a chance to consult with the AGC because  
3 I don't even know that he has the letter yet. We  
4 might've blown it over there and they have it. But  
5 anyway, claims avoidance. We did an analysis of our  
6 claims. Will Colston led that group. Some of you  
7 know him from his work with these kinds of  
8 adjustments and claims.

9           And we found that we had 35 claims from 14  
10 contractors, out of more than 300 projects. And we  
11 found that that was about a 10-percent claim  
12 record -- claim rate on our projects and 10 percent  
13 of our projects -- we maintain that we have claims  
14 on 10 percent of our projects and a third of those  
15 claims came from a single contractor. So we know we  
16 have an issue and we are going to -- we don't want  
17 to have any claims, but we realize that claims are a  
18 part of the business, and so does everyone here and  
19 we'll just tell you that we are going to align the  
20 resources to get these claims satisfied or at least  
21 dispute them with more alacrity and with more  
22 transparency, hopefully. So one of our major  
23 problems that we have is design -- certification of  
24 design documents slows us down and also we've had  
25 some real issues with the underground -- with

1 underground piping systems, to include fire.

2           So that brings me to my last talking point,  
3 which is -- I've already discussed to some degree --  
4 operations and maintenance. And you in the  
5 construction end of the business can truthfully say,  
6 he's stuck in his old career as director of  
7 operations because he's babbling about maintenance  
8 all the time.

9           And maybe I'm guilty as charged, but I have  
10 a very qualified construction and commissioning  
11 staff and we are going to build a parallel  
12 maintenance staff that is equally adept in meeting  
13 our requirements. We have a great core of these  
14 facility maintenance officers. I was fortunate  
15 enough on my last tour here. We were able to set  
16 that program up and bring them into the government  
17 as a legitimate specialty cone and now we are going  
18 to have focus groups as to how we can take them to  
19 the next level of professionalism. So with that, I  
20 mean, you're going to have a lot of time on the  
21 panel to discuss the issues with our members of the  
22 panel, but I'd like to give you guys a free shot at  
23 the director, albeit ad interim, because you've been  
24 nice enough to come today.

25           So I think I could take a few questions and

1 when I get in deep trouble, I'll turn it over to the  
2 experts. So does anyone have any question that  
3 might've been triggered by anything that I said?  
4 There we go, the man in the back.

5 MR. KUBIC: Good morning. I'm Chuck Kubic  
6 and I'm the President of ECC International, one of  
7 your design-build general contractors. You touched  
8 on it right at the end, on the design process. I  
9 think that bears some more scrutiny, maybe even to a  
10 smaller group because you have a lot of very  
11 dedicated design professionals who are still in the  
12 mode of turning out bid-quality design documents  
13 that have really little need in the field.

14 You know, we're being forced to design to a  
15 standard that we don't need to be able to construct  
16 from, and we're taking a lot of time doing that and  
17 there's a bit of a frustration factor because many  
18 of these design professionals can see changes that  
19 should be made in the SED documents, in the past,  
20 haven't been able to get those in any way except  
21 through design changes and design comments. And so  
22 what they're trying to do is to put those into the  
23 design review process.

24 Of course, we've already bid the job, we're  
25 already at a fixed price and so that then lays the

1 groundwork for disputes. And so I think, as we're  
2 learning from design-build, you really don't need to  
3 have much more in the way of bridging documents that  
4 you already have. You need to give the design-build  
5 contractors a little more leeway and you need to  
6 form a better partnership between the design  
7 reviewers and the design-build contractors.

8           And I think we'll start to find these  
9 changes. As long as there's then openness at the  
10 top, then we can actually modify the SED  
11 legitimately and possibly with an REA. So I think,  
12 on the design-build process, a little more scrutiny  
13 will pay a huge dividend, sir.

14           MR. SHINNICK: Well, that's the kind of --  
15 exactly the kind of comment that we're trying to  
16 solicit here today. It's a meaty comment and it  
17 certainly sounds absolutely relevant to what we're  
18 trying to do. One of the things we're doing with  
19 our process of design reviews is we've mapped it all  
20 out and charted it all out about how we do it  
21 internally. And we saw some glaring omissions from  
22 the folks at both OBO and in the bureaus and then  
23 around the Department people who should have been in  
24 the design reviews.

25           And we've added those people and we are in

1 the process of briefing design review to the Office  
2 of the Inspector General, which I haven't mentioned  
3 up until this point. But we have the Inspector  
4 General also sitting in OBO until the end of May,  
5 doing the first inspection of the place since OBO  
6 was created as a bureau and for some years prior to  
7 that, when it was FBO. So they're going to be  
8 briefed on the design review process.

9           Then our area management officers, who  
10 participate in the management of the monies going to  
11 various maintenance -- they're going to be in.  
12 There'll also be our communications people from IRM  
13 that will not be bona fide members of the team, of  
14 the project team, from start to finish and they'll  
15 be considered not as tenants anymore, but as the  
16 prime driver of what the design should look like  
17 because in any embassy that you serve in overseas  
18 you realize the cerebral cortex of the embassy is  
19 what we used to call a communication shop. Now,  
20 it's, you know, IT and information resources, et  
21 cetera, et cetera. And the professionals in that  
22 area felt that they did not have the direct input  
23 into the design teams early enough in the process  
24 and that when they did, they didn't have the clout  
25 with the people involved in the process, who didn't

1 realize how important their function was to an  
2 embassy because without it we would pull out.

3 I mean, if we didn't have communications,  
4 we'd leave. And if the ambassador to a country were  
5 getting on to the helicopter, right now to abandon,  
6 if you will, the mission or to leave the mission,  
7 the ambassador would be there and there'd be two  
8 other people with him. One would be a security  
9 officer to make sure that he's still alive and the  
10 second one would be a communicator, to use the old-  
11 fashioned term, to ensure that he could tell the  
12 State Department what the events -- about the events  
13 that were transpiring there.

14 So it's an absolute core function. Was  
15 there any damage done by the fact that they were not  
16 involved in the design process to the degree that  
17 they would've liked? I don't know. But certainly  
18 it can't hurt anything to have them in the design  
19 process right from the start, making us aware of  
20 what their requirements are. And so your comment,  
21 your kind of comment is also valuable because we  
22 don't want to over-design, either. I mean, that's  
23 time and it's money and it is a complicating factor  
24 to your work, you've already bid the job. So that  
25 seems to me -- I'm going to turn to Will, who is

1 standing in for Joe. That seems to me to be the  
2 kind of an issue that we would want to absolutely  
3 grapple with.

4 MR. COLSTON: You're absolutely correct.  
5 And I appreciate the comment because it is something  
6 that we're really concerned about. You heard the  
7 director mention that consistency is one of those  
8 issues and that's where we've seen, across the  
9 board, where we've had a problem with consistency,  
10 where we've had some issues where you see people  
11 trying to add requirements to the design review  
12 process, or that you don't see applications  
13 consistently across the program, things like the  
14 database for equipment and materials substitutions,  
15 being able to use those in the program and to be  
16 able -- if you submit something on one project and  
17 it's approved, you can use it consistently on  
18 another project. You've seen -- and Bill Myers  
19 previously briefed at this forum, where we've  
20 instituted checklists, things to be able to have our  
21 design reviewers stay focused on their discipline  
22 area, to stay focused with their comments. Just as  
23 the director said, and probably my best analogy is  
24 to say, you know, I ran my first marathon. I met a  
25 guy who ran a marathon, and it was like his 17th,

1 and I had asked him, you know, what's it like? He  
2 said, you know those little things that bother you  
3 at mile seven? By mile 17 they feel like a nail  
4 being driven through your foot.

5           When you look at our program and the size  
6 of our program, those little things that bother you  
7 up front, now that you bring out into 30-plus  
8 projects underway, 50 projects completed, they  
9 become really pronounced. And so that's why we  
10 really need to start paying attention to those types  
11 of issues and we're committed to it. And so that's  
12 the things we're starting to take action on it.

13           I'd like to see where, down the road, we  
14 start to see the benefit of. The other example I'd  
15 give is the incorporation of these members, whether  
16 it be our fire folks in our operations department,  
17 as well as our SHEM, our Safety, Health and  
18 Environmental folks, getting them included in the  
19 design review process, where, in the past, they were  
20 just overlooked. And so we need to get them in  
21 there so that, down the road, when we turn this  
22 facility over, we don't have another set of eyes  
23 coming back with a different set of comments and  
24 getting into that controversial relationship.

25           MR. SHINNICK: And being more of a

1 bureaucrat than Will, but much, much less of a  
2 qualified professional, I'll correct one thing. We  
3 are doing that. We're not going to do it. We're  
4 doing it right now. And so it's not some kind of a  
5 future plan. We're doing it right now. And that  
6 includes -- we're going to address your issue right  
7 now, and any other issues that you -- that would  
8 come up during the day. We're putting people into  
9 that design process and into the whole review  
10 process, which is run by our planning and  
11 development boss over here, Mr. Hicks, so I'll add  
12 him -- ask him if he can think of anything relative  
13 to the comment that he could do to speed the process  
14 up.

15 MR. HICKS: Sure. A process piece that  
16 we've introduced that Will's familiar with and the  
17 OBO folks are, is the standards change request  
18 process that we've instituted, that's managed during  
19 planning, you know, what is the SED? And the SED  
20 evolves, as it should, based on a good lessons  
21 learned program that Brian Schmuecker, in the back  
22 row, manages. We took a shot and were asked  
23 sometime back to take a shot at helping regulate  
24 that process more, so that you had less tendency for  
25 designs to change on a one-off basis, slip-sheet

1 drawings, changes where big bureaucracy -- they can  
2 come from any number of places at any number of  
3 times.

4           So with this standard change request  
5 process, anybody can initiate a change to the SED  
6 and have something done and it's catalogued, it's  
7 distributed, it's vetted, it's priced. And so we've  
8 tried to help the building by adding an added  
9 regiment to that.

10           Now, in some instances, that approval  
11 process has been a little sluggish but I think we're  
12 making improvements all the time to not do it on  
13 one-off basis but do it on a corporate basis and to  
14 try to do it agilely so that if you saw something  
15 come out in one project, on that particular design,  
16 if it's that important one, that you just take that  
17 change and incorporate it across our entire  
18 standards.

19           So I think, does that get to some of what  
20 you're talking about? I think it would. And then  
21 we're talking about, long term, who manages that  
22 going forward, but I think that's something we've  
23 done in the past handful of months to help do that.  
24 But as long as we're committed to design-build, I  
25 think it's a good discussion. In this forum, we've

1 talked about what is design-build? What does it  
2 mean at OBO? How have we adapted it to meet some of  
3 our unique requirements here? And I think it's a  
4 conversation that we need to constantly have, is if  
5 we're committed to design-build, what does that  
6 mean? And I think you hit at the heart of a very  
7 important topic that's always been important to us  
8 but may be particularly relevant now. Are we  
9 committed to design-build and what does that mean?  
10 Thanks.

11 MR. SHINNICK: And the question of are we  
12 committed to design-build is because this is a good  
13 time for us, after 56 completed projects, looking  
14 down the road at 30 plus 75, to validate what we've  
15 been doing, not to challenge it any way, not to  
16 change it, but to validate is the assumptions that  
17 drove the program and are the methodologies used to  
18 advance it.

19 Still, best practices, in a sense, that you  
20 get another commonly used industry word. So we're  
21 looking at the whole process and we're doing that on  
22 a continuous basis, with every possible input we can  
23 get from the people concerned. And when I said --  
24 when I pointed to the presence of GAO, when I sat  
25 down here, and I mentioned the OIG, we have

1 mentioned to the OIG what our issues and they have  
2 brought in -- as a result, they brought in some  
3 additional professionals to look at our issues and  
4 not in a got you sense but so they could give us  
5 some outside evaluation, and the same thing that GAO  
6 is doing now with their whole study and order of  
7 this function. So it's just the time of -- I don't  
8 want to use the word flux because it's kind of an  
9 air of uncoordinated change when you use that word,  
10 but it is a time of revalidation, if you will, and  
11 it's a time when we're particularly open to outside  
12 influences.

13           And we have outside influences with us  
14 every day, government ones, and the value of this  
15 group and of the AGC as we're reaching out to you  
16 and saying this is the time to do it because next  
17 year, who knows? I mean, the program won't have  
18 this pause that refreshes, if you will, that's easy  
19 to do for someone who came in here the way I did  
20 come in here. It's easy for me to say let's go back  
21 and look at all the things that I am not wedded to.

22           MR. HICKS: If I could just parallel one  
23 thing because I think it's important, and just echo  
24 what you said. I know, when Dick got here the first  
25 day, it was the theme and you heard it just now -- I

1 just want to maybe put it in my own words -- was  
2 build upon the many strengths that we have, but take  
3 a fresh look at things as need be, and that's  
4 something that he's instilled to all of us sitting  
5 up here and we've done that, and you know, to think  
6 anew and act anew, where it's appropriate.

7           And I just want to say, for my part, and  
8 I'm sure I speak for my colleagues, we've taken  
9 Dick's direction to heart, and we want to build on  
10 the strengths and continue to do what we do. We're  
11 a strong program, and we're not going anywhere --  
12 emphasis on maintenance and some other things, but  
13 we're as strong as we ever were and if there are  
14 suggestions on how to do things, we've always been  
15 welcome to them, but never more so than now.

16           So whether it's me or Will or any of us up  
17 here, Paul, we're anxious to talk with you either  
18 formally or in the margins, about what you think  
19 we're doing well and need to keep doing and what we  
20 can do a little differently. And I think Dave --  
21 Dick, of course, gave you gave you a great overview  
22 of some of the stuff I'm doing, but I'm anxious to  
23 hear what you have to say.

24           MR. SHINNICK: And let me add to my  
25 overview of what Jay's doing, is that one of the

1 management changes that I made after -- I think it's  
2 some suitable time to reflect on it. I took the  
3 real estate division, which was a standalone  
4 operation with its own managing director, and I was  
5 able to -- Mr. Hicks' qualifications in real estate  
6 as well as in planning -- to put the real estate  
7 division under his leadership.

8           And so we now have the real estate and the  
9 planning folks under one manager. And that is also  
10 a good change for advancing the program that you  
11 guys all involved in. Because they have to work so  
12 closely together, it can only be improved by having  
13 the leadership centralized. And so far, I think  
14 it's working well.

15           And the guys in the real estate division  
16 have almost stopped bitching about it. So it's  
17 almost. We'll take another question, I guess. And  
18 I'm at loss here, and I'll ask Michael Sprague, who  
19 runs our external affairs.

20           Michael, are we supposed to -- what are we  
21 supposed to do now, Mike, just continue to take  
22 questions or turn to panelists? I know we've  
23 changed the format here to some degree.

24           MR. SPRAGUE: We can --

25           MR. SHINNICK: Okay. Well, I'll take

1 another couple of questions that you want to aim at  
2 me, and then I'll turn it over to subject matter  
3 experts.

4 MR. SCHWEITZER: Sir, Joe Schweitzer,  
5 AICISP. I have a couple projects that we won in the  
6 '07 program. I'm very interested about the comments  
7 going from 24 to 28 months and that being perhaps in  
8 the '08 program or '09. Any consideration for those  
9 projects currently underway, '07 projects, you know,  
10 just now getting underway?

11 MR. SHINNICK: Well, I'm going to turn that  
12 over to Will Colston, who was the leader of our  
13 EFITS (ph.), along with a fellow named Dan Hogan,  
14 who did some of the analysis for EFITS, to make this  
15 adjustment.

16 MR. COLSTON: Thank you. It's a good  
17 question. What we did, in going back and evaluating  
18 and reviewing our contract schedules and durations,  
19 is we took a look at historical performance in  
20 relation to the contracts and where they stood with  
21 regard to making changes, with regard to REAs,  
22 delays, things like that. And so by looking at  
23 that, we determined that several additional months  
24 were warranted for the future projects. I think the  
25 challenge we confront with regard to projects that

1 are already awarded is they are a firm and fixed  
2 price and they're based and they're based on an  
3 established budget that Congress has given us, and  
4 so we've structured the entire program around that.  
5 So I would say definitely for the '08s and '09s. I  
6 believe we have incorporated that, if that's  
7 correct. I just wanted to get head nod to verify.

8           But then, looking back at the '07s, I'd say  
9 we need to stay with the periods of performance as  
10 they currently are listed. At the same time,  
11 current -- you know, we're going to continue to work  
12 with the contractors. If there are issues that come  
13 up that were unforeseen or things like that, this  
14 certainly will be responsive to the demands of the  
15 project.

16           MR. FERRELL: I'm the CO of one of your  
17 contracts. You can always approach us -- additional  
18 time. We'll consider time without cost if you want  
19 to visit reasonable -- under the contract, the delay  
20 clause. You're entitled to additional time, but  
21 again, no funds. So it's always better to approach  
22 the CO as soon as possible, if you think there's  
23 going to be any kind of delay.

24           MR. COLSTON: Yeah, I think that's the key.  
25 I mean, again, going back to taking a look at the

1 specific contracts, we had a period of performance  
2 that was established within the contract. And then,  
3 you know, given the fact that, depending on what the  
4 specific condition or the specific issue that's  
5 encountered in the field, that is something that  
6 currently you work with the project team, you work  
7 with the contracting officer, and then that  
8 determines exactly what the next course of action  
9 is, whether it be something that's a non-compensable  
10 delay or something that may potentially be  
11 compensable. But it's something that would be  
12 handled under the contract terms.

13 MR. SHINNICK: Okay. Well, with that, I  
14 think I will -- with that question, I'm going to  
15 turn it over to Mr. Retherford. Would that be  
16 appropriate?

17 UNIDENTIFIED SPEAKER: Mr. Colston.

18 MR. SHINNICK: Mr. Colston would be more  
19 appropriate?

20 UNIDENTIFIED SPEAKER: Yes.

21 MR. SHINNICK: Then I'm going to turn it  
22 over to Mr. Colston. See how easily manipulated I  
23 am? Mr. Colston.

24 MR. COLSTON: Thank you, thank you. And  
25 good questions. I really appreciate. Now, that's

1 the type of feedback and communication that we want.  
2 You know, the thing that struck a chord with me,  
3 listening to what the director's opening comments  
4 were, is I really want today's session to be  
5 thought-provoking because we see the issue of the  
6 contractor base, the competitive pool, whatever you  
7 want to say, the number of bidders, whatever  
8 vernacular you want to pick, we see that as a very  
9 critical issue for our program.

10           When you look at the size of the program  
11 and you look at the projects that we have, the  
12 places that we're working, we feel that having the  
13 largest pool possible for competition, particularly  
14 given the realities of where we're working, is  
15 absolutely critical. Now, at the same time, if  
16 somebody disagrees with that, I certainly would like  
17 to hear their issues or hear what their concerns  
18 are, but from the perspective of competitive pool, I  
19 think it's extremely important that we try to make  
20 that as large as possible, to achieve the best bids  
21 possible.

22           I'd like to say, number one is, is that,  
23 just as the director said and I think you all  
24 recognize that we collectively, both the industry  
25 partners who are in the room today, the Industry

1 Advisory Panel, the OBO participants, have achieved  
2 some amazing things, some things I have never seen  
3 in any other part of the organization or any part of  
4 the industry that I've been and I've been in the  
5 private sector as well as in the government side.  
6 And to put out 50-plus facilities, to get folks out  
7 of harm's way in some of the most difficult  
8 operating environments in the world, is a real  
9 accomplishment. And so I have to say thanks to all  
10 of you, the Industry Advisory Panel for helping us  
11 get to this point, as well as the members who are  
12 participating today in this forum.

13           The other thing, though, I have to say,  
14 though, is we also have to recognize realities. I  
15 gave the analogy of my marathon before. You know,  
16 it's a large program, and there's a lot of issues  
17 that we're confronting. We're confronting the  
18 rising cost of construction. You know, every time I  
19 go and fill up my gas tank for my SUV, I'm  
20 confronted by the fact that I'm putting a lot of  
21 money and realizing also that I'm not being  
22 particularly environmentally conscious, I guess,  
23 which will be this afternoon's discussion. But you  
24 know, there's the rising costs, there's the  
25 difficult environments, you know.

1           And there's another interesting thing that  
2 struck me sitting in an industry forum before, with  
3 an industry counterpart, was to say that -- you  
4 know, we talked about a spike in the market, where  
5 there were so many business opportunities available  
6 that it was difficult to draw offers or from the  
7 perspective of they could pick and choose what they  
8 wanted. The way that individual described it,  
9 though, is, is he said, you know, it's not really a  
10 spike, it's actually plateau. There is a lot of  
11 construction going on throughout the world, in the  
12 domestic environments here in the United States, and  
13 at the time of the discussion, there were still, you  
14 know, Katrina work going on and things like that.

15           So there's the opportunity for contractors  
16 to pick and choose what they like to do or what they  
17 want to do and look for the profit margins they  
18 like. So you know, it's a difficult environment.  
19 Now, whether that's going to change with the way  
20 world is moving today economically, we don't know  
21 and I think that's yet to be seen. But again, we  
22 need to stay focused and recognize these realities.

23           And so what I'd like to do is to enlist the  
24 Industry Advisory Panel's support today in answering  
25 that question, to be able to give us some ideas of

1 how do we bring this program to the next level?  
2 Yes, we've had major accomplishments, but it's not  
3 enough to sit back and rest your laurels without  
4 recognizing the realities and the difficulties that  
5 we've encountered. Now, some of the difficulties  
6 the director mentioned are things like, for  
7 example -- well, let me take a step back. I'll  
8 describe them in one of two ways. Fundamentally, I  
9 see them as one, attracting offers to the program,  
10 making the program something that people want to  
11 come and they want to bid on, they want to  
12 participate in. Now, that's both as a  
13 prequalification but then also to actually provide a  
14 proposal when that RFP hits the streets, when the  
15 request for proposals is on the streets, because the  
16 harsh reality we're confronting is, is we see a  
17 reduction or a decline in our pre-qualified bidders.  
18 We also see a decline within the Actual number of  
19 offers we're receiving in specific locations. And  
20 so that's something that we want to confront and we  
21 will confront.

22           The other element is with regard to how we  
23 manage our projects, with regard to how we do our  
24 contract administration. And the things that we're  
25 doing today are we're implementing new schedules,

1 new performance -- contract performance periods. We  
2 are implementing changes to our Standard Embassy  
3 Design, albeit we need to take a close at that. I  
4 heard the comment earlier. We're still obviously  
5 encountering issues and we've got to get past those  
6 and we will get past those. The issue of RFP  
7 release dates, I think you've all heard ad nauseam,  
8 and it's also largely driven by the way funding  
9 realities confront us. At the same time, there's  
10 got to be a way to address that. So I'd like to say  
11 that, you know, today's discussion is going to be  
12 very informative in helping drive us in a new  
13 direction and achieve more of the successes that  
14 we've come to enjoy. But I'd like to turn it over  
15 to my counterpart, Nick, to add to that.

16 MR. RETHERFORD: Thank you, Will. It's  
17 difficult to add to that between Dick's comments and  
18 Will, but I guess what I'd like to do is put a  
19 leading question out there. I think it really  
20 follows on with what Will was saying. As you know,  
21 we do these design-build contracts, we do them on  
22 fixed price, we do have a lot of FAR requirements in  
23 there that set the requirements for our project.

24 But I guess one of the questions -- a  
25 starting question that I'd like to have for the

1 panel is, how are owners that you're dealing with  
2 structuring their contracts in this current tough  
3 market, in terms of dealing with those issues that  
4 Will mentioned, with material pricing, logistics  
5 pricing, things like that? And any of you that have  
6 any comments on that, it would be of great interest  
7 to us. Anybody?

8 MR. SCHWEITZER: What was the question?

9 MR. RETHERFORD: The question is, how are  
10 owners structuring contracts in the current market  
11 environment? Are they changing in any way? John?

12 MR. BAROTTI: Well, with respect to  
13 material pricing, we're not seeing owners diving  
14 into that right now and restructuring their  
15 contracts. But with respect to the way that they're  
16 opening up to see-them-at-risk-type contracts, we're  
17 seeing a very big change there. The Army, the Navy,  
18 they have already gone -- the Army has implemented  
19 see-them-at-risk-type contracting already. They are  
20 finding that there's a lot of competition right now  
21 to get contractors competing on the work.

22 For similar reasons to what, Will, you were  
23 talking about before, there's just so much work out  
24 there right now that contractors have to be very  
25 selective in the work that they're -- that they're

1 going after. You can only take on so much and  
2 continue to do a quality job. And there's a  
3 tremendous -- billions of dollars of work still  
4 scheduled for the next six years, here in the U.S.,  
5 much less what you're facing. So we've gotten --  
6 the core has -- for instance, Fort Belvoir has got  
7 two very large contracts, a \$1.4 billion contract  
8 for NC East and another one, oh, about \$700 million  
9 for the new Fort Belvoir Hospital, both of which are  
10 see-them-at-risk-type contracts now, that they have  
11 gone through a competitive process to select a team  
12 that they want to go forward on a design-build  
13 basis, see them at risk. There was a lot of  
14 communication during that process to obtaining  
15 lessons learned and the best way moving forward and  
16 they're selecting contractors that way. There's not  
17 a lot of competition on these projects, either.

18           You know, you find your larger contractors,  
19 the same ones who are competing for the State  
20 Department work, they're looking at projects that,  
21 you know, if there's three groups, joint venture  
22 groups or three entities going after a project, they  
23 won't even waste their time, you know, adding  
24 themselves to the list. They'll look at other  
25 projects. So that's the market right now.

1 Sometimes only two. Walter Reed had two bidders.  
2 I'm not too sure how many NC East had. It may have  
3 only had one.

4 MR. RETHERFORD: Well, following on on that  
5 discussion, one of the things we've certainly  
6 discussed in the past is bundling of projects, in  
7 some cases trying to do it on a regional -- you  
8 know, if you look at the construction value, the  
9 aware amounts of these contracts and beginning to  
10 take two or three of them and putting them together,  
11 it becomes a very different kind of project or  
12 projects that you're competing against and that, of  
13 course, leads us -- should we consider that on some  
14 of these? Does that make it more attractive? Is it  
15 less attractive? Do we need to set up a different  
16 selection process? I mean, we've certainly been  
17 down this road and I think we need to tackle that.

18 MR. BAROTTI: From our standpoint, bundling  
19 always causes a problem and I'm just speaking, you  
20 know --

21 MR. RETHERFORD: Sure.

22 MR. BAROTTI: -- from my point of view.  
23 There's bonding companies. Unfortunately --

24 MR. RETHERFORD: Right.

25 MR. BAROTTI: -- bonding companies now are

1 running out of work, also.

2 MR. RETHERFORD: Yes.

3 MR. BAROTTI: And they have influence in  
4 the work that we do, whether it's bonded or not.  
5 And they are reviewing all the work that we're doing  
6 and they will sometimes tell us what work we're  
7 permitted to go after alone and when we need to find  
8 a partner. And they are very much involved in the  
9 risks associated with the work and in bundled  
10 contracts, when the other projects are coming out,  
11 what's our resources to get them done if they come  
12 out at the same time or if they're staggered or  
13 whatever. So there's a lot of things to consider  
14 there.

15 MR. RETHERFORD: Yeah.

16 MR. KNOOP: Carrots.

17 MR. RETHERFORD: Carrots.

18 MR. KNOOP: You're talking about carrots.

19 MR. RETHERFORD: Yeah.

20 MR. KNOOP: And you need carrots.

21 MR. RETHERFORD: Yeah.

22 MR. KNOOP: If you want people to do work  
23 with you, you have to build a trusting relationship  
24 with them and you have to build motivators. I  
25 understand that, in some Pentagon work, they had

1 incentives in some of the work where your profit was  
2 controlled by your service performance, your  
3 relationship with the client. That's a carrot.

4           But also, the contractor has to see --  
5 although the bundling may not be the right solution,  
6 a contractor or an architect or any professional  
7 doing business with you, even the people selling you  
8 toilet paper, don't want to feel that, after  
9 building a relationship, they're a stranger the next  
10 time they see you in a bid situation. So you need  
11 to find ways to build carrots and ways to reward  
12 good performance by giving them some other reason to  
13 carry on with you. And that's carrots and it's also  
14 trust and they have to be able to be convinced that  
15 there is a trust between the client and the person  
16 providing service. Now, they have to be worthy of  
17 your trust as well, but through carrots, through, as  
18 this gentleman mentioned, partnerships, partnering.  
19 To create a common goal towards success, you change  
20 the way the people think about projects. So I would  
21 say, in support of some of what was said and in  
22 support of what you're going through, that you're  
23 right, carrots is what you want to start to do.

24           MR. SHINNICK: I think we should stick that  
25 carrot question right on that contract.

1 MR. KNOOP: Yeah, yeah.

2 MR. FERRELL: There are limitations.

3 MR. SHINNICK: I have to make a phone call.  
4 I will return.

5 MR. FERRELL: There's limitation in the  
6 form of what you can do in terms of incentives,  
7 profit levels. But I was surprised last year. On  
8 the '07s, I got the most bids on Ouagadougou. Go  
9 figure. Ouagadougou got more bids than any other  
10 embassy projects I was working on. So I'm not sure  
11 how you would structure those kind of carrots within  
12 the FAR framework. And I don't want to sound  
13 confrontational, but we have 60, 80, \$90 million  
14 projects we're bidding out and we're getting, in  
15 some cases, two or three bids. For some reason I  
16 got five in Ouagadougou, but with our budgets, the  
17 incentive in construction contracting is, obviously,  
18 the quicker you do a project, time is money and the  
19 more your profit is going to be. If we can find a  
20 way to maybe streamline the submittal process and  
21 the review process within OBO, that could be an  
22 incentive for companies to make a better profit.

23 Not to go off on another tangent, I did the  
24 closeout on the Kabul NEC contract with Halliburton.  
25 I don't think they did -- they did a good job. I

1 don't think they made a lot of profit on the  
2 project. And when I finished, I did, I feel like we  
3 had gotten a good project from them and I didn't  
4 think they get a real good profit from us. So we do  
5 have -- we do realize that we want happy contractors  
6 working with us.

7 MR. COLSTON: And it's interesting that you  
8 say that. At the Pentagon, you're right, we used  
9 actually two types of incentives under our  
10 contracting approaches. One was incentive fee and  
11 the other was award fee. And I've seen any --  
12 there's pros and cons clearly to any approach.  
13 Fixed price, of course, if you finish early,  
14 everything's profit. Of course, if the schedules  
15 are so tight that you're not finishing early, then  
16 you're not getting all of that profit. Award fee,  
17 what I found, what was really fascinating about  
18 award fee was another friend of mine had taken award  
19 fee with him to another program and in using it,  
20 what he found was, was that unless the award fee was  
21 meaningful, it really wasn't an effective tool. It  
22 wasn't an effective carrot, as you said.

23 At the Pentagon renovation program, what we  
24 effectively said was, okay, contractors, you get  
25 zero profit on the contract, but your profit's all

1 tied up in the award fee. And so it's individual  
2 evaluations that will serve so importantly in  
3 determining behavior with regard to the contract, as  
4 well as serving as an incentive because we were  
5 looking at a 10-percent award fee, whereas, what we  
6 were expecting, the contractors were probably  
7 planning on putting in somewhere around seven-  
8 percent profit factor.

9           So there was an attempt to create an award  
10 fee that, like you said, was a carrot and an  
11 incentive to be able to motivate it. Having said  
12 that, I'll speak from personal experience, that  
13 award fee is an extremely difficult thing and can  
14 also create confrontations on its own because it is  
15 somewhat subjective. And so it becomes absolutely  
16 critical that there is that trust that exists  
17 between the contractor and the government personnel  
18 in managing that contract and managing the award fee  
19 so that there is a clear set of criteria by which  
20 you're evaluated.

21           So certainly, you know, award fees or any  
22 other incentives are things that become important.  
23 One of the things I see as being an incentive to  
24 participating in our program is giving the size and  
25 the dollar volume, too. You know, my experience,

1 having worked in the private sector and done both  
2 federal work as well as private work, was the  
3 federal government, when I was working in the  
4 private sector -- and certainly you all probably  
5 know better than I do, but when I was on that side,  
6 it was the federal government represented a stable  
7 business base.

8           And so a lot of times what we were  
9 attempting to do was we were trying to establish our  
10 business base and put the federal government work as  
11 our business base and then the other work, which was  
12 cyclical or subject to variations in the economy, we  
13 were able then to tack that on and be able to  
14 address that and work our way through the economic  
15 situations. So there's all sorts of decisions that  
16 I think play into that and it's really interesting  
17 to see how that dynamic best plays out. Is there  
18 anybody else on the panel that has ideas? I think  
19 the best way -- when Nick and I were talking about  
20 questions that we would pose to the panel that would  
21 really try to incite us is to say, okay, if you were  
22 I charge for a day and you could do anything that  
23 would bring you to the table to participate in the  
24 program, what would you do? And what would you  
25 institute, whether it be something to both be a

1 business idea or a way of managing or addressing  
2 contract administration? And I'd open it up to the  
3 entire panel for your type of feedback.

4 MR. WOODS: A couple things. One, first  
5 off, I'm really sympathetic to the problem that OBO  
6 has from a professional standpoint and that -- and  
7 some have heard me say this before, but when less 40  
8 percent of congressmen and senators have passports,  
9 have never been to Africa -- I had one suggest one  
10 time that we have a regional embassy in West  
11 Africa -- you're dealing with a problem that, first,  
12 they don't even understand the overseas issue, but  
13 they don't understand the cost and the risks with  
14 sticks and bricks in Africa versus doing it at  
15 Washington-Dulles. So it goes back to the risk-  
16 reward. There is no expectation, in giving you the  
17 money that you need, that you need to pay more when  
18 you're asking an American contractor to work  
19 overseas. I'll use an example because Clarke  
20 Construction is one who I work with some. But they  
21 will not even think about doing your work overseas.  
22 They don't need to.

23 It is as John said, they are the winning  
24 bidder at Walter Reed, but they're also the winning  
25 bidder for the new international arrivals expansion

1 out at Dulles. They look at it purely as a risk-  
2 reward type -- I'm not sure that the rewards that  
3 contractors have the opportunity to get overseas  
4 justifies the risks that they take.

5 MR. COLSTON: And I agree with you  
6 completely and I think what I'd say -- and what I've  
7 kind of described it as on this side is to say,  
8 recognizing -- we've attempted to use firm and fixed  
9 price contracts to recognize the realities of our  
10 budgeting process. So in other words, we set our  
11 budgets two years ahead of an actual contract award  
12 and those budgets are fixed. So what we've  
13 attempted to do is to do a fixed price scenario and  
14 that's what we are doing, we are using fixed price  
15 contracting. Having said that, what I like to try  
16 to describe it on this side -- and this is where  
17 that exact discussion is fantastic. Those are the  
18 types of gems that I want draw out is it's risk  
19 allocation within the context of firm and fixed  
20 price. And so you know, about a year ago, over a  
21 year ago, we had instituted a risk allocation matrix  
22 of 13 items that we put forward to say, okay, this  
23 is a risk that we're going to take on ourselves  
24 because it's something that is not fair and  
25 rightfully should be the contractors. And so if

1 there's those types of risks, risks that you see, if  
2 there's something we can do to manage those, to  
3 mitigate those, I really want to call those out.

4 MR. WOODS: Well, one of the areas -- and  
5 you're not going to want to hear this because we do  
6 a lot of design-build work for the Navy and the  
7 Corps of Engineers, the Navy's program particularly,  
8 because they don't have the personnel that OBO has  
9 to do reviews. They have an architect/engineer that  
10 writes the RFP. The contractor and his design-build  
11 team is selected.

12 The architect/engineer who wrote the RFP,  
13 along with their resident officer in charge of  
14 construction, reviews the design-build design and  
15 then monitors it during construction to make sure  
16 that the Navy is getting what they pay for. So the  
17 Navy doesn't have a choice. They've been cut back  
18 with a number of people that they have on board to  
19 do the work. The Corps of Engineers does have the  
20 capability of doing their own reviews, but they are  
21 certainly maintaining the AE who wrote the RFP and  
22 to do oversight because they assume that the AE who  
23 wrote the RFP has as good of an understanding of  
24 what they're trying to achieve and will be able to  
25 help them make the decisions when something comes up

1 in the field that's a change. Another thought is  
2 that you actually consider doing some design, going  
3 back to some design bid-build --

4 MR. RETHERFORD: Yeah.

5 MR. WOODS: -- projects and that way you  
6 take out the risk of contractors who are not that  
7 familiar with design-build. When I've been to DBIA  
8 conferences -- I totally believe this from the AE  
9 standpoint -- many contractors have no experience  
10 managing the AE process.

11 MR. RETHERFORD: Right.

12 MR. WOODS: They know the construction  
13 process, and they can do it if they don't have to.  
14 By the same token, there are a lot of AEs out there  
15 who do not know how to do design-build. The  
16 gentleman was correct, in that it's our mentality to  
17 best represent the owner and make sure that you get  
18 the design that you're paying for, but that may not  
19 be as much design as the contractor needs to be  
20 build it. I've heard terms, like AGC says, that  
21 their prices are determined on 60-percent drawings.  
22 OBO is asking in many cases what I call for 105-  
23 percent drawings at the completion. So there's this  
24 issue of how many contractors out there really know  
25 how to do design-build or even want to do design-

1 build, particularly some of the smaller contractors  
2 who may be in a bit of stretch to do one of your  
3 projects.

4 MR. RETHERFORD: John, we actually had  
5 discussed this with AGC and they had actually  
6 brought up the issue of possibly going to some  
7 design-only contracts and competing them as  
8 construction. I think one of the challenges that we  
9 have and have had as long as I've been there, been  
10 with the Department of State, is we have these  
11 competing interests that perhaps the Navy or the  
12 Army don't have in these rigid requirements for  
13 security

14 You heard Dick talk about communication  
15 issues. You know, those of you that have done our  
16 projects know about that. And I think that's  
17 probably been the most difficult balancing that  
18 we've had to do, is how do we make sure that those  
19 really critical requirements are met and make sure  
20 they're met during the design process so that we can  
21 get the certification that's needed after the  
22 project is complete? And that's a huge balancing  
23 act for us and it goes to the issue, of course, not  
24 just to design but on the use of a very small  
25 resource, which is the -- during the construction

1 process. And so this is a very difficult balancing  
2 act I think that we have.

3 MR. WOODS: Well, you're not the Lone  
4 Ranger when it comes to security.

5 MR. RETHERFORD: Yeah.

6 MR. WOODS: And I can tell you, the Navy  
7 and the Corps of Engineers, every RFP that comes  
8 out, particularly from the design standpoint, we do  
9 the anti-terrorism force protection and start  
10 telling their people because it's not in their scope  
11 of work. And they say, oh, we're going to get it  
12 waived, or we didn't have it in our 1391, which is  
13 their way of going to Congress. The security has  
14 never been priced into most federal government work.  
15 Yours is probably the only program that has it  
16 priced in. And Congress doesn't know at this point  
17 what it costs.

18 MR. COLSTON: Nancy, were you going to --

19 MS. GOSHOW: Yeah, I'd just like to jump in  
20 on what John said about smaller companies. Smaller  
21 companies don't have the ability to provide the  
22 international infrastructure for such things as  
23 security, freight, food, housing, logistics, and  
24 logistics would be specifically importing in  
25 equipment and supplies and storing it, handling and

1 protecting and keeping building material safe from  
2 being absconded and let's say, sold on the black  
3 market, and also preventing them from being tampered  
4 with prior to installation. And this comes to me  
5 from one our members of WCOE, Ida Brooker of Boeing,  
6 and Boeing, she says, would never enter into a  
7 project overseas without having a foreign company as  
8 a partner to provide the infrastructure for them to  
9 then go in and do their construction project.

10           So that's a piece that the Navy or the U.S.  
11 Army Corps of Engineers doesn't have it they're  
12 doing a project stateside, is this ability for this  
13 construction company to focus on construction and  
14 what they know best and to leave this other  
15 international infrastructure to someone else. And I  
16 give Boeing as an example because this is their --  
17 this is the way they operate, this is the way they  
18 do their projects in an international way.

19           MR. RETHERFORD: The challenge, of course,  
20 that we have is that there's a law that requires  
21 that we use an American contractor and there's a lot  
22 of good reasons for that because of the security  
23 clearance requirements. So we're limited by that  
24 requirement to any project over \$10 million. But I  
25 think, if you talk to many of the general

1 contractors that have done our work, they almost  
2 always partner with either a local, regional or some  
3 other non-American contractor that does handle a lot  
4 of that other work that sort of -- that other 60  
5 percent of the project.

6 MR. KNOOP: Oh, I just wanted to support a  
7 point that John brought up, which was about  
8 alternative methods. We're not in the business of  
9 delivering design-build projects, we're in the  
10 business of facilitating diplomatic missions  
11 overseas and sometimes -- you know, we've got a  
12 great SED program and the SED program doesn't  
13 actually require us to do design-build, it's an SED  
14 program.

15 We also have a great design-build program  
16 and probably some good -- a marriage of models, for  
17 the most part, but we need to step back because our  
18 perspective's going to change. When it's all  
19 finished, when we have embassies that are 10, 15  
20 years old, guess what we have to get into the  
21 practice of doing, renovation. And renovation is  
22 not a, you know, open up the book and just do what  
23 the book says. Renovation is getting dirty,  
24 measuring things, looking at the business model.  
25 You're a business, the business of diplomacy and the

1 business can always change. In the GSA, their  
2 business -- they have a churn of about 30 percent of  
3 their tenants that are changing. Thirty percent.  
4 So there's actually probably a huge wave of  
5 renovation over the horizon, and with that huge wave  
6 you have to pick the best model for that renovation.

7           Sometimes it will work that a surgical  
8 strike type of design-build operation works and  
9 sometimes a historic building may require very  
10 carefully set requirements that only design-bid-  
11 build can deliver the best model. What you're  
12 trying to set the contractors up to do your work  
13 successfully, and when they're doing your work  
14 successfully, they see less risk involved, higher  
15 potentials for profit and they'll be encouraged to  
16 come to the table and do that work more often.

17           MR. COLSTON: You know, along those lines,  
18 actually -- and you heard the emphasis or the  
19 importance on operations maintenance. You know,  
20 we've got -- you've got a program that's been  
21 successful. You have 55 facilities now out there.  
22 These are brand new, high-tech facilities. Of  
23 course we're going to have to take a look at how  
24 high tech we really want to make them, particularly  
25 in light of the environments we're working at. But

1 one of the things that's striking me is, is that  
2 operations and maintenance is going to represent, in  
3 the very near future, a real opportunity from a  
4 business perspective for contractors. And so one  
5 question I might pose is would it be an incentive  
6 for contractors to participate in the program if we  
7 use design-build, operate and maintain?

8 UNIDENTIFIED SPEAKER: Right, that's a good  
9 one.

10 MR. COLSTON: So if I could -- would  
11 anybody like to make a comment with regard to that?  
12 I know we've attempted to use it in the past, or at  
13 least we did it on a very limited basis with a few  
14 projects. It was only two or three projects. And  
15 what we found at the time was that it was a bit cost  
16 prohibitive, but certainly, at the same time, I see  
17 a lot of -- number one, I see a lot of business  
18 opportunity here, but two is also I see the benefit  
19 associated with having the same contractor who goes  
20 out there and does the design and does the  
21 construction, then follow on and do the maintenance  
22 of this facility.

23 MR. BAROTTI: Well, you probably wouldn't  
24 have the same contractor doing that. Typically,  
25 contractors, when they do the design-build, operate

1 and maintain -- and by the way, I'm not against it,  
2 but we would hire a company that would take on that  
3 responsibility. It's got some good points to it,  
4 though, because your contractor who's doing the work  
5 will focus in on the operate and maintenance part of  
6 that contract when they're doing the design of the  
7 project.

8           Also make sure that you've got an efficient  
9 working building so that his other partner that he's  
10 signing a venture agreement with, who's maintaining  
11 it down the road, he's the one who's looking to make  
12 sure that that part of the design is happening  
13 properly, too. So it is something to think about.  
14 I'll leave it that way, but you are talking a lot of  
15 cost. But we'd do it on the privatized sector type  
16 of work and all the contractors, all the larger  
17 contractors are doing that on a privatized sector.

18           MR. SHINNICK: Let me just add one thing to  
19 that and pay lip service at this point to life cycle  
20 costs. And I say lip service because the way the  
21 government builds buildings now, they don't build  
22 buildings on a real life cycle cost basis. You get  
23 the building up whether we do it or GSA does it.  
24 But I have been bombarded from the twin decks basis  
25 with the -- from our qualified professional

1 architects, engineers, et cetera, et cetera, telling  
2 me something that I am aware of, is that we don't  
3 put the right emphasis or enough emphasis on life  
4 cycle costs as we build our buildings. Now, that  
5 doesn't put me on the defensive but it is something  
6 that I wanted to say here.

7           We are going to look at that increasingly  
8 as we move forward. We're not going to be able to  
9 build the buildings. We're not going to get the  
10 money, I don't believe, to build buildings to the  
11 way we would want to build them if we were really  
12 going to consider life cycle costs and we were a  
13 private firm because, remember, the basis for what  
14 we are doing is we are in a security construction  
15 program where we are against -- we are racing the  
16 clock against the terrorists finding a weak point  
17 and striking at our people overseas.

18           So we're not in a situation where we can  
19 take every factor into account because the emphasis  
20 has to be in getting our people behind thick walls  
21 and in bomb-protected buildings. But that said, one  
22 of the opportunities for life cycle costs is  
23 certainly in this afternoon's program, as we move  
24 into energy and greening, which we're -- which we  
25 have two reasons for doing. I'll elaborate on that

1 later. But anyway, yes, you're absolutely right,  
2 those are great points and we'd like to maybe see  
3 some way in which we could stretch out the  
4 construction into a maintenance situation for some  
5 limited time, even though the contractor may not  
6 want to get into the maintenance time.

7           But some stretching out of the time from  
8 when we do completion, final completion of a  
9 project -- we keep a contractor on site in a  
10 maintenance mode for some period of time to ease the  
11 transition to the embassy. Now, that's not  
12 something I'm advising you of, that's not something  
13 we're going to do, but it does illustrate the kind  
14 of thinking that we are trying to do, seminal  
15 thinking, and invite you to, you know, say hey, we  
16 don't want to do maintenance or maintenance isn't  
17 necessary or whatever. So thank you.

18           MR. HICKS: Could I throw one -- I can't  
19 help but jump in. The design-build and operate, we  
20 know that, but when I was in private industry I did  
21 that, where I'd bring all those three pieces, but I  
22 also bring the financing and I also brought the real  
23 estate. And I know Clarke certainly can do the full  
24 service. I had done some deals like that  
25 domestically, never overseas, but take it in a

1 different direction, back towards the real estate  
2 side. I know some of these firms would have real  
3 estate expertise, some wouldn't and would have to  
4 outsource a partner or somebody, but I'm just  
5 throwing this out because it's a great opportunity.  
6 I mean, does that -- would that have any appeal, if  
7 you were more actively engaged in the front end and  
8 given the opportunity to chase a piece of dirt that  
9 you bring to the deal, that you've later built on?

10 MR. BAROTTI: Jay, you're looking at me,  
11 and I can tell you from Clarke's standpoint, no.

12 MR. HICKS: Okay.

13 MR. BAROTTI: But from others, I couldn't  
14 tell you. And we're not the only ones. There's  
15 many others. You know, Centex is out there doing  
16 it.

17 MR. HICKS: Um-hum.

18 MR. BAROTTI: Many others are out there in  
19 the privatized world doing the financing,  
20 development --

21 MR. HICKS: Convention centers, convention  
22 center hotels. I know some of that --

23 MR. BAROTTI: Everything.

24 MR. HICKS: -- segment is really dedicated  
25 to somebody coming in and providing everything.

1           MR. BAROTTI: And we've done water  
2 treatment plants.

3           MR. HICKS: There's a whole lot of ways to  
4 make money off of those deals, as you know

5           MR. BAROTTI: Everything's being done.

6           MR. HICKS: Right.

7           MR. BAROTTI: There's options out there for  
8 all different types. Whether or not there's a  
9 market in overseas work, I couldn't tell you.

10          MR. HICKS: Um-hum. Okay.

11          MR. FERRELL: One more thing on risk, just  
12 on the risk issue. You can have price adjustment  
13 clauses in all guard contracts for overseas work, so  
14 that with a dollar now fluctuating so much, we've  
15 been compensating those guard contractors. It's not  
16 part of our construction projects. It may be  
17 something we should look at possibly for the '08  
18 projects. Conversely, if the dollar goes up, we get  
19 a credit, but it would definitely the risk, maybe,  
20 for some of our contractors.

21          MR. WOODS: I want to ask a question of  
22 you, Will, or all of you. Why have you decided, as  
23 the owner, that we are going to do this in 28 months  
24 versus 24? Why is that not a pricing mechanism for  
25 the contractor? You put it out there and say, we

1 need this built in the next 36 to 40 months, but  
2 we're going to -- price is going to be a major  
3 consideration in our selection.

4 MR. COLSTON: Yeah, that's a fantastic idea  
5 and something -- and honestly, that's something  
6 we've also kicked about. We've done it previously  
7 and I think it's a great idea and I think it's a way  
8 to go with regard to homing in on exactly what is  
9 the appropriate schedule. I mean, clearly  
10 Congress -- where they pushed us is our requirement  
11 and our task is to put folks in safe, secure,  
12 functional facilities as quickly as possible. And  
13 so what I'd like to do is take that idea and say  
14 okay, we've got a range of 28 to 32 months. Give me  
15 basically a best value and tell me what you think  
16 would be the appropriate timeframe and the best  
17 value to the government, and I think that would be a  
18 great way of doing it. That's a good idea.

19 MR. RETHERFORD: We had actually discussed  
20 that. I mean, there's a real challenge with best  
21 value. One is of course the time allocation after  
22 you go through the best value process. We've done  
23 several in the past. I'd say it's very much on the  
24 table for us, in terms of looking at how we do that.  
25 Very quickly we decided, John, as you mentioned,

1 that the durations were a problem. We certainly did  
2 discuss the range that Will was discussing as well.  
3 But we see this as very much we will be moving to  
4 that, I can imagine, in the near term.

5 MR. COLSTON: You know, it can be as simple  
6 or as complex --

7 MR. RETHERFORD: Yes.

8 MR. COLSTON: -- as you'd like it to be.  
9 It could be as simple as what's your lowest price,  
10 or it could be as complex as saying okay,  
11 recognizing that the more time you spend on site,  
12 the more time the contractor incurs, but then also  
13 the more time the U.S. government incurs on site.

14 MR. RETHERFORD: That's exactly right.

15 MR. COLSTON: So you can come up with an  
16 extremely complex, multi-variable equation to  
17 evaluate bids, but certainly there's an opportunity  
18 there to make a determination as to what represents  
19 the best value for the government to get folks out  
20 of harm's way as quickly as possible but at the same  
21 time at the right --

22 DR. OEY: The Construction Industry  
23 Institute, going along those lines with the schedule  
24 and using it as a pricing mechanism, the  
25 pharmaceutical industry is keen on that. They want

1 to build their facilities in the shortest amount of  
2 time, at the best value. You know, you can pay as  
3 much as you want and you can get it built fairly  
4 quickly, but it's determining how much do you want  
5 to pay and what's the value of that? And they've  
6 got a lot of studies. I'm not familiar with it but  
7 I know that they've been, for the past two years,  
8 been doing a lot of studies with these  
9 pharmaceutical companies and I can put you in touch  
10 with those studies.

11 MR. RETHERFORD: That'd be great.

12 UNIDENTIFIED SPEAKER: That would be very  
13 helpful.

14 MR. SHINNICK: But the only thing I want to  
15 add to that mix of the value is that, again, going  
16 back to the security aspect of the program, it will  
17 be an interesting thing to get it more value-driven,  
18 if I can use that word. But also, we have to keep  
19 in mind that superimposed over this is the program  
20 is also threat-driven.

21 So it may look very inefficient for us to  
22 say we reject the value elements present in this  
23 proposal because there could be a threat analysis  
24 driver that we would be aware of. So it's just that  
25 I want to get that little caveat into it as we talk

1 about value-driven, which is a very, very attractive  
2 way to proceed. But just to let you know that we  
3 will not be completely free in that area because  
4 Congress appropriates this money due to its sense  
5 urgency in protecting the Americans abroad. So even  
6 if in many ways they don't want to be protected and  
7 that we've always had a group in the Foreign Service  
8 that would prefer to operate closer to the scene of  
9 the Action, at the risk of higher, if I can use the  
10 word, casualty figures or certainly at the risk of a  
11 higher chance of getting injured.

12           And that's been from the very beginning of  
13 the program, all the way back to the Inman days in  
14 which the element, the psychological elements of  
15 fortress embassies away from the center of the city  
16 was strongly resisted by the Foreign Service and it  
17 was only with the absolute clear direction from the  
18 Congress, is that, thank you very much, boys and  
19 girls, for your highly motivated service, but we are  
20 not going to have anymore American embassies blown  
21 up.

22           And that was all the way back in Inman and  
23 that only redoubled when we had the incidents in  
24 West Africa, where the Congress clearly is not  
25 willing to tolerate any more casualties despite the

1 heroic service motivations of our political  
2 officers. So I just gratuitously throw that in.

3 MR. BAROTTI: Sir, on that, the good point  
4 about that is that what we were talking before, too,  
5 is the communication that goes along during the bid  
6 process of the solicitation process. When that is  
7 brought out during a solicitation process, that on  
8 this particular solicitation, this is a major factor  
9 in the best value consideration. That's what the  
10 contractors are looking for.

11 They're looking for that good communication  
12 about what are the factors that I'm being evaluated  
13 on? They want that trusting relationship during  
14 that solicitation process, let us know all that you  
15 can. And I think that goes a long way to trying to  
16 get more contractors to bid the work. Plus, you  
17 know, you had mentioned several other things, very  
18 positive things that you addressed in your letter to  
19 Mr. Sandherr. Those type of things are going to go  
20 a long way.

21 MR. COLSTON: Fine. And your comments and  
22 Nancy's go hand in hand, I'd say, when you take a  
23 look at it. And I think I've heard these -- when  
24 contractors establish themselves on these projects,  
25 I've heard them likened to a lunar landing because

1 you're going out into some of these difficult  
2 environments, you're establishing a presence, you're  
3 putting a foothold down. And so some of the  
4 feedback we've gotten was, in the past, during our  
5 planning surveys, we collected environmental data,  
6 what we called environmental data, things like, you  
7 know, is concrete available, what's it cost, you  
8 know, what are the operating environments, what are  
9 the capabilities of the local environment? And we  
10 used to have that information available.

11           You know, then we stopped including it our  
12 contracts. I still think it's very valuable  
13 information that contractors would be able to take  
14 and consider as they prepare their bids and would  
15 help inform them. I know there's a concern with  
16 regard to what's our liability associated with  
17 conveying that type of information? You know, any  
18 time you get the contracts and legal folks -- and  
19 I've been a contract person in the past. Yeah, I  
20 know that plays into the thought process.

21           Another thing is, is being able to get the  
22 site-specific information out to the offerers as  
23 early as possible so that they can understand it.  
24 And you heard one of the initiatives was staggering  
25 these RFPs. Well, when we bunch them all up, I

1 recall only a couple of years ago, when I was out on  
2 one of the pre-bids, we were bunching up and you  
3 know, I remember the contractor personnel sitting  
4 there and saying okay, you're going to go to this  
5 one, I'm going to go that one, and unfortunately it  
6 rolled into the vacation time of the local  
7 community. It becomes extremely difficult to be  
8 able to get meaningful bids when you find that type  
9 of stacking up occurring. And so that's where that  
10 staggering comes in so critical to be able to  
11 establish those business relationships with those  
12 host countries and with the contractors on the  
13 ground. Ideas like that, where you can help us in  
14 saying okay, how can we help in making the  
15 contractors able to give us better bids so that they  
16 don't find themselves at a loss, you know, once they  
17 get into the execution?

18 MS. GOSHOW: Most all of the embassies  
19 worldwide have a business development side, an  
20 economic development side. Do you work hand in hand  
21 with them when you're putting these projects  
22 together?

23 MR. SHINNICK: Not as closely as certain  
24 projects that are coming down the road are causing  
25 us to increase our efforts in that area. But we do

1 not consider ourselves part of the development  
2 process per se, but with the new Under Secretary, et  
3 cetera, et cetera, and more open to that -- and they  
4 do not want to have their programs skewed by OBO's  
5 goals, either, to be absolutely fair. That doesn't  
6 make them bad people. We are opening up more of the  
7 dialogue with them because you brought up  
8 communications. We have a communications issue in  
9 OBO right now, in that the single-minded sense of  
10 urgency and dedication that brought us the  
11 achievement of the 55 embassies, 56 with Baghdad,  
12 came out at a cost and the cost was there was less  
13 consultation with the ultimate client.

14           We're your client. We have clients. The  
15 bureaus, the regional bureaus are our clients. And  
16 to be fair, if you folks had, you know, contacts  
17 here at the State Department or overseas in the  
18 embassies, you would see that there was a feeling on  
19 the part of the regional bureaus that the  
20 consultation with them had left something to be  
21 desired, and also that the benefits that could be  
22 achieved by closer consultation with the regional  
23 bureaus and the posts were not being realized by OBO  
24 because they were saying hey, we're in the  
25 construction business, we're going build you an

1 embassy, we're going to do it in X time and we know  
2 best.

3           Well, we've dropped back from that, saying,  
4 we don't know. We may know best in a lot of  
5 situations, but we don't know best in every  
6 situation and we need the local knowledge and the  
7 local expertise from the embassies, which includes  
8 locally engaged staff, people familiar with the  
9 business climate in that country and in the, you  
10 know, countries that -- we have superb staff  
11 everywhere. In some places, it's more of a hand-to-  
12 mouth existence, where we wouldn't have the kind of  
13 a business climate that would allow us to have  
14 economic specialist, et cetera, at the missions.

15           In many countries we can harness that  
16 business knowledge from the local staff and the  
17 local embassy to help advance our projects and your  
18 participation in them. So I mean, that's a very  
19 interesting idea, that we are trying to open the  
20 communications, but we hadn't thought of it in that  
21 value added that you brought up in the developmental  
22 sense.

23           One of the developmental ideas I mentioned  
24 in my opening remarks, which was the creation,  
25 perhaps, of trade schools that would allow us to get

1 the maintenance personnel and the construction  
2 personnel. And we laughed about that because you do  
3 lose the people very quickly. But those are the  
4 kind of things that we're open to and we are  
5 discussing those things.

6 MS. GOSHOW: And that leads into the  
7 concept of transformational diplomacy, the idea  
8 of --

9 MR. SHINNICK: Absolutely.

10 MS. GOSHOW: -- you're not giving them  
11 fish; teach them how to fish. And I think that is  
12 what this country stands for, is education,  
13 training, enabling other countries to develop in the  
14 best way that they can with our help. So while it's  
15 not exactly OBO's mission, it fits within the  
16 overall mission of the Department of State, in  
17 transformational diplomacy.

18 MR. SHINNICK: Yeah. And I'll tell you,  
19 that's another adjustment that we're making in OBO,  
20 is that we are saying, despite our physical  
21 separation by the Potomac River, that we are part of  
22 the State Department and that we're an integral part  
23 of the State Department and we're looking to  
24 participate in all elements and support all  
25 elements. Certainly we're willing and hopeful that

1 we can support transformational diplomacy, seeing as  
2 that's our Secretary of State's, you know,  
3 overarching consideration.

4           So you know, any ideas along those lines,  
5 we'll be willing to pursue them. Again, we can't  
6 lose track of the fact that the construction we're  
7 discussing is security-driven. However, if we can  
8 accommodate any of the other Department goals,  
9 certainly transformational diplomacy and  
10 development, you know, it's a new -- the new phrase  
11 now and I don't mean that in a disparaging sense, is  
12 we've always had traditional diplomacy, we've always  
13 had public diplomacy, and now a new word, which is  
14 very accurate, has come into the vernacular of  
15 diplomacy and it's developmental diplomacy.

16           So anything that we can do to advance that  
17 or any suggestions that we would get from any of you  
18 folks, we would definitely be willing to and happy  
19 to pursue them. And we are strengthening our ties  
20 with the -- with EF (ph.) and the Under Secretary  
21 and AID, because the AID are already major clients  
22 of ours overseas, so we have a sensitized backdrop  
23 for those kind of issues.

24           MR. RETHERFORD: Before we leave this  
25 subject, maybe there's something that the panel

1 could help us with and you know that in the past  
2 we've been negotiating these value-added tax relief  
3 with a lot of these countries, and sort of along  
4 that same line of thinking, are there items that we  
5 can use, working with the embassy, to facilitate  
6 that risk management that goes with importation  
7 issues, labor issues, perhaps even agreements on  
8 bringing in non-local labor, a whole sort of body of  
9 things that we need to work with the embassy on and  
10 get further agreements on? Jay has mentioned in the  
11 past about possibly getting additional land to  
12 create situations for staging and man-camps to  
13 facilitate contractors. I think we were very open  
14 to what are those, you know, body of ideas that we  
15 need to bring to our planning process to look at  
16 those kind of risk management issues?

17 MR. HICKS: On that same vein --

18 MR. RETHERFORD: Yeah.

19 MR. HICKS: -- or if you freely think about  
20 this, are there things that we can legitimately do  
21 and carry ourselves, that you can't?

22 MR. RETHERFORD: Right.

23 MR. HICKS: You know, like the idea of,  
24 say, you know, two acres of nearby property that you  
25 could do a man-camp on or stage from that's an

1 assignable lease that you can take or not take. If  
2 you had third-country labor, maybe there's something  
3 we can do to -- you know, in our watch up front to  
4 lay the groundwork, not overstepping our bounds as a  
5 sovereign nation, but laying some groundwork that  
6 maybe you couldn't to make that a little easier. So  
7 I mean, it's a whole body of things we've kicked  
8 around like that, that we'd be willing to entertain  
9 if we thought it got some traction with you.

10 MR. SHINNICK: One of the issues we face on  
11 a management level, too, is we want to get a  
12 reintroduction of an appropriate number of Foreign  
13 Service officers in OBO. They'll be in our  
14 operations branch but we want to get them more  
15 heavily involved in project development and in  
16 project execution work because they would be the  
17 people most familiar with, in a perfect world, with  
18 the right people with the potential for leveraging  
19 the expertise of our embassies, to facilitate the  
20 contractors' work both in the design process and  
21 certainly in the execution process.

22 For instance, we want to see our project  
23 managers as full members of the ambassador's country  
24 team, sitting at the country team meetings every  
25 week and where an inspired project manager could

1 realize that at that country team meeting he's  
2 sitting there with labor attaches and he's sitting  
3 there with the people who have a lot of input into  
4 the local business economy.

5           The economic counselor, the commercial  
6 officers, the Department of Commerce, all have  
7 linkages into the business communities and the  
8 business environment where you folks are operating,  
9 both prospectively and when you get on the ground to  
10 do the project. So one of the challenges at OBO is,  
11 as an agency which -- we're an organization which  
12 builds buildings -- is to enlarge the realization on  
13 the part of the folks at OBO, that they're also part  
14 of a foreign policy organization and a foreign  
15 affairs organization and because most of our folks  
16 are -- have expertise in construction disciplines.

17           But as an organization, we have to take it  
18 to the next level and start taking advantage of the  
19 impacts that we have on the local economy and also  
20 having the expertise to be able to mine the  
21 information base that's out of the local economies,  
22 for the benefit of the project and for the  
23 contractors. So if you have any ideas, again, as to  
24 how we can do that, I'd be -- at the present level  
25 of recruitment of Foreign Service officers into some

1 key positions, I can't do that.

2 I'll be very honest with you. But we're  
3 trying to lay the groundwork with an enhanced  
4 recruitment program to bring the kind of officers to  
5 OBO who will see their jobs in that whole, broad  
6 perspective in the full range of the Department's  
7 activities. In order to do that, you have to be  
8 linked to the regional bureaus; to a lesser but real  
9 degree, also the functional bureaus. And you have  
10 to see your mission for the potential size that you  
11 should be using to impact the Department, and vice  
12 versa, let the Department impact our successes. So  
13 a longwinded answer, but we want to move in that  
14 direction.

15 MR. HORNE: I just want to comment. Jay  
16 brought it and Nick asked a question just now, and I  
17 think that, as we get into this discussion this  
18 afternoon, one of the real benefits of the  
19 environmental piece we're going to talk about this  
20 afternoon, the greening part, is this whole concept  
21 of corporate social responsibility.

22 And when we get into that discussion, we're  
23 going to look at it from a standpoint that the  
24 integration of all of these ideas really come to  
25 this idea of organizations, really at this highest

1 level, really looking at this idea of corporate  
2 social responsibility. One aspect of it's going to  
3 be environment, one aspect of it.

4 All the Activity we're doing, getting to a  
5 sustainable -- to get back to this life cycle part  
6 you talked about earlier. And I think we'll hold  
7 some of those comments until then, but I think  
8 that's really where we're seeing the financial  
9 institutions -- you say follow the money -- the  
10 financial institutions are basically saying, if  
11 we're going to build something in this world, on  
12 this planet, then we got to begin looking at it from  
13 this concept of social responsibility. Thank you.

14 MR. SHINNICK: I, like you, do not want to  
15 fire our shots on this afternoon's agenda. I agree  
16 with you on that. But I would like to point out  
17 that we had a very small group but very well  
18 qualified people who were working the energy issues  
19 at OBO. I was very gratified to see the quality of  
20 the folks that we had addressing these issues.

21 However, again, we talked about the absence  
22 of life cycles and the absence of things which the  
23 time has clearly come. But also, our clients are  
24 running ahead of us on this. We have a league of  
25 green ambassadors out there in Europe, and other

1 ambassadors have joined in other regions of the  
2 world, that are communicating by e-mail and over the  
3 Internet and doing their own in-house research, that  
4 are way ahead of us as an organization.

5           Thank the Lord, they're not ahead of us on  
6 talent. We have the talent and we are turning  
7 our -- we have turned our efforts to enhancing their  
8 work and we're now seen as legitimate partners with  
9 them. But your point is absolutely correct. They  
10 were out there before we were because they're the  
11 people on the spot. They see this not only as an  
12 energy conservation program, like anyone who drives  
13 or owns a home would see it, but the ambassadors out  
14 there and the senior managers are charged with the  
15 public diplomacy functions in these countries, where  
16 the United States can easily be brought under  
17 criticism because of the inordinate amount of the  
18 world's resources that we utilize.

19           So it's incumbent upon us to be seen as  
20 seriously involved with conservation efforts and  
21 with greening and energy conservation, et cetera.  
22 So it's something that we have to do, not only as an  
23 organization that constructs and operates and  
24 maintains buildings, but as something that we have  
25 to do as members of an organization that has a real

1 mission in this area and the place where our country  
2 has to be on top of it and hopefully get ahead of  
3 the criticism of us that came from issues known to  
4 every newspaper reader, which I don't have to go  
5 into.

6           So it's clearly an idea whose time has  
7 come. I just want to assure you that OBO has some  
8 superb people, and we are in a position that we're  
9 going to respond very well, I believe, to these  
10 issues, and I hope we'll see that this afternoon and  
11 get even more.

12           MR. RETHERFORD: If I could just comment?  
13 I think, very much, one of the things we're  
14 discussing internally is things like lean  
15 construction, in other words, how big of a footprint  
16 are we leaving when move in and do construction?  
17 How much waste are we producing? How efficient are  
18 we building? It does carry over to how are we  
19 building? What is the most appropriate way to build  
20 these buildings? You know, is it a concrete  
21 building, is it some other -- you know, that's our  
22 traditional building material. Does that make the  
23 most sense? Is it consuming too much of the local  
24 materials to build that?

25           It very much is connected and it goes very

1 much to, I think, the thing that Dick is talking  
2 about and it does connect with everything that  
3 you'll hear this afternoon. And it does go back to  
4 how can we improve this model that we're using, this  
5 Standard Embassy Design, to provide more  
6 alternatives that are more appropriate to where  
7 we're building? So there's a lot of connectiveness  
8 there.

9 MR. COLSTON: I think Regan might have  
10 something to say. And I see he's been sitting there  
11 with his mike on for a few minutes, listening  
12 attentively.

13 MR. McDONALD: Not necessarily tied to the  
14 topic on the table, so I was patient. I'm sorry.

15 MR. SHINNICK: Can I just finish that topic  
16 with one thing, Regan?

17 MR. McDONALD: Please do.

18 MR. SHINNICK: Darryl, your point about you  
19 watching the money, guess who our partner is in this  
20 effort? The chief financial officer. And we're  
21 going over to the Department of Energy together this  
22 month, in order to get involved in some of their  
23 FEMP programs, which we, as a department, became  
24 eligible for only on the 1st of April. So your  
25 point is absolutely right, the CFO is the energy

1 maven now of the whole Department. So Regan, sorry,  
2 but I wanted to finish that thought.

3 MR. McDONALD: This ties back into some of  
4 the contracting issues that we talked to, as well as  
5 trying to make the playing field more attractive for  
6 contractors. In my business, I work for a defense  
7 contractor. I don't pursue embassy work per se, but  
8 one of the things that is a big item in our industry  
9 is pipeline and how to know that you have some  
10 consistent flow of work to take to care, you know,  
11 that base that you mentioned, that base work. And  
12 as I listened to the challenges, especially speaking  
13 with Joe Schweitzer beforehand here, getting  
14 appreciation for what it takes to stand up an effort  
15 in a foreign country and being dropped on the moon,  
16 as you said, is significant. Coupling projects is  
17 problematic, the bonding capacities and everything  
18 else, to do them simultaneously.

19 And as I sat here, I didn't walk in with  
20 this idea, but I wondered if there was a possibility  
21 of doing a sequential coupling of projects in such  
22 way that, you know, maybe you have something that's  
23 on you're A threat list and your C threat list, and  
24 you could anticipate geographically that there might  
25 be an economy of scale to award those together and a

1 contractor could innovatively move resources form  
2 one place to another, maybe a delivery of a two-year  
3 or a 28-month project and a four-year of 56-month,  
4 however that would work out?

5           And they could use their innovation to move  
6 resources and third-country work crews between those  
7 projects, for a net gain. Now, obviously that  
8 introduces complexities in design and staying ahead  
9 on that aspect, but I'm just curious if that had  
10 been thought about.

11           MR. SHINNICK: In some ways, no, for valid  
12 reasons, in that -- I'm going to ask Jay to give an  
13 overview of what we call the list of 80 to the group  
14 and how folks get on. And he just finished. We  
15 moved the list of 80 up to get -- this year, it's  
16 scheduled for this summer. We moved it up to March  
17 and Jay runs that process, but the key players are  
18 the regional bureaus. My point before turning over  
19 is we would not have an A threat at this point and a  
20 C threat being built at the same time, for reasons  
21 you'll understand as Jay briefs on his activities  
22 and the list of 80.

23           MR. HICKS: Right. Just real briefly, I  
24 mean, if you've ever wondered why we build where we  
25 build and the order in which we do, there's an

1 elaborate process to it and very participatory and  
2 it's very important to understand, if you've  
3 wondered how we do this. Even before the top 80  
4 process, it begins with the DS vulnerability list.  
5 They rank all our posts worldwide, whether it has an  
6 Inman building in any C of the sort we've been  
7 building recently or something from 200 years ago.

8           They all get ranked across a variety of  
9 matrices and everything gets a rank and then that's  
10 turned over to the bureaus. And General Williams  
11 and Director Shinnick were both smart enough to  
12 never get in the business, here at OBO, of trying to  
13 tell the Department what the priorities are. DS  
14 ranks vulnerability in terms of security and the  
15 bureau takes that list and they really own it. And  
16 I view that top 80 process, an annual process, it's  
17 kind of fun to watch, where each of the geographical  
18 regions sit down and they come with their own  
19 priorities and --

20           MR. SHINNICK: Together?

21           MR. HICKS: Yeah, together in the same room  
22 and you know, how does, you know, Islamabad rank  
23 against, you know, Nuevo Laredo? I mean, they do  
24 that themselves, and it's an interesting thing. But  
25 what they do is the bureaus are customers of the

1 people that own that priority process and they take  
2 the DS vulnerability list and as I view it, they  
3 temper it somewhat for functionality and for some  
4 other bilateral issues. We offer our two cents  
5 worth, as technical advisors, on do-ability issues,  
6 in terms of ability to get a site, for instance.

7           But they really own that list and that's  
8 how we come up with these tranches across each of  
9 the fiscal years, now through 2018. In that top 80  
10 process, we awarded about nine projects in '07 and  
11 that meant you got nine projects in the back end of  
12 the list. And the legislation we use that guides us  
13 is you can only spend money in the Department  
14 against projects that are on that top 80. Now, that  
15 it's on that top 80, we get some sense of priority,  
16 based on fiscal years, to where we build. So to get  
17 back to your point, interesting point, you know,  
18 packaging and coupling some of these is an  
19 interesting concept that we've kicked around, but we  
20 run the risk of sort of perverting the process our  
21 customers have put in place and the DS vulnerability  
22 list and our stakeholders' expectations, so as to  
23 not be perceived as gaming the list by not grabbing  
24 the immediate priorities.

25           And they may be scattered around the globe,

1 but there is no economies of scale associated with  
2 it. So it's an interesting concept that we've  
3 kicked around, but we haven't found any way to do it  
4 without sort of violating the legislation and our  
5 ultimate customer's role in establishing those  
6 priorities.

7           We like to see when they occur by chance  
8 and we've seen some that I won't go into here,  
9 where, as there was volatility around the list, we  
10 think, gee, if we had known this was going to fall  
11 out or this election issue, as reported to us by the  
12 bureau, was going to make a project undoable, we  
13 could've maybe held something and not awarded it at  
14 the end of a particular fiscal year but waited three  
15 months later, four months later, to the first part  
16 of the following fiscal year and coupled it with  
17 something else. So we're trying to be savvy about  
18 that. And that gets back to Dick's point, what's  
19 one of the very important reasons about connecting  
20 better? We're in Rosslyn, as you know. This is  
21 where the diplomacy happens and the experts are.  
22 The benefit from us connecting better with those  
23 people is for us to understand and be very mindful  
24 of where those bilateral and international issues  
25 are that could affect our build-ability issues, that

1 may present, you know, an errant, unintended  
2 opportunity to couple some of them. So a longwinded  
3 explanation, Dick. I don't know if I nailed that,  
4 but --

5 MR. SHINNICK: It's the key planning  
6 element that drives everything else that Jay does.  
7 Is that fair to say?

8 MR. HICKS: Yeah.

9 MR. SHINNICK: The list of 80 is our master  
10 and we have to be very careful that we're not seen.  
11 It's also a very good defense mechanism with the  
12 ambassadors because every ambassador who comes to  
13 Washington wants to see me and having been before, I  
14 slip and slide and duck those as much as I can.  
15 Because when I was the director of operations, I had  
16 to see to 90 percent of the ambassadors and my then  
17 boss, he saw 10 percent of them. So I try to keep  
18 that as my policy now that I'm the boss. I don't  
19 want to see them.

20 MR. HICKS: Yeah, you passed that along to  
21 us.

22 MR. SHINNICK: That's right. Because  
23 that's really where the rubber meets the road, but  
24 like ambassadors, people always want to go to the  
25 top. You know, it's like in surgery. Let me get

1 the chief of the neurological department. A big  
2 mistake. He's an administrator and he spends a lot  
3 of his time administering things. You want the  
4 chief resident, the guy who cuts every day, you  
5 know. But people want the -- anyway. So that's the  
6 point.

7           So we don't want to drive this, we want to  
8 reach out, we want to keep it because the list of 80  
9 is my only defense against ambassadors because when  
10 I do have to see one, and he says, well, we want to  
11 be on the list of 80, and I say, oh, I don't blame  
12 you. Boy, you really should be on the list of 80.

13           You better get right over and see your  
14 executive director on that because he's the one who  
15 will get you on, you know. And meanwhile, the  
16 representatives who are sitting in the room of the  
17 executive director are scribbling bad news on the  
18 thing because the ambassador is saying, I never  
19 heard that. He didn't tell me that he was the one  
20 who could do that. No, I know he didn't.

21           MR. COLSTON: But one of the things -- and  
22 Greg, you've been waiting for a long time. Let me  
23 just close this concept. First of all, Regan, I  
24 appreciate the fact that you came up with that, just  
25 sitting here and listening to the discussion. I

1 mean, those are the types of -- you know, ideas that  
2 jump to mind, please, by all means, put them on the  
3 table.

4           One of the things I would offer, however,  
5 is there's two perspectives to doing what you're  
6 saying. One is to look at it from the perspective  
7 of us to bundle projects, or, conversely, what I've  
8 seen, at least from our side, is our contractors who  
9 have been extremely successful in our program have  
10 done it on their own, where they've already started  
11 forward-looking to say okay, I've got this project,  
12 I'm doing it and it's going to finish up at this  
13 timeframe. What's coming down the pipeline?

14           That then helps them determine what they're  
15 going to bid on next. When they look across that  
16 plethora, they then pick and choose what they want  
17 and they're able to leverage their resources the  
18 most effective way possible within the context of  
19 our program and be as profitable as they can. So I  
20 see that, at least on the contractor's side --

21           MR. SHINNICK: The only drawback to that is  
22 the word that someone used over here and, you know,  
23 the plague of Jay Hicks' life is churn, you know,  
24 and you all are familiar with churn because you're  
25 in the industry. Well, you take churn and then put

1 the overlay of war and diplomacy on top of churn and  
2 you have big churn, churnoni (ph.).

3           You have big churn because a lot of the  
4 churn is, you know, you hate to see -- you'd hate to  
5 see a contractor say, well, I want to do this one  
6 and then I'm going to do the next one, and do his  
7 banking based on that. When the time comes to do  
8 the next one, maybe you can't get the flatbeds up  
9 the river. I point to Khartoum.

10           And you know, I don't know how much it's an  
11 industry knowledge, but we've had our issues in  
12 Khartoum because the United States has this issue  
13 with Sudan and unfortunately the government there  
14 has used the construction of the process as a lever  
15 to try to drive us on other diplomatic  
16 disagreements. So it's not -- for us, it's just  
17 another level of degree of difficulty in our  
18 projects, is that they're driven by political and  
19 diplomatic considerations that an ordinary GSA  
20 project doesn't really have, other than permits,  
21 perhaps. And we have those, too, you know. So  
22 anyways, you guys know, it's a tough world over here  
23 in OBO and we need tough contractors to operate in  
24 it.

25           MR. KNOOP: I guess I want to ask a

1 question because we heard the word value mentioned  
2 and values and how do we evaluate? Your original  
3 question is how do we increase the pool of  
4 contractors? And the question that I think needs to  
5 be answered, the gut check, is what is -- what do we  
6 value? What are we looking for? What's wrong with  
7 the current pool? Are they not big enough? Are we  
8 not getting a cheap enough price? Are we not  
9 getting a progressive enough approach to the way  
10 we're doing work? Is the quality going down or  
11 simply, we want a cheaper price? Are we willing to  
12 pay more?

13           We heard some people say, we won't go after  
14 that work. Are we going to pay more? Make the  
15 price right for those guys to come in here. Who are  
16 we are looking for? I think we just see -- we need  
17 to increase the pool. Anybody or who? What is the  
18 evaluation factor? What are we shopping for? What  
19 are we going to tell the community out there that we  
20 want and are we willing to pay for it? If, as Nancy  
21 suggest, the embassy is a tool for transformational  
22 diplomacy, a representation of our values, through  
23 its process, through its building, through its  
24 physical embodiment. If it covers our own values,  
25 then we need to tell -- think about who are we

1 looking for? What is it that we're looking for and  
2 what are we willing to pay for it? What are we  
3 going to put money behind? What are we going to put  
4 time behind? What are we going to put care behind?  
5 Who are we looking for? And we haven't heard that.  
6 We just heard, we need to increase the pool, but who  
7 are we looking for?

8 MR. SHINNICK: Well, that's a very thought-  
9 provoking question and it is a very legitimate one  
10 and there's no doubt that it goes to the heart of  
11 where we're going. When I say increase the pool, I  
12 fully agree with you, I stand embarrassed because  
13 it's a very simplistic approach, when we say we're  
14 going to increase the pool, because we do have  
15 profiles, if you will, of who are the -- to what  
16 would be the type of contractors that we would want  
17 to be participating in this process.

18 And when I say increase the pool, I say  
19 that not because the pool is not large enough to  
20 drive the price down, that's not -- but I know that  
21 I am now directing a program in which large --  
22 numbers of American contractors with recognizable  
23 names have found it -- found themselves unable to  
24 participate. Now, that's enough to say when I --  
25 you know, I want to recover the pool to some degree.

1 There are companies out there that once did business  
2 with us successfully and turned in good projects and  
3 are no longer competing for our work.

4           So I mean, it's not that I want to enlarge  
5 the pool to unqualified bidders or people who don't  
6 have the values that we're looking for. And I'm  
7 going to have to ask the superb people that run this  
8 program, and especially down at the second level  
9 that have not been inoculated with our drive to get  
10 people into these safer buildings, to ponder that  
11 question to get an answer to you. In other words,  
12 we probably need to develop some sort of a profile  
13 of the type of contractors that we're looking for,  
14 the kind that corresponds to the Standard Embassy  
15 Design.

16           We may need to send for contractors. What  
17 type of contractors are we looking for because they  
18 share our values and they've also proved to be  
19 successful? I mean, we're not looking for, you  
20 know, some guy operating out of his garage, with all  
21 respect for American entrepreneurship. We need  
22 tried and true people who are capable of bringing the  
23 projects in. That's my off-the-cuff answer to a  
24 very provocative question. So I mean, let me turn  
25 this over to see if anyone else --

1           MR. HICKS: I'll go past that question. We  
2 can come back to it maybe, but who are we looking  
3 for? But let me tie that to something else that's  
4 on my mind and it has to do with the efficacy and  
5 how well our outreach programs work. Many of you  
6 know and have attended our industry day that we have  
7 in, I think, November of every year. We've done  
8 different things in terms of staff participating in  
9 industry functions forums. I've been doing a little  
10 more speaking to get the word out.

11           On a more mundane note, you know, I worked  
12 at company that did a lot of private and public work  
13 and it wasn't uncommon to have Director Shinnick or  
14 myself, Joe Toussaint, read about a firm in a trade  
15 publication, pick up the phone and call them and  
16 say, you may not know about my program, a government  
17 program, but hey, I like the cut of your jib,  
18 sailor.

19           Why don't you, you know, come over this way  
20 because I got a program I think you're going to be  
21 interested in. And I never saw any harm in making  
22 phone calls like that. I've been a little reticent  
23 to do it since I've been in the federal government,  
24 maybe I'm a little scared of my own shadow, but it  
25 goes back to my question. Once we find out who out

1 who these people are, how effective is the outreach  
2 we're doing today and what sort of things could we  
3 be doing that we're not doing, once we find out who  
4 that person is that we want? You know, people found  
5 us in trade publications and would pick up the phone  
6 call us, CEO to CEO, and say, bid on my project.  
7 What do you guys think about that topic and that  
8 dilemma?

9 MR. SHINNICK: Do you want to add  
10 something?

11 MR. COLSTON: Yeah, I think one of the  
12 things I would add is just referencing back to some  
13 of my introductory comments. First of all, I don't  
14 think we're specifically looking for anybody, unless  
15 you want to say, we want to assure that the pool  
16 that we have are competent contractors that can do  
17 our business.

18 And my concern, after having, you know,  
19 actually sat in this forum and actually listened to  
20 many of the people who are sitting in the audience  
21 who say hey, I've been overlooked or, you know, I've  
22 really been wanting to participate in your program  
23 and I haven't been able to. And so you know, how do  
24 we get in there? And so one of my biggest concerns  
25 is, is that when I look at the information that we

1 have in front of us, when I look at the fact that  
2 our pre-qualified pool is starting to dwindle,  
3 starting to drop off -- we're not critical, I'd say,  
4 but I'm seeing a decrease. Well, I don't want that  
5 trend to continue, that's number one. Number two  
6 is, is when I have specific locations where I'm  
7 soliciting bids for work in difficult environments,  
8 when I only get one or two, am I assuring myself and  
9 am I assuring that the U.S. public, that we're  
10 getting the best bang for the buck, so to speak,  
11 that we are getting a project that's affordable,  
12 that's meeting the U.S. mission needs, that's doing  
13 what it needs to do?

14           And so I get concerned that, is the  
15 competitive pool sufficient, is it appropriate or  
16 are we missing some opportunity here, that there are  
17 contractors that are out there that can do our  
18 business, that can participate and we're missing the  
19 opportunity to have them participate?

20           MR. KNOOP: But you can't just ask for  
21 somebody to be competent. If you want the best, you  
22 have to ask for excellence and you have to promote  
23 excellence and you have to promote them. I mean,  
24 putting an announcement in a little publication that  
25 dies on the Internet somewhere that they got awarded

1 is one thing. Taking them to Larry King Live and  
2 saying, this is the person who's going to build the  
3 new embassy in wherever, Switzerland, this is an  
4 opportunity that many -- I'm going to go on Larry  
5 King Live or I'm going to get this level of  
6 promotion from the United States government.  
7 There's going to be competition and they will know  
8 that the eyes of the world are on their performance  
9 because, you know, with fame comes the burdens of  
10 fame as well. Can we raise the level by not just  
11 saying, we want competent people who can get by  
12 doing the work? That's not enough. We want the  
13 best. We want excellence. We want the best  
14 contractors in America and we're willing to pay for  
15 it.

16 That changes the mindset. If they know  
17 that you're willing to pay for it, they know you  
18 stand by that mission. Then you're going to change  
19 the way contractors profile you. Right now they  
20 profile you as, they want somebody's who competent,  
21 who will come in low bid and go out to these risky  
22 parts of the world. They're profiling you and  
23 saying, who wants to pay more? Who wants to pay  
24 more and who puts me at less risk? So you have to  
25 change their mindset and give them some carrot, as

1 we talked about earlier, that transcends just simply  
2 the business deal.

3 MR. SHINNICK: We would have to educate,  
4 and I subscribe to the principles that you're  
5 talking about. We'd also have to educate the people  
6 who give us the money and that, you know, we can --  
7 the Congress has been very generous and very  
8 supportive of our activities to do this security  
9 construction program and -- but it would be a  
10 transitional phase for us to -- a couple of things  
11 that have been attractive to the Congress, like  
12 Standard Embassy Designs, actually mitigate against  
13 the kind of a thing where we would get the kind of  
14 architects who would be perhaps drawn to our work if  
15 it were more architecturally expressive.

16 But the Congress will support this program  
17 because General Williams was perceptive enough to  
18 have made Standard Embassy Design a large part of  
19 his program to get the Hill to give us this flow of  
20 money and he was successful in doing that. So what  
21 I'm saying, I'm not in any way indicating  
22 disagreement with what you're saying, but I just  
23 want you to know that there are conflicting currents  
24 and tensions in our environment with those who  
25 provide us with the money; that if it were IBM,

1 would not be present, you know, and that IBM would  
2 want to have that kind of a building and would want  
3 to have those kinds of architects and would want to  
4 do that promotion. But your promotion idea is  
5 something that we absolutely should pursue. And  
6 more visibility for our successful contractors, for  
7 the successful contractors that they are. So I see  
8 Dr. Oey has got his light on, so -- and then I want  
9 to go to Nick. I want to give a couple of our  
10 directors who haven't a chance, too, Doctor, when  
11 you're finished.

12           After we respond to the substance of your  
13 question, I'd like to ask our resource manager,  
14 who's been noticeably silent through all of this  
15 expansive discussion of values, et cetera, because  
16 he's where the rubber meets the road and  
17 unfortunately has a lot of experience on the Hill  
18 and knows the difficulty of trying to change the  
19 funding environment that we find ourselves in.

20           DR. OEY: Just going back to the original  
21 question of, you know, increasing the pool and  
22 what's happening, it's interesting that the bidding  
23 problem is happening here in this industry. I'm  
24 familiar with the infrastructure, especially up in  
25 the New York area, where they're having extreme

1 difficulty getting bidders. In fact, in some  
2 projects, they're not getting any bidders.  
3 California is facing the same situation. We just  
4 recently did a workshop. And I don't know how the  
5 budget cycle works in OBO and all of these, but what  
6 a lot of bidders finding or when we starting talking  
7 to contractors, they were finding that projects were  
8 not being awarded because estimates, original  
9 owner/engineer estimates were not on par, so you  
10 would get bids that were much higher than what was  
11 anticipated. Contractors were burned by this. I  
12 don't know if that's the same situation in this  
13 case. I don't perceive OBO not awarding projects.  
14 I don't know if that's the case or not.

15           But one of the solutions is that they're  
16 getting together. MTA has gotten together with a  
17 lot of the contractors in the area, Skanska and  
18 Cruz, to learn how they do their estimates and to  
19 learn what their methods are. It's been a difficult  
20 road because they don't want to share their means  
21 and -- you know, there's the whole proprietary  
22 issue.

23           But the main thing that came out of it was  
24 a bottom-up approach as opposed to top-down, looking  
25 at labor situations when you go overseas, you know,

1 what are some of the material costs, what are some  
2 of the escalations that they can put into the  
3 contracts? I don't know, on a fixed and firm, you  
4 know, contract, how you can build those in, but  
5 those are some of the different things that they're  
6 looking at. Another thing that they also sort of  
7 dealt with was the stipend issue. I don't know how  
8 this is dealt with, with OBO, but MTA did not  
9 provide a stipend, which made contractors not come.  
10 They're spending lots of money to come up with these  
11 estimates and then, to not win it, part of business,  
12 but to not award the project, that's sort of a slap  
13 in the face for contractors. So that's sort of a  
14 trend, is these stipends. And I believe the NAFAC  
15 also had a workshop at one point, where I guess the  
16 program admiral, Ruse (ph.), wanted to go 80 percent  
17 of all their projects design-bid -- excuse me --  
18 design-build and at workshop they found, you know,  
19 what are some of the issues?

20           And there was the issue of small  
21 contractors not having the capacity to do design-  
22 build. They don't know how and they've never done  
23 it. And then there was the whole issue of stipends.  
24 You know, you're asking for something within a  
25 certain timeframe and we're not getting a stipend

1 and it's unreasonable. So there's a lot of those  
2 issues that they talked through. I don't know what  
3 the result was. I don't know if they provided  
4 stipends or not.

5 MR. RETHERFORD: We do, in fact, provide  
6 stipends to the unsuccessful firms. And I won't  
7 speak for Kathy, but certainly the issue of cost  
8 management has been a huge issue and we've --

9 MS. BETHANY: It's a gamble.

10 MR. RETHERFORD: It's a gamble, right, but  
11 -- right. But between the budgetary process and  
12 then the approval process, we are adjusting, you  
13 know, to try to compensate for those changes.

14 MR. COLSTON: Yeah, I think the panel I sat  
15 on about a year ago now, I remember that was one of  
16 the biggest issues, as I recall, GSA was  
17 confronting. But as you know, you set up -- and we  
18 confront the same issues -- is that, you know, you  
19 set up a budget and you have an estimate that's put  
20 together, a budget's built on that estimate and then  
21 the world changes and the bids come in and you find  
22 out that, whoops, it's not exactly what that  
23 estimate was. What do we do?

24 Well, you know, when I was with DoD and I  
25 was working weapons systems, we had, you know, the

1 cave concept, cost is an independent variable. Here  
2 we had, I guess you could call it, S-cave, which was  
3 the schedule and the cost were an independent  
4 variable and those were fixed, so the only  
5 opportunity you had to go was to go back and look at  
6 the scope. Well, that affects the end of the game  
7 and so we needed to really take a hard look at what  
8 we would afford, but at the same time, still afford  
9 the functionality to these posts. And so it becomes  
10 a very difficult issue. I know GSA, at that  
11 meeting, said yeah, we were canceling projects  
12 because we were getting bids that were 30 percent  
13 over what our estimate was. And so we had a  
14 fundamental flaw in our estimating and thus, in our  
15 budgeting. And so you're absolutely correct. I  
16 know Kathy's put a lot of effort into that, I see an  
17 improvement, but there's certainly still a lot of  
18 variables out there.

19 MR. SHINNICK: And we have had -- to use a  
20 negative term, we have been forced in the past to  
21 down-scope projects because of the estimates that  
22 came in. And at one time, we had -- every NEC that  
23 we built had a warehouse and that's certainly a  
24 desirable thing. And we can see that desirable  
25 elements of the compound slipping away because we

1 can't control the cost escalation. And that's not a  
2 negative towards you guys, but -- so the answer is  
3 here's the bids. They're accurate bids. They're  
4 way over our estimate, but the situation has  
5 changed, the dollar's gone down, the construction  
6 costs are going up. We're really caught in a real  
7 vise. But please, Kathy, join in.

8 MS. BETHANY: Yeah. Well, I just also want  
9 to say that it's not just the escalation but we're  
10 putting the budgets together two years in advance.

11 MR. SHINNICK: Yes.

12 MS. BETHANY: And it is a gamble.

13 MR. SHINNICK: Yes.

14 MS. BETHANY: And not knowing --

15 MR. SHINNICK: Yeah.

16 MS. BETHANY: -- what the bids are going to  
17 come in with because we don't have the benefit of  
18 putting these budgets together knowing the current  
19 market that you're actually putting proposals  
20 together in. So setting the budgets that far in  
21 advance, when we're in a recession, if we're in a  
22 recession, maybe we'll get lucky and start having  
23 bids come in under our budget, but right now they've  
24 been coming in over every time.

25 MR. SHINNICK: And you just introduced

1 Jurg.

2 MR. SCHWEITZER: When you have a great  
3 database, I mean, you have -- Ouagadougou had five  
4 bids, and you have every element of the cost  
5 factors. I mean, there are 50-plus pages that we  
6 break down our cost factors on. You have a great  
7 database to understand the rationale. The only  
8 thing that's missing is the understanding of the  
9 risk element and what the contractor considers his  
10 element of risk. I looked at the issue of security  
11 on the project site at Belgrade, FY '08, interested  
12 in Belgrade. What I'll do is we'll sit down and  
13 we'll examine the risks on Belgrade and we'll look  
14 at risk-mitigating measures to allow us to do the  
15 project, cost those mitigating measures and then  
16 figure out that as an element of our cost. The only  
17 variable that will happen is we'll base these on a  
18 set of assumptions that will change in time.

19 The same argument -- OBO's gone before  
20 Congress and said, this is why Baghdad was priced  
21 originally at this and is now this, is because of  
22 the uncertainty in the future, the threat and what  
23 the threat costs a project. I would like to be able  
24 to come back to OBO and say to you, just as --  
25 because I agree on the value of the dollar and I

1 hope we do this, the slide in the dollar and have  
2 some kind of a rate change.

3           There's also, again, threat, the threat  
4 changes and the set of, you know, costs against  
5 mitigating those threat changes. We can price or  
6 adjust the prices accordingly, come back to you,  
7 agree upon a set of threat conditions, agree upon  
8 the set of risk-mitigating measures, and then, if  
9 those change, to be able to come back to you and  
10 say, the basis of our assumptions have changed. The  
11 threat is far greater than the original and we need  
12 more money for the property. I may not do Belgrade  
13 because of the threat issues and the implications of  
14 not being able to manage that aspect of risk.

15           MR. COLSTON: But I think along those lines  
16 and I don't want to -- we'll turn it over to your --  
17 to say, is that, how do I tap into that? How do I  
18 tap into that? You know, contractors are making  
19 risk judgments all the time. They do it in their  
20 regular business, when they're executing jobs, they  
21 do it when they prepare those bids that they're  
22 trying to get stipends on, whatever it may be, but  
23 they're making risk decisions. And so I think, just  
24 as I said, the context of if we say we're going to  
25 operate in firm and fixed price, but look at it in

1 the context of risk allocation.

2           How can I reach out, draw from the  
3 contractors early enough in the process, that I can  
4 find out those risks that are influencing your  
5 decisions, and then we can collectively, as a team,  
6 government and contractor, figure out how to best  
7 manage those risks within the context of the  
8 contracts and the projects we're executing. That's  
9 something that I'd really be interesting in finding  
10 out. When is that right opportunity and when we  
11 will know what those risks are, that we can manage  
12 them effectively?

13           MS. GOSHOW: One of the ways you manage  
14 risk is by having knowledge.

15           MR. COLSTON: Um-hum.

16           MS. GOSHOW: And from what we're talking  
17 about here, it seems there's so many unknowns. Is  
18 there a way to increase the amount of time between  
19 when the RFP goes out and when the bid is due?

20           MR. COLSTON: Um-hum.

21           MS. GOSHOW: I don't know if anyone else in  
22 the room feels this, but whenever a bid comes in,  
23 everyone's running around frantically. There's  
24 never enough time. So at the end, what happens?  
25 You start putting in -- well, we'll take a guess.

1 It's a risk. We're business people. We'll just go  
2 for it. And that, sometimes, is a real problem. I  
3 don't know you don't want to be bidding this thing  
4 forever, but maybe that needs to be looked at, how  
5 that is done.

6 And the things you can qualify and clarify,  
7 you do with the information that you have. And  
8 those things you can't qualify and clarify, you  
9 point out in your bid and there's some understanding  
10 on the part of OBO. Okay, we know you don't know  
11 about these things and we will take that into  
12 consideration. Again, it's just a thought.

13 MR. SHINNICK: And it's a good thought.

14 MR. COLSTON: A very good thought.

15 MR. KNOOP: Will, you're not sharing.  
16 You're not sharing the risk.

17 MR. COLSTON: Um-hum.

18 MR. KNOOP: And I agree a hundred percent,  
19 the knowledge is the empowerment. Why risk price?  
20 Tell them what you're going to -- I want a \$10  
21 million project, period. No more, no less. Now,  
22 here's the SED standards.

23 MR. COLSTON: Right.

24 MR. KNOOP: Tell me, what do I get from it?  
25 What do I get for \$10 million, period? Here's the

1 program. You know, if one bidder comes back and say  
2 you get a less than perfect warehouse or some bidder  
3 says, I can give you great facilities overall, but  
4 everybody's going to have a 20-percent smaller desk  
5 space. Then you have a way to measure it.

6 MR. SHINNICK: Right.

7 MR. KNOOP: Then you're measuring quality  
8 and you've taken a risk element. He's not worried  
9 about his price. He knows. No more, no less. It's  
10 the price of the project. Am I in or am I not in?

11 MR. SHINNICK: Right.

12 MR. KNOOP: Now, you've taken a mystery out  
13 of the process and you've shared the risk. By  
14 sharing the risk, they see that the trust is there  
15 and it's a different way of doing business.

16 MR. SHINNICK: A great point. Let me read  
17 to you my remarks to the AGC, in the first meeting.  
18 I'm just going to read them aloud because I really  
19 do want to get Jurg to give you budget overviews and  
20 some insight and knowledge of how the budget process  
21 works.

22 But here's what I said to the AGC, and I  
23 say the same thing to here: "Appropriate allocation  
24 of risk within the context of firm-fixed price.  
25 While we won't entertain cost-plus contracts --

1 we're not going down that road and the Congress well  
2 understand why we're not -- I fully support  
3 appropriate risk allocation, where each part of to  
4 the contract carries their fair share or  
5 collectively determines how best to mitigate risk."  
6 I'm reading my own stuff here.

7 "I understand that OBO has a risk  
8 allocation that they have put into play. I would  
9 like you to discuss" -- this is to the AGC. "I  
10 would like you to discuss this risk allocation today  
11 with my staff and determine what, if any, revisions  
12 or additions should be considered for the allocation  
13 of risk on our contracts." Now, due to schedule, I  
14 did not attend the entire day, as I want to do with  
15 this group, but -- and so I can't tell you where  
16 that state of play is right now, but I am saying  
17 that this is an open issue between us and the AGC  
18 and certainly with -- our Industry Advisory Panel is  
19 even freer to get into this melange, if you will,  
20 and give us your ideas on risk allocation. This is  
21 why we have you here today. But I just wanted to  
22 read this because it's past history but it shows you  
23 that we agree with your point.

24 Now, as government people, I don't know --  
25 I don't know where the line is today, between the

1 government's risk and your risk, et cetera, et  
2 cetera. But I do know that there's unhappiness on  
3 your side and I do know that you have to know where  
4 the line is and this is a subject that we have to  
5 open for discussion across the whole range of our  
6 contract to context. So I thank you for that.

7           And with your permission, I'll go and get  
8 Jurg to give us an overview of the -- of his  
9 interventions in this process, or participation in  
10 this process, due to budgeting. Both of those words  
11 are valid, intervention, saying, huh, where do I get  
12 the money, and full participation because Jurg is in  
13 it every step of the way and he just wouldn't be  
14 somebody that you would see as often as you might  
15 Jay or Will.

16           MR. HOCHULI: Good morning. I know we're  
17 between lunch, so I'll try to make it quick. On the  
18 budget process, it's always a bit odd because we're  
19 going out with a budget two years in advance and the  
20 Hill kind of looks to you, that if you ask for  
21 dollars X, you deliver on that, whatever you asked  
22 for. This year, for the first time, we had  
23 conversations with them and they seemed to entertain  
24 the thought of allowing us to adjust between the  
25 budget time.

1           And then, when we come around for a Fin  
2 plan in the year of execution, a methodology to deal  
3 with either the exchange rate, gains and losses, or  
4 just the general construction inflation rate that we  
5 see, so that when we go out, we're coming out with a  
6 full project. We're not cutting, if you will, the  
7 warehouse in order to make a project meet the scope.

8           The other angle we're trying to do is to  
9 get the bureaus up there to explain what we are  
10 actually doing in those countries because it's  
11 dollars and cents that impact. You know, it's what  
12 happens to that congressman's state when business  
13 isn't going well in a given country. So we're  
14 taking the bureaus along to try to explain the  
15 economics, the trade, the commerce, all of those  
16 kinds of things that are dealing with where we're  
17 trying to build. We're just the construction crew.  
18 We can tell you what it costs to build, what the  
19 scope is going to be, but we can't explain what is  
20 the political necessity of us being there?  
21 Hopefully that'll bring some, you know, fruits of  
22 labor, if you will. A large part -- and it was  
23 raised earlier -- is, you know, some of these  
24 countries the average American can't find on the map  
25 and you're going up there and you're saying, I need

1 \$80 million to build something, I need a hundred  
2 million dollars, and you know, they can't relate to  
3 it. It's not, you know, Arlington, Virginia, where  
4 they can relate to that.

5           So it's education, education of the folks  
6 on the Hill, the staffers and again, educating  
7 people within the Department, to explain that -- you  
8 know, you do have to explain why we're building  
9 there. Not everybody gets it like you do. They  
10 don't have the day-to-day interaction with host  
11 nations, so you have to explain it to them and I  
12 think that'll help along the way. But the process  
13 will always be two years in advance. I don't have  
14 any control over that matter. But I think education  
15 is the way to go at it.

16           MR. SHINNICK: And before we break for  
17 lunch, just let me add one point about education.  
18 One of the clearest channels that we in government  
19 have to educate, to use the word, or the Congress,  
20 is the General Accountability Office. And we've had  
21 a representative of that office with us throughout  
22 this session and he's going to join the panel  
23 members for lunch. And I'd just encourage all of  
24 you sitting around in the whole room, you know this  
25 ongoing GAO study is going on and ordered of OBO and

1 it seems very strange for me, as the suspected  
2 perpetrator, to be reaching out to the general  
3 public and saying, come give evidence against us.  
4 Tell the GAO how you fell. Tell the GAO how you  
5 feel because Congress is interested in what American  
6 industry thinks about our performance.

7           And the people, you being the people, have  
8 a right to go to Congress for redress of your  
9 grievances. I mean, that's the way we go things in  
10 America. We don't resent that process at all and  
11 that's why we wanted GAO in every step of this and  
12 that's why everybody I see from the industry, I say,  
13 tell GAO your issues because we are -- they're  
14 suspicious of us on the Hill, as they would be.  
15 They have the money. They have the necessity, as  
16 the Congress, to safeguard the people's money.  
17 We're there asking them for it, to things not always  
18 for very clear reasons, not always with the best  
19 track record, superimposed with Baghdad and other  
20 issues about our ability to perform. But GAO, they  
21 commission GAO, they instruct GAO to come over and  
22 look at this aspect of our operations, and so they  
23 will be very interested in GAO's unbiased opinion  
24 of, number one, how well we're doing, number two,  
25 how we're trying to improve, but most importantly to

1 us, number three is how the Congress can help us,  
2 and that usually means more money and more  
3 understanding oversight. But the three are all  
4 connected up.

5           So we'll put Mr. Bernet on the spot today,  
6 and we'll have a GAO rep at our lunch, and we'll  
7 beat him up instead of OBO, so that'll be a good  
8 thing. And with that, I think we ought to break for  
9 lunch, and what time we'll be back, Michael?

10           MR. SPRAGUE: One.

11           MR. SHINNICK: One o'clock here? Okay.

12           (Whereupon, the luncheon break was taken.)

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A F T E R N O O N S E S S I O N

1  
2 MR. SHINNICK: What I'd like to do now is  
3 recognize the contributions of several members of  
4 our Industry Advisory Panel that have come to the  
5 normal end of a term for assisting us on the panel  
6 and we'd like to mark this and recognize it in some  
7 way. So we have here today -- I'm going to use  
8 Mr. Flemming. He must've got advance warning  
9 because he didn't show up.

10 So we're going to use Mr. Flemming. Where  
11 is his -- it's been taken away, okay. We're going  
12 to use -- what we have here is a wonderful, suitable  
13 for framing, as seen on television, but it is a  
14 thank you from us from the United States Department  
15 of State Overseas Building Operations to an Industry  
16 Advisory Panel member for the year 2007 to 2008, and  
17 it has the great seal of the United States, which we  
18 very jealously have possession of here at the State  
19 Department as the first cabinet agency.

20 And DOT has another one with a lot of flag  
21 stuff and -- but this is the great seal of the  
22 United States of America. So if your grandchildren  
23 ask you what the eagle's all about, you can tell  
24 them it's the great seal. And it's down, by the  
25 way, on this floor where we keep it on display. But

1 first, I'd like to ask Nancy Groshow, it says on  
2 here -- but it's Goshow, as we know, but on this  
3 sheet, on the top, it says Groshow. But Nancy, I'd  
4 like to present you with this. Do we have our  
5 photographer and should I open it for best --

6 MS. GOSHOW: Is that it? Is that how we do  
7 this?

8 MR. SHINNICK: I think that's probably more  
9 impressive opened. Anyway, we spared you the  
10 slideshow, but on this lovely award, we show you  
11 pictures of our buildings, anyway, so there you are,  
12 Nancy --

13 MS. GOSHOW: Thank you.

14 MR. SHINNICK: -- and thanks for your help  
15 in doing that. And also, I would like -- I wrote,  
16 had the presumption to put a little letter in here  
17 and what it does is thank you for your participation  
18 and we hope, when you see this book in the future --  
19 I don't think you'll put it on your coffee table,  
20 but you might. And if you see this in the future, I  
21 want you to realize that you did make a major  
22 contribution to building diplomacy, and I say that  
23 with no sense of irony at all, so --

24 MS. GOSHOW: Thank you.

25 MR. SHINNICK: It's heavy. Thank you very

1 much.

2 MS. GOSHOW: Thank you so much.

3 MR. SHINNICK: And Dr. Marvin Oey. Guess I  
4 better -- thank you very much.

5 DR. OEY: Thanks.

6 MR. SHINNICK: If you don't mind --

7 DR. OEY: Okay.

8 MR. SHINNICK: -- photograph of -- thank  
9 you. And thank you very much. And also building  
10 diplomacy and what this is, it's presumptuous enough  
11 to say warm regards and that may be overstepping as  
12 a salutation, but the part that says with gratitude  
13 is absolutely genuine, so --

14 DR. OEY: Thank you.

15 MR. SHINNICK: -- want you to take that.  
16 Thank you very much. And Darryl Horne. Darryl.  
17 And I regret, Darryl, that after a year's service,  
18 all you have to show for it is a letter from a non-  
19 interim. There you are, the real director having  
20 gone on to his reward in private industry. He'll be  
21 out there somewhere with you guys, and I'll think  
22 we'll pose with this, if --

23 MR. HORNE: Okay, all right. Thank you so  
24 much.

25 MR. SHINNICK: And thank you very much.

1 Thanks again. And there'll be signed copies of the  
2 Bugle available on sale as you leave. This is --  
3 Mr. Tessler is one of our brightest young -- can't  
4 pass up the chance to hear myself speak, but I  
5 mentioned before about drawing the Foreign Service  
6 officers into the organization and into our  
7 organizational goals.

8           And that's why I'm excited to see  
9 Mr. Tessler here today because these are the kind of  
10 officers who don't do construction, they don't do  
11 administration, they don't do management, but they  
12 know what's going on in these foreign countries and  
13 they come to us with their advanced degrees and high  
14 intelligence, et cetera, and we're going to try to  
15 draw them, the whole service, more into the work of  
16 OBO. So for the second part, it's appropriate, as  
17 we talk about energy, that we have folks like that  
18 here. So how are we going to do this and where is  
19 my -- Donna McIntire, who's going to come up and  
20 join me here? And -- excuse me?

21           MS. McINTIRE: Sitting here is okay?

22           MR. SHINNICK: Sitting there is fine. I  
23 notice you made a certain choice there as you -- I'm  
24 not too hurt by that. But I'd like to turn it over  
25 to Donna and Donna, I'd ask you to run the program

1 and --

2 MS. McINTIRE: So I think you probably  
3 already saw the agenda item for the afternoon is  
4 Green Issues, which I think --

5 MR. SHINNICK: Excuse me, Donna, one  
6 minute. I'm sorry.

7 MS. McINTIRE: Of course.

8 MR. SHINNICK: I didn't introduce you.

9 MR. DEUTSCH: Michael Deutsch.

10 MS. McINTIRE: Mike Deutsch.

11 MR. SHINNICK: Michael?

12 MR. DEUTSCH: Michael Deutsch.

13 MR. SHINNICK: Deutsch. Michael Deutsch  
14 is -- will also be leading our group. Thank you,  
15 Michael.

16 MS. McINTIRE: Mike and I actually run the  
17 Energy and Sustainable Design Program. We have a  
18 whole team. The Green Team is kind of congregated  
19 in this corner. We're going to be trading off  
20 during the presentation. We're going to do about a  
21 five-minute introduction to you to tee off some  
22 discussion per half hour, have about 20 minutes of  
23 discussion, if that suits you. We can, you know, of  
24 course -- that was just the plan just to let you  
25 know, sort of, the agenda. There are four topics on

1 the agenda today. We're going to set -- setting the  
2 green goals. We're going to review that a little  
3 bit, how we measure those goals, how we report to  
4 OMB on those goals, how we get it done, both in  
5 existing construction and new construction; and then  
6 how that helps us in transformational diplomacy, as  
7 well as our energy performance and water goals. So  
8 each of those four topics will be run by different  
9 partners of our Green Team.

10           So I'm going to start off. Mike and I are  
11 here to support the first topic and go over the  
12 green goals. Most of you might be aware of the  
13 Energy Independence and Security Act that was signed  
14 on December 15th by President Bush. It's a very  
15 aggressive act in terms of defining federal  
16 buildings and their energy performance and water  
17 goals and how that is going to come about in the  
18 targets that are set therein, on targets mainly I'm  
19 going to go over in the next couple slides.

20           But the talking points here are to  
21 emphasize how we're to get off or become independent  
22 in our oil and our fuel sourcing, lowering our  
23 energy cost, of course, and creating new jobs and  
24 I'll talk -- and we're going to have a whole section  
25 on how that really plays out. So go ahead to the

1 next slide if you would, Mike. There's not only  
2 been this act, but three other important legislative  
3 pieces. One was in 2005, the Energy Policy Act, and  
4 the main thing there was that we have to have meters  
5 on all our building, that's one of the requirements,  
6 as well as a number, but this is the one we wanted  
7 to focus on here. Then the Executive Order 13423  
8 which is all about strengthening the federal  
9 government, our performance and that set some very  
10 aggressive targets for us to reach in energy and  
11 water.

12           Then the Act that I was just discussing,  
13 which ramped that up even further by setting some  
14 more aggressive goals for new construction, 55  
15 percent energy reduction by 2010 and 100 percent by  
16 2030. And you can imagine that's a pretty tall  
17 order. So one other thing -- go ahead, if you  
18 would. Sorry. Back up, Mike, if you wouldn't mind.  
19 The Executive Order codified something that we  
20 already had in place, which was an MOU between about  
21 20 agencies.

22           They had signed the MOU, and we were one of  
23 them, Department of State was one of those  
24 signatories. And that had a bunch of guiding  
25 principles in it that were then codified in this new

1 Executive Order. Those guiding principles were  
2 based on LEED, which is the Leadership and Energy  
3 and Environmental Design Green Building Rating  
4 System. Are you all familiar a little bit with  
5 LEED? You've probably heard about it. So  
6 basically, that Executive Order was saying that 15  
7 percent of your facilities need to meet those  
8 guiding principles or meet LEED by 2015. So that's  
9 an important target for us. So now I'm going to go  
10 into a little bit discussion of how that really  
11 works for us.

12           So if we look at a 30 percent reduction in  
13 energy and a 16 percent reduction in water  
14 consumption -- and this is consumption, not  
15 dollars -- by 2015, we would have to step ourselves  
16 over the next few years to reach those targets.  
17 First, we have to know how many BTUs we're really  
18 consuming and then back off of that, so you can just  
19 see how this plays out for our portfolio. Next  
20 slide.

21           The Act also requires that we audit 75  
22 percent of our facilities. We define that 75  
23 percent, what that is, but then when we define it,  
24 we have to start rolling through that 75 percent on  
25 a four-year cycle, visiting each one of those

1 facilities and determining energy and water savings  
2 potential and implementation measures that we could  
3 do. So if we see that cycle, you'll see it's rolled  
4 out. We have 257 posts with office buildings on  
5 them, which we've defined as our facilities and then  
6 193 of those divided by four a year and so on, so  
7 you can see how that really works for us. And then  
8 the bottom piece there is just how we have to -- we  
9 have to have web tracking for all of our facilities  
10 and we have to do third-party certification, green  
11 building certification, for our facilities. Okay.

12           So how would we get that done? Well, the  
13 Act actually gives us a little bit of direction and  
14 it says that you don't have to go to Congress for  
15 all this money. Look to the private sector to use  
16 energy service performance contracting method. So  
17 are you all familiar with that? David Shaffer and  
18 our electrical engineering branch is going to go  
19 over that a little bit more in detail, but  
20 basically, it's a public -- it's a private sector  
21 infusion of funds that then they get paid off  
22 through the savings that they -- through your  
23 utilities.

24           So there's no up-front dollars for the  
25 government. The private sector comes in, funds the

1 whole project, they get paid over a long-term pay  
2 back through the savings. Okay? That would be --  
3 sorry. That would be 65 percent of our effort; 25  
4 percent would be through our new construction which  
5 Richard Gausseres is here to talk about what we're  
6 doing in that department. And then energy  
7 conservation measures, which is what we already do,  
8 which Michael really runs that piece of the program.  
9 So that's what I wanted to tee up as far as  
10 discussion on this first piece. I'd be very  
11 interested to hear from the panel of how the private  
12 sector is viewing this act, whether you're familiar  
13 with it. There are pieces that are relevant for the  
14 schools and private sector buildings, so I'll just  
15 leave it at that and if there aren't any questions,  
16 we can move on to the next section.

17 MR. SHINNICK: I'd just like to take  
18 this -- before you move on, Donna, I'd like to  
19 introduce a change in the panel membership up here  
20 on the OBO end. Paul Rowe had to leave and take  
21 care of some other issues, and he has been replaced  
22 by Adam Namm, and Adam right now is the deputy to  
23 Paul in operations, and he has been paneled last  
24 week into Paul's job, so in early July, at the  
25 latest, Adam will become the Director of Operations

1 and the Deputy to the Director of OBO, so there he  
2 is. He'll be at many of these IAPs because he won't  
3 be on interim. So Donna -- sorry, Donna.

4 MS. McINTIRE: No, that's good. If you  
5 have discussion points now or we can get back to  
6 this a little bit later, however you'd like to  
7 proceed. We can just proceed, then, with the next  
8 piece, which is Alex Kurien is here to talk to us  
9 about how we're going to measure up. He can sit  
10 right here.

11 MR. SHINNICK: Where's David Barr? Come  
12 on, David.

13 MR. KURIEN: Thank you, sir. My role is  
14 very simple. I'm going to walk you through as to  
15 how this is going to be somehow fit into the big  
16 picture -- as Donna already went through that. Many  
17 of you are seeing the triangle, the famous triangle,  
18 of getting the green and there are four items of  
19 focus in this process. The first one is make sure  
20 this -- assets. The second one is make sure that we  
21 are operating at the right cost. The third one is  
22 make sure we are keeping our assets -- in the right  
23 condition.

24 And the last one is, of course, we are in  
25 compliance with all the regulations under the --

1 initiative, itself. How do we measure this  
2 performance of State Department as well as the other  
3 agencies out there? To maintain a database with the  
4 24 data elements. Next slide, please. You can see,  
5 this is set across the board with all the agencies.  
6 There are 24 basic elements for data, for each of  
7 the assets that we maintain here, as well as  
8 overseas. But you can see, some of them, like --  
9 Number 20, some of them doesn't really apply to what  
10 we do overseas, but we got exception in terms of  
11 whether we provide all the information or not. But  
12 what happened recently is what Donna said, the  
13 Executive Order 13423 being added to this  
14 initiative, that is where we, as the managers of  
15 the -- initiative works hand-in-hand with Donna to  
16 make sure we add these two elements into the  
17 database, which is Number 25, Applicability of  
18 Executive Order -- which means that we look at our  
19 assets and see this new initiative is really  
20 applicable to this particular asset or not.

21 Is a check, yes or no. If it is yes, then  
22 we go on to 26, whether we meet this accessibility  
23 of maintaining green for this asset and when we have  
24 done that. So we really have a great role in terms  
25 of playing and working with Donna in accomplishing

1 this overall goal of the State Department, as U.S.  
2 government to make sure this Executive Order is met,  
3 otherwise we won't be staying green for our  
4 initiative. And what's the requirement? As we can  
5 see on the board, that we are to meet 15 percent of  
6 all the assets we own and occupy overseas become  
7 green by 15, so it's a 15/15 rule. And how do we  
8 manage and ask -- how do we track this initiative?  
9 Next slide, please. We have a database in real  
10 estate and from there, Donna's team will definitely  
11 pull out all the assets out there under the property  
12 I.D. and she would evaluate and see which of the  
13 assets qualify under this Executive Order and once  
14 they become green, she will drag them and then we  
15 upload that information into the RDB, which is the  
16 Real Estate Database. By meeting this requirement  
17 under the Executive Order, we will sustain and  
18 remain green under this initiative. That's pretty  
19 much where I come in, to make sure my job is to  
20 State Department sustain green for rest of our term.  
21 Thank you.

22 MS. McINTIRE: Thank you. Stephanie's  
23 going to just chime in here at the end and tell you  
24 a little bit more about that database.

25 MS. KUTLIP: Yeah, I'm Stephanie Kutlip.

1 I'm also a member of the Sustainability Program and  
2 going along with what Alex said about measuring our  
3 progress and also what Donna spoke about as far as  
4 making the mandated reductions in energy and water  
5 use, in order to know where we're going, we need to  
6 know where we've been, so the Sustainability Program  
7 contracted with Jacobs to have them produce a data  
8 collection, storage and reporting effort and the  
9 result of that was a report that showed where our  
10 posts are in terms of some critical areas of concern  
11 that include site issues, water issues, energy and  
12 atmosphere and materials. Of course, the easiest  
13 ones to quantify are energy and water. Next slide,  
14 please. You can see here that one of the reports  
15 that they produced was our energy use by post.  
16 You'll note this isn't cost, but this is actual  
17 energy use per year.

18           You can see, though, that some of the posts  
19 that had the highest energy use also had very high  
20 costs and that's something that we'll be looking at  
21 in terms of pay back as we move forward in reducing  
22 our energy consumption. And then you can also see  
23 we're able to set a benchmark among posts as a  
24 group.

25           We did measure posts individually so that

1 those -- their progress can be tracked. However, we  
2 also can look at them as a group and see what the  
3 mean energy consumption and also the mean water  
4 consumption is among posts and identify areas for  
5 improvement. So this will give us a way to set  
6 future performance standards. So with that, if  
7 there any questions.

8 MR. KNOOP: How far back do we go in  
9 measuring our performance so we know how far forward  
10 we're moving?

11 MS. KUTLIP: Well, this effort was just  
12 started in 2007, so 2007 is really the year where  
13 we're starting to benchmark our performance.

14 MR. KNOOP: So we don't have data that  
15 allows us to look back over some past decades and  
16 see whether we're able to use less energy in  
17 delivering diplomacy overseas than we are now and  
18 than we will be in the future?

19 MS. KUTLIP: Well, actually, BearingPoint  
20 did a study for us that benchmarks back to 2003, but  
21 it benchmarks cost and the consumption is not  
22 related to that cost, is not as clear. But it could  
23 be extrapolated, given what we know now about our  
24 use. We can sort of map it back.

25 MR. SHINNICK: Donna, can I just interrupt

1 one moment? I'd like to just introduce the late  
2 arrivals who have just returned from fighting OBO's  
3 battles on the Hill. So I see they're not too  
4 marked up and we'll presume from that that they were  
5 successful, but on my right, known to many or all of  
6 you, is Joe Toussaint, who heads Project Execution.  
7 And on my left, also, should be known to all of you,  
8 is Jonathan Blyth, who is the Chief of Staff at OBO  
9 and is also our Congressional relations guru, having  
10 spent 12 years, himself, up on the Hill in various  
11 capacities as aid to Congressman and chiefs of  
12 staff, et cetera, so we're very fortunate to have  
13 his unique qualifications, too. And so Donna, I'm  
14 sorry, but I just wanted to do that.

15 MS. McINTIRE: So that would conclude our  
16 presentation, our tee up for the second part of  
17 measuring up. If there are other questions about  
18 that, otherwise we'll move on to the next piece.

19 DR. OEY: Just real quick. On the measure  
20 -- when you have the benchmarks. I'm not real  
21 familiar with this, so I sent all the documents to  
22 ASCE's committee on sustainability. They provided a  
23 lot of comments and some questions on -- one is the  
24 benchmarking. I guess what they found is that a lot  
25 of these carbon footprint models that are being used

1 are very significant from one another. Is this  
2 based on some model or is it just strictly here --  
3 it says, you know, BTUs per square -- I'm not sure  
4 how the benchmark is --

5 MS. McINTIRE: The benchmark is done in  
6 BTUs. The carbon footprint is a whole other issue.  
7 That's a whole separate issue, but -- and we're not  
8 studying, at this time, how to become carbon  
9 neutral, but that could be another initiative that  
10 links onto this program. But right now, we're just  
11 looking at our BTUs and all power, electricity,  
12 diesel, propane, everything can be translated into  
13 BTUs and the Executive Order asks us to measure in  
14 consumption rather than dollars. Does that help  
15 answer that question? And we have the calculations  
16 if you want to see how that --

17 DR. OEY: No, no, no, no.

18 MS. McINTIRE: I mean not here, but --

19 DR. OEY: I wouldn't even know -- I was  
20 just curious --

21 MS. McINTIRE: Neither would I.

22 DR. OEY: One of the things that I saw  
23 green and sustainability, one interesting study that  
24 ASCE did was what does sustainability mean, so they  
25 came out with a study, essentially a survey that

1 went out to -- mainly it was construction folks, to  
2 get their idea of what does sustainability mean and  
3 it was all over the board and they found that that  
4 lack of definition or understanding of what  
5 sustainability is, is sort of an obstacle right now  
6 in trying to get some of these implementations, you  
7 know, these technologies implemented, so --

8 MS. McINTIRE: Yeah, that's a good point in  
9 terms of wanting to define what your program's  
10 doing. Sustainability may not be the greatest term  
11 because if your marriage is sustainable, then it's  
12 probably not -- that's not the term you want to  
13 really use for something to convey it's doing really  
14 well. High performance. High performance is  
15 something that people sort of have latched onto  
16 that, you know, high performance is good, that's  
17 good. Green is kind of a catchall and of course,  
18 the public sector really now, really identifies with  
19 green. Everything's green. It's a green tsunami of  
20 interest, you know.

21 MR. WOODS: I'm just a structural engineer,  
22 but I want to ask the question, how do you equate  
23 the different use of energy in, say, Paris where the  
24 power supply is 24/7/365 versus -- and I'm going to  
25 pick on Ouagadougou again, as maybe you're operating

1 on standby generators X number of hours a day,  
2 because there's a difference in that cost.

3 MS. McINTIRE: The perfect person to answer  
4 this is now sitting at the table, David Shaffer, in  
5 our electrical engineering branch, and one of the  
6 chairs of our energy piece of the program.

7 MR. SHAFFER: Thank you. This is actually  
8 a very good question and a good way to lead into the  
9 next series, but the difference -- the main  
10 difference we look at when we look at energy is --  
11 are the price per kilowatt-hour or how much it  
12 actually costs us per BTU. So in electricity, we  
13 would actually equate the diesel use and the  
14 operation maintenance of the generators into a  
15 dollar amount spread out across the year and equate  
16 that to a utility rate that we would be paying for  
17 those generators. We figure, at the moment -- well,  
18 last year it was around 42 cents a kilowatt hour,  
19 which is upwards of five times what we pay in the  
20 U.S. for utilities, but it's -- whenever we look at  
21 the data that we gather, we definitely look at the  
22 utility rates as a major point for where we focus  
23 our efforts because it's, you know, dollars across  
24 the board, yes, Ouagadougou is going to be -- even  
25 if it's a smaller facility, is going to consumer

1 more dollar-wise than in Paris, being a larger  
2 facility.

3           So that's really where we start to get into  
4 how do we benchmark and how do we start moving  
5 forward with where we do go first and go ahead to  
6 the next slide. This is getting into for our  
7 existing facilities. We've moved into starting with  
8 the Green Team doing some report and studies to see  
9 what technologies we can actually use in our  
10 facilities to gain sustainability and energy  
11 efficiency. A few that we've done is looking at  
12 wind power, vegetative roofs, photovoltaics and  
13 moving forward more with metering and LED lighting,  
14 trying to get that usage number down because we get  
15 the usage number down, then we start getting into  
16 those BTUs and meeting the 30 to 55 percent that we  
17 need to based on the orders. Next slide. The next  
18 large effort that we're focusing on is in ESPCs or  
19 Energy Savings Performance Contracts, which is  
20 essentially financed by private industry to finance  
21 the upfront cost, being paid back with the dollar  
22 amount savings in the energy use. This would be --  
23 this has been used in government for several years  
24 now, but with the Act signed in '07, it's  
25 recommended to gain our further ability to meet

1 those numbers.

2           The ESPCs are managed by the Department of  
3 Energy through the Federal Energy Management  
4 Program, which provides support to federal agencies  
5 for operating these contracts. They have  
6 contractors onboard that can act very quickly in  
7 assessing buildings and deciding what technologies  
8 are best for those facilities and how to move  
9 forward.

10           Can you go to the next slide there? This  
11 is just a cross-section, a small cross-section, of  
12 how FEMP has been assisting other agencies. As far  
13 as a total in the last ten years, roughly the DoD  
14 alone has done about \$1.1 billion worth of upfront  
15 cost with ESPCs which is paid off, average, over 17  
16 years. So what they typically like to see is a 20  
17 to 25-year pay back period or contract period for  
18 the ESPCs. So at 17 years, we still theoretically  
19 would gain additional years of benefit at no cost to  
20 us and also if you look at the inflation of utility  
21 rates, everything that goes on after the first year,  
22 typically we're gaining on what was installed versus  
23 what we're actually consuming. Next slide. One of  
24 the technologies we've been looking into seriously  
25 is with photovoltaics, this is just a quick list of

1 our top 19.

2           We have evaluated about a hundred different  
3 posts and this gets back to the original question  
4 about where do you go. This is based on utility  
5 rates. What you see there is -- Chad has our  
6 highest effective utility rate, which is not just  
7 the consumption number, the kilowatt hour, but also  
8 the taxes and fees that go on top of that, averaged  
9 out over years, you can see they're rather high.

10           So these are where we're starting to focus  
11 going with these items and ESPCs is a very good  
12 vehicle for getting these technologies done. Go to  
13 the next slide, there. So this is actually one of  
14 the projects that we did. It wasn't an ESPC. This  
15 was funded out of our own funding, but this is in  
16 Geneva, Switzerland where they actually have -- and  
17 this is across Geneva, Germany, where they're really  
18 focusing on doing these things, utility and  
19 government subsidies to assist in paying for the  
20 upfront costs and this has become very successful,  
21 but it's essentially putting more money in the  
22 pocket of the post because it's -- we're selling the  
23 electricity back to the utility at a higher rate  
24 than we're buying it from. And across the board,  
25 it's a savings. Go to the next slide, there.

1           Other things that we're looking at doing  
2 and bundling with the ESPCs is things like megala  
3 (ph.) chillers, where we did one in Tokyo, very  
4 successful. We're starting to get -- it's still  
5 fairly new, but we're starting to get data in on it,  
6 that it's significant savings, so where this, again,  
7 turns into ESPCs is that with FEMP, they have a  
8 program called Super ESPCs, where they can actually  
9 go into a facility, look across the board and put a  
10 high pay back with a very low pay back and actually,  
11 you can start gaining other work within the facility  
12 by the pay back from the energy savings.

13           I think this would be about the last one.  
14 Go on to the next one. I think we're -- one more,  
15 yes. Again, just another technology, geothermal  
16 heat pumps. Actually, this is a good list of the  
17 ESPCs that we've done within our facilities program  
18 within the past -- since '99, so 11 years. Eight.  
19 Nine years. Going the wrong way. For very small  
20 individual contracts to kind of get our feet wet.  
21 Our next move is to go further with this and start  
22 doing large ESPCs across many facilities to really  
23 start gaining on the pay back and this is where  
24 we're looking at the 65 percent of those total  
25 numbers to gain from. So that's about all I have

1 for that. Is there any questions on this? Yes.

2 MS. GOSHOW: On the geothermal, is that  
3 shallow or deep well?

4 MR. SHAFFER: That, I believe, is shallow.  
5 I'm an electrical engineer and I'll have to defer  
6 that. It's shallow, yes. Very good. I think we're  
7 moving next into New Facilities and Richard  
8 Gausseres will be working on that. Thank you.

9 MR. GAUSSERES: In planning about three to  
10 five years prior to a project award, we evaluate and  
11 analyze a project in relative detail. These are  
12 some of the major documents that we developed.  
13 There's the initial planning survey, tells us pretty  
14 much how you do business in the country, taxes, how  
15 to connect to utilities, labor cost, construction  
16 cost. We also develop a zoning package with the  
17 local officials to make sure that they will accept  
18 our -- what we plan to build. It's not a permit,  
19 it's a zoning package where they accept the  
20 development. And we also prepare an integrated  
21 planning review, which is schematic drawings,  
22 conceptual drawings that you actually see in the  
23 RFPs, some of these drawings. Now, how do we  
24 implement LEED throughout the planning? So if we  
25 can go to the next slide. Actually, LEED starts at

1 the site evaluation, ideally three to four years  
2 prior to the award of the project.

3           We do a site evaluation and at that time,  
4 the team goes out there, evaluates several sites and  
5 recommends one or two sites, then they have a LEED  
6 score sheet where they already have an idea what the  
7 sites look like. And approximately three years in  
8 advance to the award of the project, we prepare the  
9 initial planning survey. Within the planning survey  
10 we'll also include a sustainability report.

11           That report then feeds the Green Team that  
12 will prepare, as you will see later, some matrix,  
13 actually, to develop the budget for this project  
14 which is done about two years or two and a half  
15 years in advance of the project. The IPS is also  
16 there to feed information for the budget. Later on,  
17 about 12 months or 18 months prior to the award, we  
18 get into the schematic drawings and then we further  
19 develop the budget. We get into the LEED items. We  
20 have a better idea of what they're going to cost.  
21 We will talk about this. We also have value  
22 engineering done at that time, which also identifies  
23 what could be done to the project and make it  
24 better. And finally, we conclude with the request  
25 for proposal, documents as well as what we call the

1 project analysis package, which is actually a  
2 document that we pass on to our successor in OBO  
3 that identifies what is in the project in addition  
4 to what you see for construction. It also has other  
5 elements. Can you go to the next slide, and Dena  
6 and I will talk about the matrix that is  
7 implemented.

8 MS. RICHARDSON: Thank you, yes. This is  
9 the matrix that we put together. We use the  
10 information from the IPS and also the reports that  
11 Dave spoke about earlier. We take a look down the  
12 column of all of the current places that we're  
13 looking at, whether it would be FY '09 or FY '010,  
14 but all the locations and then we look at all the  
15 different technologies, energy technologies like  
16 photovoltaic, wind, site lighting, interior  
17 lighting, but also sustainability, rainwater  
18 harvesting and constructive wetlands and those don't  
19 always have the same kind of pay back as the energy  
20 projects, but if you get them in at the start of a  
21 project, they don't cost any more and they could  
22 have a good pay back because there's other things  
23 that you don't need to construct if you have them.  
24 We also take a look and see how much the project  
25 costs and what the pay back will be -- cost

1 analysis. As you can see, not every technology is  
2 right for every single location so we put forth the  
3 planning, what technology we think is going to be  
4 correct for a specific location. Next slide.

5 This is our first LEED building, Sofia.  
6 This is 37 percent better than the ASHRAE energy  
7 documents. It was built on a brown field  
8 redevelopment. It's got enhanced indoor air quality  
9 and this is actually a really good educational tool.  
10 It got a lot of positive press. There were articles  
11 in ABC News, Environmental and Design Construction,  
12 State Magazine, Delta Sky Magazine and others. Next  
13 slide, please.

14 We have another embassy that just got  
15 certified, that was Panama City and that got  
16 certified, I believe, within the last week or two.  
17 Next slide. Well, what we've started doing is we've  
18 started trying to do a certification of our SED, so  
19 that we've gone through, we've looked at the design.  
20 There are certain points that are design points and  
21 not site-specific points and we worked with the  
22 USGBC to get a bulk certification. So that takes  
23 some of the risk off the contractors that we've  
24 already looked at the design, we've already looked  
25 at it and dealt with the USGBC and they've agreed

1 that the design meets their criteria. And that is  
2 what we're doing for the new buildings. Are there  
3 any questions?

4 MR. HICKS: I'd just like to make one  
5 comment. You know, this isn't a nice-to-have, it's  
6 a must-have and I run the entire preconstruction  
7 process from the long-range plan through real estate  
8 to contract award and that includes the entitlement  
9 process and we're finding, with increasing  
10 frequency, jurisdictions around the world where we  
11 go through the approval process and entitlement  
12 processes, just like anyone else.

13 Places like Oslo, The Hague, Western Europe  
14 is where you see this more than anyplace else,  
15 mandatory inclusion of environmentally appropriate  
16 and sustainable features in our projects, so it's  
17 not a nice-to-have, it's not a good PR piece, it's  
18 something that's being mandated in some of these  
19 jurisdictions we go to. And the other thing I just  
20 wanted to say, to point out, you know, lofty  
21 platitudes, good intentions, but we're a big enough  
22 bureaucracy that if what's being talked about here  
23 doesn't make it into the hands of the people in the  
24 trenches doing the work, it doesn't do any good and  
25 what we've done is I've gotten to know Donna and

1 Donna's program better recently, so much so that I  
2 know planning's connected to it, but I've insisted  
3 that next week Donna and her folks are going to be  
4 doing a presentation, all hands required attendance  
5 by my division directors and branch chiefs to make  
6 sure all of the many ways in which these efforts  
7 connect to the preconstruction process, that we be  
8 lashed up really, really well. And I think we are,  
9 but I'm not leaving it to chance. We're just a big  
10 enough bureaucracy that I want to make sure that  
11 it's down into the trenches and people are living  
12 and breathing it every day.

13 MS. RICHARDSON: And just one more thing I  
14 want to bring up, because we are doing this matrix,  
15 we do it after the IPS, before the budgeting  
16 process, and that was actually a big shift. We used  
17 to try and get Green in after the budget had been  
18 set and there's no more money, no matter how good  
19 the project is you can't get money after the fact.  
20 So we've kind of stepped it up and we now look  
21 before the budget is set and go to planning with  
22 these requirements and so it's easier for them to go  
23 before Congress once and say, you know, if you give  
24 us this much money, we can give you this much pay  
25 back.

1           MR. McDONALD: Question for you. I'd be  
2 interested to know what's the earliest point that an  
3 ESPC can enter into a project, is it an  
4 afterthought? And are you satisfied that it's at  
5 the right point or could it move earlier and take  
6 advantage of that before or during delivery?

7           MS. RICHARDSON: Do you want to talk on the  
8 ESPC?

9           MS. McINTIRE: We haven't yet done ESPCs as  
10 part of the new construction process. That's a  
11 little bit of a different animal. GSA's done it  
12 once or twice on a courthouse, but it's a whole  
13 different game when you try to marry up an ESPC  
14 contractor with a design-build contractor and have  
15 them both trying to do the design at one time. We'd  
16 be welcome to hear how it's working in the private  
17 sector, but we really have been focusing on the  
18 existing building stock before the new construction  
19 for ESPCs.

20           MR. McDONALD: It might be interesting if  
21 that were part of the solicitation that would  
22 provide some of that tail that we talked about  
23 before. ONM doesn't seem to be a likely candidate,  
24 but if it were, in fact, built in and there was a  
25 benefit to the contractor, that could be another --

1 MS. McINTIRE: Um-hum.

2 MR. McDONALD: -- attractive component of a  
3 project.

4 MS. McINTIRE: Yeah, we did a white paper  
5 on that and we can raise that white paper up again  
6 for circulation and comment.

7 MR. TOUSSAINT: I'd like to hit the ball  
8 back over the net as Donna did. It would be good to  
9 get feedback from you about that, particularly AGC,  
10 maybe, of how we could see that -- what benefit --  
11 what's out there that's being done in that area  
12 because it does seem to be a bit of a murky  
13 challenge to combine these two.

14 We have enough difficulty getting a design-  
15 build contractor focused on all the things we want  
16 the design-build contractor to do. And now if we  
17 introduce a further subtlety to it that goes out to  
18 a life cycle view of the project, that many of our  
19 contractors really want to just finish and go on to  
20 the next. I would be interested to know if there  
21 are any examples that we could draw on of other  
22 agencies, other companies, other countries that  
23 might be doing that.

24 MR. McDONALD: There's a lot of work in the  
25 private -- the commercial sector right now and

1 really, it occurs at the portfolio level. In some  
2 ways, there's states -- state of Missouri, for  
3 example, is taking on pretty significant initiatives  
4 to integrate building systems through an IP backbone  
5 into a building or into a compound and really manage  
6 the facility from a building operation center where  
7 you've got visibility on everything going on rather  
8 than having an independent system for multiple, you  
9 know, HVAC security or what have you.

10           It's all kind of integrated. That really  
11 is the direction of the industry and short of  
12 funding that and specifying it in an RFP, you know,  
13 maybe the first way to get that done is through an  
14 innovation through an ESPC, if it came in soon  
15 enough. Integrating building systems like that  
16 after the fact are obviously much more difficult and  
17 less effective, overall.

18           MS. McINTIRE: Are you speaking about a  
19 building automation system that then reports back to  
20 a central location so that you can monitor and make  
21 tweaks and changes?

22           MR. McDONALD: Absolutely.

23           MS. McINTIRE: Okay.

24           MR. McDONALD: Monitoring, gathering the  
25 time series, the data, even things as technical as

1 picking up -- we talked about making dumb buildings.  
2 Maybe this is a step in a different direction.  
3 Depending on how the interface was established, you  
4 might benefit from this but even predictive analysis  
5 of picking up vibrations in your handlers and having  
6 visibility of things before they actually  
7 malfunction completely. Boston Properties is a good  
8 example, in Boston. They wired together 40 major  
9 commercial buildings. They're monitored from a  
10 single location 24/7 and they eliminated about 123  
11 positions of on-call crews at multiple locations,  
12 just by knowing what's going on and having the  
13 visibility.

14 MS. McINTIRE: I would say that that's like  
15 an overall energy management program that's  
16 monitoring from a central location. I'm not clear  
17 how -- what we were thinking was that an ESPC  
18 contractor might implement some of the things you  
19 need to be able to do that, like metering.

20 MR. McDONALD: Right.

21 MS. McINTIRE: So you've got to have the  
22 proper meters all over the world to then report back  
23 to the central location, so that could be done with  
24 an ESPC contract to go out and do that, for example,  
25 as a bundle.

1           MR. McDONALD: Clearly, that's another  
2 option, yeah.

3           MR. h: There was an interesting -- lost  
4 opportunity. We have interest in a PV project there  
5 and the idea -- your feelings on during the working  
6 period, you know, as a contractor during warranties,  
7 to have an ESPC come in -- during the warrant  
8 period, like on a roof rafter system finish, that  
9 type of thing.

10           MS. RICHARDSON: As for monitoring the  
11 operations of the building, we do have the AS  
12 systems that all of our new embassies out and you  
13 know, the FM and his staff do monitor them and see  
14 that things are working well.

15           MR. McDONALD: As a follow-up question, I'd  
16 be interested to know if any of your ESPCs have  
17 rolled over and become an in-house program, if they  
18 were so successful that they were kind of a proven  
19 initiative that you took them on? For the  
20 photovoltaic cells that you showed in Geneva, if  
21 they were the result of a previous ESPC, for  
22 example, or was that just an initiative?

23           MR. SHAFFER: Yeah, that was mostly just an  
24 initiative in the beginning. That was our first  
25 real installation for photovoltaics. We're now

1 using that as guidelines for moving forwards with  
2 other photovoltaic projects and other technologies,  
3 but the ESPCs are, for the most part, now just  
4 running along and we're now looking -- the main  
5 issue now is that FEMP is operating mostly domestic  
6 with their ESPCs and other than a few things that  
7 the Department of State Domestic is doing, we're  
8 looking at a different animal for the ESPCs, where  
9 the places we need to go.

10           So that's where FEMP is now in the process  
11 of awarding the Super ESPCs for international use  
12 and the only thing that that's going to basically do  
13 is up the risk for the contractors which, of course,  
14 will be built into their contract. But moving  
15 forward with the ESPCs is our next step and as we've  
16 been looking at them and evaluating them, once we  
17 get the new contracts from FEMP ready to go then  
18 we'll definitely move forward and start testing the  
19 water internationally with larger ESPCs.

20           DR. OEY: One resource that the OBO could  
21 turn to is the Port Authority of New York and  
22 New Jersey. They've got a very strong green  
23 sustainability program, especially with the World  
24 Trade Center going up, that's sort of their pilot  
25 deal. On another note, I notice there's a lot of

1 mention of LEED and just a word of caution. Again,  
2 I'm not too familiar with all of this but from  
3 second-hand knowledge from the committee and just on  
4 conference calls with them, I'm under the impression  
5 that LEED does not really take into account the life  
6 cycle cost of a facility when the rating system does  
7 it. So I was given, you know, different other  
8 options like Energy Star and BREEAM. Are those  
9 other rating systems or guidelines that you're  
10 looking at?

11 UNIDENTIFIED SPEAKER: We've been doing  
12 Energy Star since 1990. That's ingrained in our set  
13 and metering. We've complied to it since 1990.

14 MS. McINTIRE: Yeah. So Energy Star and  
15 BREEAM are things -- are rating systems that would  
16 be used to certify the building after its built.  
17 LEED is more an upfront document to certify the  
18 design and construction so that you try to get the  
19 best product upfront. And then you're right, you  
20 would have to use LEED for existing buildings to try  
21 to demonstrate its energy performance actual real  
22 time, which LEED does fall short of.

23 MR. SHAFFER: Right. And at the moment,  
24 the way we spend all our limited dollars is by  
25 looking at life cycle cost and rating -- ranking

1 projects by life cycle costs, so it would be  
2 considered. For our funding, it has to be under 10  
3 years and we're now running into things where items  
4 that we can do more than obviously what we have  
5 funding for, which is where we're moving to the next  
6 step with ESPCs.

7 MS. McINTIRE: I'd just like to say that  
8 it's due to the director's guidance that we're  
9 really focusing on ESPCs and focusing now on LEED  
10 for the new construction. We've moved to requiring  
11 LEED for all the '08s, for formal LEED certification  
12 for all the fiscal year '08 projects, which was a  
13 big step forward for our program, so -- and that's  
14 really due to the leadership and attention that I  
15 think this topic of energy performance and life  
16 cycle analysis is getting, so I just want to point  
17 that out.

18 MR. SHINNICK: If we could add something to  
19 that, too, and I'd like you to note that the  
20 program, as existed, has existed largely in what one  
21 would call our maintenance function. I mean, there  
22 have been a lot of activities done by our facility  
23 managers branch and we applaud them for that, but at  
24 this stage of development in reaching out to you, to  
25 the organizations that are interested in this

1 politically, bureaucratically, with our ambassadors  
2 overseas, we made the decision to make this a design  
3 function and to place this initiative in the design  
4 engineering, which works for Mr. Toussaint and that  
5 was a conscious effort to move it -- it's in the  
6 front of our consciousness both for the new  
7 construction, hopefully, in the future and also to  
8 give it a certain, if I can be honest here, a  
9 certain profession gloss to it. In other words,  
10 it's elevated above what -- which valid as it might  
11 be, we're elevating it above a maintenance function,  
12 and I don't mean to denigrate the maintenance  
13 function at all, and they're going to join in and be  
14 complementary and be full partners, but when we're  
15 going to operate with the Department of Energy and  
16 we're going to operate with the League of  
17 Ambassadors, we just felt that using the talent  
18 available in our design engineering branch and those  
19 professional disciplines would give us more  
20 credibility and visibility, so that's why we made  
21 that decision. Joe, do you want to add anything to  
22 that as the owner of DE?

23 MR. TOUSSAINT: Well, that's very kind to  
24 say I'm the owner, but actually the Godfather of  
25 this is -- he was burnt out from his time on the

1 Hill, he did so well, Bill Miner --

2 MR. SHINNICK: Yeah.

3 MR. TOUSSAINT: -- and Bill didn't join us  
4 this afternoon, but several years back, Dick, Bill  
5 had actually started to put together -- he's great  
6 for seeing the structures within an organization and  
7 how there are an awful lot of people within the  
8 organization that were interested in this and he saw  
9 that he had, within his area, he had certain folks  
10 that had, you know, the professional like Donna --  
11 external recognition from LEED and others, U.S.  
12 Green Building Council and so forth, that she could  
13 form sort of a coordinating role and so she became  
14 elevated.

15 I think we had a presentation on this --  
16 the Green Team. And that pulled everybody from all  
17 different corner of OBO to include the operation  
18 site into one group and so they found that all kinds  
19 of disciplines were interested in this and had  
20 expertise and were working on this and actually  
21 spending money, different people's money. The nice  
22 thing about execution is we don't care where the  
23 money comes from, we just like to spend it.

24 And this could go either way, but I  
25 think -- you know, when Dick pops in and says, as

1 you're wont to do, you got it, Joe, I said fine,  
2 okay and it made sense for the reason he said. You  
3 know, it's going to be up there at the design, the  
4 first entry point. One could say it could be in  
5 planning. Well, you saw Richard Gausseres talking  
6 about it, so it is in planning already, you know,  
7 and this is great to see the greening of OBO, in a  
8 sense, you know.

9 MR. SHINNICK: And I'd like to, you know,  
10 in his absence, I can feel free to embarrass him  
11 because he's not here, but Bill Miner is a leader in  
12 these efforts and capable of seeing the future, if  
13 you will, and I often wondered why because I knew  
14 Bill when I was here before, when he was a  
15 relatively junior engineer and I was shown, by Joe,  
16 as the proud father, Engineering Magazine which was  
17 citing our very own Will Miner's credentials as  
18 being Princeton and MIT, so he'll be surprised.

19 The only surprise is how do we keep people  
20 like that, you know? And that's why I said, at  
21 lunch, we talked about the war for talent and the  
22 fact that John Woods mentioned that it's very  
23 difficult to find qualified talented people and I  
24 wasn't being cavalier when I said that really --  
25 John, I responded to you I didn't think that was our

1 problem and that we really had superb, qualified  
2 people in our organization and you see some of them  
3 here today that I'm bragging on, so thank you.

4 MS. McINTIRE: We'll move on to the last  
5 topic. We've teed up the green goals. We went over  
6 how we're measuring up. We saw how we're going to  
7 get it done through existing and new facilities and  
8 our last piece is the Eco Diplomacy Aspect. We have  
9 David Tessler and Edgar Dizon to talk about that.

10 MR. TESSLER: Hi. I'm David Tessler and I  
11 work on climate change policy in the Bureau of  
12 Europe and Eurasia. I wanted to talk to you for  
13 just a few minutes about Eco-Diplomacy or green  
14 diplomacy, which is the idea of taking environmental  
15 issues, climate change issues, clean energy issues  
16 and mainstreaming them in our diplomatic activities.

17 One example of Eco-Diplomacy is an  
18 initiative called the League of Green Embassies.  
19 It's an initiative that was launched by our embassy  
20 in Stockholm at the end of last year and the idea is  
21 to find more energy efficient, greener ways to run  
22 our missions overseas. There are three, I would say  
23 three collections or groups of objectives that we  
24 hope to advance through the Green League; policy,  
25 public diplomacy and resource management, and I'll

1 touch just briefly on each one.

2           What you see on the slide now is a quote  
3 from President Bush that encapsulates, I think,  
4 pretty well our policy when it comes to climate  
5 change and energy security. "We take climate change  
6 seriously. We recognize it as a serious problem and  
7 we're committed to combating climate change by  
8 reducing greenhouse gases and through other means."  
9 You've already heard some of the legislation that's  
10 been enacted like the Energy Policy Act in 2005 and  
11 the Energy Independence and Security Act that the  
12 president signed into law last December. These  
13 acts, this legislation along with the Executive  
14 Order all talks about reducing energy consumption  
15 and energy use in our federal facilities.

16           Others have already talked about it, but I  
17 just want to note, because I think it's very  
18 important, that when we talk about reducing energy  
19 use in our federal facilities, our federal  
20 facilities consumer more energy than lots of  
21 countries. So for example, in the Energy  
22 Independence and Security Act, which mandates that  
23 we reduce energy usage in federal facilities by 30  
24 percent by 2015, that energy savings and the implied  
25 reduction in greenhouse gas emissions is not

1 insignificant.

2           And we say -- you know, we remind this to  
3 many of our foreign interlocutors that energy  
4 savings is more substantial, like I said, than many  
5 countries, so it's a huge operation and it's very  
6 important. The next collection of objectives that  
7 we hope to advance is in public diplomacy and I use  
8 these two pictures up there to create a bit of a  
9 juxtaposition. On the right is an image of  
10 smokestacks and it represents the misperception  
11 among many European publics that the United States  
12 is a gas guzzling, smokestack belching society,  
13 indifferent to climate change, not interested in  
14 climate change. That's the misperception. That's  
15 the image, which, unfortunately, perception  
16 oftentimes is as important as reality.

17           The reality's on the left and that is our  
18 mission in Geneva, which you've seen an image of  
19 before covered in photovoltaic panels. The reality  
20 is, is that the United States does take climate  
21 change seriously. We've invested over \$45 billion  
22 in addressing climate change just since 2001. We  
23 are the leaders in research and development and in  
24 technology development of clean energy and its  
25 deployment.

1           What we try to do in the European bureau is  
2 to change the misperception and get it closer to  
3 reality. One way to help do that is through the  
4 Green League, through greening our embassies. It  
5 creates opportunities for us to talk about our  
6 energy efficiency initiatives and our green  
7 initiatives and it's a force multiplier, if you  
8 will, for our messaging, for our public diplomacy  
9 messaging and our outreach because it's a constant  
10 reminder for people, for example, in Geneva that in  
11 fact, the United States is doing a lot and it really  
12 does help us significantly to get good press and to  
13 get a discussion going locally in European publics  
14 about what the United States, in reality, is doing  
15 and what our position is. So it helps change the  
16 misperception. What does the Green League actually  
17 do? It shares best practices. It's a great way of  
18 sharing ideas, new initiatives.

19           We do that through a web portal that we  
20 have where people post different ideas or best  
21 practices that they've already implemented at their  
22 posts. The Green League can also -- hasn't done it  
23 yet but can act collectively to obtain or try to  
24 obtain funding. Lots of green initiatives cost  
25 quite a bit of money; they're significant resource

1 implications.

2           And the Green League hopes that if they  
3 choose or select a really good, strong, green  
4 initiative that by acting collectively they can  
5 increase their chances of securing funding for such  
6 an initiative and then, of course, the public  
7 affairs or the public diplomacy angle that I  
8 mentioned before. You can also see that 17 of our  
9 missions in Europe so far have signed up. Again, it  
10 was just launched, this initiative, back in  
11 November, so we are confident that more and more  
12 embassies and missions, not only in Europe, but we  
13 hope to expand it worldwide, will sign up to kind of  
14 be part of this sharing of information and this  
15 collection of missions, you know, to push forward  
16 the green initiative. Some of the things that our  
17 Green League ambassadors have pledged or signed up  
18 to do in joining the Green League is providing  
19 leadership at embassies, helping -- you know,  
20 helping the embassy community personally, individual  
21 by individual, make good green choices, increasing  
22 renewable energies as part of the portfolio at the  
23 mission, starting recycling programs if they don't  
24 already have them and several other pledges.

25           I mentioned that there's a web portal. All

1 members of the Green League post ideas to the web  
2 portal. It's a good way to start discussion.  
3 There's lot of back and forth and feedback for  
4 ideas. It's good way to vet some ideas. Each  
5 mission has, you know, unique circumstances, but at  
6 the same time they learn a lot from each other,  
7 successes and sometimes, you know, failures of  
8 ideas. But it's a great way to share that  
9 information. And then just a snapshot from one  
10 member of the Green League, Embassy London. As I  
11 said at the beginning, there's resource management  
12 implications. This is a good way to save resources,  
13 to save money and to manage resources better.  
14 Embassy London has replaced all of its incandescents  
15 with compact fluorescents, not only in the mission  
16 but also in all of the residences and for each light  
17 bulb that they've replaced, they save 82.5 percent  
18 energy. That translates into a lot of money.  
19 They've also installed waterless urinals that save  
20 600,000 liters of water annually.

21           There's also a fuel cell trial that the  
22 Army Corps of Engineers has installed. It's another  
23 way to save energy. It's a lot more energy  
24 efficient. This is just one mission, but those  
25 ideas now are shared among the Green League and we

1 hope that, you know, as other missions take on these  
2 ideas or have other ideas, these kinds of green  
3 initiatives will spread.

4 MR. DIZON: OBO is supporting the Green  
5 League by actually publishing the Green Guidebook  
6 which actually has six topics where they can find  
7 possible savings of our implement programs. This  
8 will be published sometime in late April and May and  
9 hopefully will put in the website soon so we can  
10 update it every chance we get when we get new  
11 technologies. Well, we keep doing the research.  
12 Some of the things that the ESPC does, too, is like  
13 David showed in London, we funded actually  
14 replacement of waterless urinals throughout  
15 different parts of the world and that actually  
16 approximately saved eight million gallons of water  
17 for the waterless urinal we replaced last year. We  
18 constantly strive to look for new technologies, so  
19 while the year goes on, we can update, post with  
20 what they can do and help them. We actually have --  
21 in Islamabad they were asking about LED lights to  
22 replace the compact fluorescents.

23 I was able to send them a sample so they  
24 can actually evaluate what they can do and would it  
25 work better than this compact florescent or not and

1 so far it's been good feedback. So they're actually  
2 starting to -- that's how we would help the Green  
3 League, help support them in finding new products  
4 that they could actually use to implement their  
5 sustainability and energy designs.

6 MR. SHINNICK: I'd just like to point out  
7 that in the best tradition of American  
8 entrepreneurship, that was a self-started  
9 initiative, so this League of Green Embassies did  
10 not come from OBO initially. We ran and caught the  
11 train and we're trying to support it in every way  
12 that we can, but these were the ambassadors and  
13 posts in the field that saw these needs that Nancy  
14 pointed out earlier in our discussions this morning  
15 and you know, didn't wait for Washington to -- they  
16 showed leadership and they got off by themselves and  
17 there's 17 of them and they're getting ambassadors  
18 in other regions to join up because they saw the  
19 need for more than just an energy bill savings point  
20 of view, the big picture for the United States,  
21 so --

22 MR. KNOOP: Let's think of our embassies  
23 for a minute as a business. Each person over there  
24 costs some money to be over there and running the  
25 business has an overhead model. Are we able to, on

1 embassies, start to put an actual percentage of the  
2 embassies' yearly cost on the energy consumption so  
3 that we can see this 55 percent initiative actually  
4 show the people what the business model success is,  
5 how we're able to develop more cost-effective or  
6 maybe broaden our embassy mission by creating more  
7 money in the system based on the savings in energy.

8 MS. McINTIRE: That would be great. I  
9 think that's something that would benefit us a lot.  
10 I think, you know, one of the things I'll mention is  
11 that at Jay's recommendation I went to the Real  
12 Estate and Executive Board meeting on  
13 sustainability. It was a forum just on  
14 sustainability. What is the private sector doing?  
15 GSA and ourselves were the only folks at the meeting  
16 on that particular meeting representing the  
17 government. But it was amazing to me to find out  
18 that we're kind of leading this effort, it sounds  
19 like to me, that there's some agency or some private  
20 sector companies are really out there in front, but  
21 I would love to see models of exactly what you're  
22 talking about, how can we achieve that, how can we  
23 actually glean that information in a way and then  
24 feed it back and be able to tell you that story.

25 It's a very difficult thing for us at the

1 moment. We first need to just find out how many  
2 BTUs our dollars are going for, that's our first  
3 step. Then we can translate that into how many  
4 full-time employees does that support, how many  
5 square -- you know, how many square meters does that  
6 support and then roll in the other aspects that  
7 you're talking about to see how much does it really  
8 cost and how much savings do we get per employee,  
9 but that's exactly what we should be targeting.

10 MR. SHINNICK: And one of our issues is  
11 that we -- you saw earlier in one of Donna's earlier  
12 slides, you saw metering as a major goal. In that,  
13 we don't have the metering to provide us with the  
14 kind of information that you're asking us if we  
15 have. We don't have it. We have bills from a macro  
16 point of view. We know we're spending X amount of  
17 dollars on energy, but in a mission of seven  
18 buildings we don't know where the energy drain is.  
19 We don't know where our costs are per head housed in  
20 that section of the facility. No, we're not there  
21 and we have to get there, but to confess to our very  
22 own industry panel, no, we're not there.

23 MR. KNOOP: Yeah, because we need to be  
24 able to tell the story.

25 MR. SHINNICK: Exactly, right.

1           MR. KNOOP: You know, here's our business  
2 model. We spend \$12 a day, you know, at this  
3 embassy. We can change that and make it \$11 a day.  
4 That's a story.

5           MR. SHINNICK: Right.

6           MR. KNOOP: That tells people that there's  
7 success, not just because -- I think you're right,  
8 you know, we've gotten through different names  
9 around green, you know, it's green, it's high  
10 performance. High performance is a good one because  
11 it talks about the performance standard of a  
12 building. What buildings there to do is they're  
13 there to perform, sheltering a function for people.  
14 But green is something so abstract and sounds -- it  
15 sounds so romantic, but also so lost in ambiguity so  
16 we have to start to set a performance standard. I  
17 want to put up a second question and this would be  
18 maybe a challenge. I don't know if it's a  
19 possibility, but can we have a pull-the-plug embassy  
20 where literally we take an SED and say we can run  
21 without anybody else's energy?

22           MR. GUNER: If we ever --

23           MR. KNOOP: Juba should be the standard.

24           MR. GUNER: Geneva, eventually, if -- goes  
25 into Geneva. We will probably be zero utility cost

1 because right now we're getting paid five to one on  
2 the -- which is almost paid for. And so once we  
3 get --

4 UNIDENTIFIED SPEAKER: Ryan, you got to  
5 talk into the microphone. Your comments aren't  
6 making it into the record.

7 MR. GUNER: Geneva will be our -- close to  
8 zero utility dollars because we're getting paid five  
9 to one on the PV green power rate and the PV's  
10 almost paid off for already and so we're putting  
11 back 11, which is going to be a tremendous savings  
12 and -- chiller is 30 years old and it's going to be  
13 outlawed soon because of the Freon and so with all  
14 that, we will probably be zero dollar, but Juba will  
15 be -- basically because we have to -- the field wind  
16 seasonally, we have to be almost zero energy.

17 MR. KNOOP: So we could literally pull the  
18 plug. Can we do the same with water? Can we do the  
19 same with even our own output in sewage and our own  
20 output in garbage? If we can find a way to make a  
21 true model out of the SED in this way, obviously you  
22 guys are ahead in the curve because you care and  
23 that government has to be. Government sets the  
24 standard often for others to say -- it sets the  
25 belief that it can be done and here's a chance for

1 us to actually say this is truly energy independence  
2 and responsibility at its highest level. And that's  
3 security.

4           And that was -- we started this  
5 conversation earlier today. Well, where are we  
6 insecure? When people pull the plug, when it  
7 becomes more expensive to do our job of outreach  
8 overseas so somehow if we can prove that it benefits  
9 the business model but it also doesn't make us  
10 change our leverage out there in the diplomatic  
11 world, then we've got something really powerful to  
12 show and perhaps grow from and lead the world in.

13           MR. GUNER: We have some good examples of  
14 what we could if we missed opportunity because of  
15 the dollar and now we're in a retrofit situation.  
16 Missed -- opportunities, PV. We have an example  
17 where we're harvesting water but we couldn't afford  
18 the wind and the PV right now to be totally self-  
19 sufficient with a little bit of trucking of water  
20 for non-seasonal rain. So we're looking hard. It's  
21 just the dollar issue that really squeezes us.

22           MR. SHINNICK: And remember, we said  
23 repeatedly all during our session this morning, too,  
24 that the major construction program that you're all  
25 primarily involved in is security driven. So I

1 hesitate to put the choice to the Congress at this  
2 point in the program do you want to build ten more  
3 secure embassies or pick a number, seven greener  
4 embassies and I think on that equation would be  
5 let's get the people under cover of the bombs and  
6 the shelling right now and let's move to the  
7 greening so what we're trying to do in OBO,  
8 basically, is do both. Green is going to take a  
9 little time.

10           You can see we're putting good people on it  
11 and we're looking for some short-term wins that'll  
12 illustrate the economies of having this kind of  
13 technology and these kind of programs in place. So  
14 we're looking for some short-term victories.  
15 Because normally, in government, what we do is --  
16 and I'm trying to guard against doing that is we  
17 take a lot of money, we get a contractor and we send  
18 him out to the field and we survey our energy  
19 requirements at all of our missions and all of our  
20 posts and by the time we get all of the information  
21 back, only a few people remember why we asked for it  
22 and the program moves on, so we're trying to, if you  
23 will, design-build here. We're trying to get some  
24 short-term victories. We're trying to look out of  
25 the -- at the long-range. We realize we don't have

1 the handle that we want to have on our total embassy  
2 expenditures location by location. We're moving in  
3 that direction, too.

4           But with the available funding, we're  
5 trying to move on five or six fronts at the same  
6 time. Now, you know, you might sit here and  
7 certainly are qualified as our panel to say you  
8 should be concentrating on one aspect of this, but  
9 this game is becoming so large, the game itself,  
10 around town, with so many players and so many  
11 programs that at this moment, we think it behooves  
12 us to play in all of these games until we see which  
13 direction that the government is going in.

14           Now, we're going to increasingly cooperate,  
15 starting this month, as I said earlier, with the  
16 Department of Energy, a natural partner for us. And  
17 I also mentioned to you that my natural partner in  
18 this was going to be the CFO. Now, we are  
19 fortunate, with the current CFO in that he comes  
20 from Wall Street, Goldman Sachs, et cetera. He  
21 understands business models, he understands that  
22 what you guys live off, ROI, he understand all of  
23 that stuff, so we're really lucky to have him and  
24 we're working with him and interacting with him  
25 closer and closer. And as we do this, not only the

1 meetings we're going to have with Energy, and we  
2 have Donna out there as a stalking horse gathering  
3 all this information from other agencies, and we're  
4 also under the leadership of our under secretary who  
5 you may or may not know, he's been around a while,  
6 Pat Kennedy, and Pat has -- is the champion of this  
7 League of Embassies, also, and we're going to be  
8 having a conference with him electronically later on  
9 in the month, too.

10           So all of these things are starting to come  
11 together and our initiatives in all these different  
12 areas are going to allow us to make the kind of  
13 decisions that we're going to have to make as to  
14 which way we're going. Does that make any sense?  
15 Because that's what we're doing, but we're doing it  
16 in -- kind of instinctively. You know, if we hear  
17 about some project, we want to play in that and so  
18 we want to get one of our -- or a couple of our  
19 talented engineers involved in that so we'll  
20 understand the technology and the program, et  
21 cetera. And so we're trying to keep that kind of  
22 flexibility as opposed to funding one big initiative  
23 and missing this train because it is starting to  
24 pick up speed and it's moving so quickly that we  
25 really don't know which way we're going. Maglev. I

1 mean, we just -- maglev was Reader's Digest stuff  
2 not too long ago, right? We were looking at maglev  
3 trains and you know, the country that controls  
4 magnetism, we have those slogans from our comic book  
5 days.

6 Well, we're there now, you know, we have  
7 maglev projects and we have projects that are going  
8 to -- that are coming online that are really going  
9 to save us money in maglev, and thank God we're  
10 playing in that. But if we weren't playing in these  
11 disparate pots, we wouldn't have a couple of maglev  
12 demonstration projects out there so we can speak  
13 knowledgeably about the potential of maglev, so  
14 that's a defensive statement, but it's an  
15 explanation of why we're not presenting you with one  
16 large funded program.

17 MR. KNOOP: Well, you don't need to be  
18 defensive because you guys still are doing some very  
19 progressive things and you're out there, the next  
20 block of embassies will have to be LEED. I mean,  
21 that is shaping industry. It's also requiring that  
22 a higher level of contractor come to the table. You  
23 can't have just anybody do it. It's serious work  
24 for serious people.

25 MR. SHINNICK: And that's why we went into

1 it because there were people saying well --  
2 remember, we're not doing LEED certification, but  
3 let me tip my hat to my predecessors in that we were  
4 writing LEED standards into our contracts for a long  
5 time. Before we sought LEED certification, the  
6 organization and the leadership was prescient enough  
7 to be writing LEED standards in. How long have we  
8 been doing that, Donna or -- ten years.

9 MS. McINTIRE: 1999.

10 MR. SHINNICK: 1999. So you know, OBO has  
11 the kind of people in the organization that 10 years  
12 ago said let's get LEED standards in. Well, maybe  
13 they got that out of the leadership and they wrote  
14 them in and they're in 10 years. Well, now it's the  
15 next stage, so I'm here and I say great, let's  
16 certify them. People say well, what do you get out  
17 of that in hard dollars and cents and what I get out  
18 of that is a seat at the table as a government  
19 leader in moving forward on a whole range of energy  
20 sustainability and green issues as the government  
21 goes forward. OBO's going to have a good seat. We  
22 have two embassies certified. Our people are in  
23 demand around town to hear about our program, so we  
24 are on the cutting edge, we're just not in there  
25 with the kind of money that we need to have real

1 impact.

2 MR. KNOOP: The league that you have, is  
3 this a league of our embassies or is this a league  
4 that we extend to the embassies of the world to show  
5 that this is not just a U.S. issue, we're the  
6 leader, but we open the league to all embassies all  
7 around the world to equal our standard?

8 MR. SHINNICK: Right now it's only U.S.  
9 embassies, but I'm going to wonder why David  
10 Tessler, who I touted so highly, didn't talk about  
11 the potential of that. Let's get him back up at the  
12 table, David. How did you miss that? You're the  
13 diplomat here.

14 MR. TESSLER: Right now it's only 17 of our  
15 embassies in Europe, but that's an excellent point  
16 and there's no reason why we can't first -- you  
17 know, why we can't expand it beyond our embassies in  
18 Europe, obviously worldwide, but also to other  
19 embassies, to foreign embassies as an example of  
20 what they can also be doing. It's an excellent  
21 idea.

22 MR. SHINNICK: But notice the date. The  
23 date was, Donna's side, the date when the league  
24 started.

25 MS. McINTIRE: It was in November.

1           MR. TESSLER: Yeah, it was just this past  
2 November. So it's only a few months. The web  
3 portal that I showed you is brand new. You know,  
4 the information sharing is new. We're trying to  
5 recruit more embassies in Europe. We're trying to  
6 recruit some of our bigger embassies like Moscow  
7 that isn't yet a member, so it's only a few months  
8 old and it's still going -- you know, it's still  
9 going through growing pains and it will for some  
10 time to come, but it will be a great example and  
11 it's an excellent idea to use it as an example for  
12 foreign embassies to use, as well.

13           MR. KNOOP: Because basically we could  
14 learn something from them. I mean, here we are the  
15 culture made up of all other cultures and so why not  
16 include them in the initiative and actually learn  
17 something from what they've done because they have  
18 different factors, different industries putting sway  
19 on their decision processes so they may open up a  
20 whole new bag of tricks and ideas that we could  
21 benefit from.

22           MR. TESSLER: It's an excellent idea and in  
23 fact, our ambassador in Stockholm, Ambassador Wood,  
24 who launched the Green League, his tenure in  
25 Stockholm has been marked by a real effort to bring

1 together U.S. private sector and Swedish private  
2 sector to try to find synergies in energy efficiency  
3 technologies to get U.S. venture capitalists to  
4 invest in Swedish clean technology industries so he  
5 has been at the forefront and really leading the  
6 bureau and the State Department in trying to find  
7 these synergies and from, you know, on a government-  
8 to-government level, we also, with Europeans, we  
9 cooperate with them on biofuel standards, new carbon  
10 capture and sequestration technology, so on a  
11 government-to-government level we're already  
12 cooperating on several fronts. We're trying to get  
13 the private sector venture capitalists involved to  
14 make synergies at that level so we -- you know, we  
15 hope to use this as yet another tool to expand those  
16 kinds of synergies and that information sharing, but  
17 that's definitely the direction we're heading. I  
18 would like --

19 MR. SHINNICK: As I said before, OBO is  
20 rejoining the State Department in very aggressive,  
21 vigorous way, and we want to be players in this  
22 because there's a lot we can learn, and also we're  
23 the Department's test bed. We're the ones with the  
24 buildings. So when you see these things that  
25 David's talking about, the Department wants to

1 demonstrate real expertise in this and real results,  
2 we're the test bed. We can be the test bed. We can  
3 be the Department's laboratory, if you will, or the  
4 laboratory, if it could be presumptuous, for more  
5 than just the Department. But GSA's not asleep at  
6 the switch, either, I assume, given these new  
7 orders. Where's Donna? GSA. How active is GSA,  
8 for the sake of our panel, are they more active than  
9 us?

10 MS. McINTIRE: I did do the homework. We  
11 looked into GSA. I had a conversation with their  
12 folks. They have about 23 ESPCs out there to  
13 date -- well, in about the last 10 years -- and they  
14 don't have a formal MOU agreement with DOE/FEMP, to  
15 do ESPCs.

16 They have had a restructuring of their  
17 organization, due to the Energy Independence and  
18 Security Act, so they're just starting to roll that  
19 new structuring out. But they have two groups that  
20 handle energy performance. As I said, they have  
21 about 23 ESPCs. They don't have any present plan to  
22 roll out a whole new big program, but they are  
23 working on it, but they don't have anything out yet.  
24 So does that answer the question? No. I'm sorry,  
25 sir.

1 MR. SHINNICK: We'll take that as a no.

2 MS. McINTIRE: The question was, what  
3 does --

4 UNIDENTIFIED SPEAKER: How does GSA compare  
5 to --

6 MR. SHINNICK: Yeah.

7 MS. McINTIRE: Well, GSA mostly has  
8 domestic buildings. They have 8,900 buildings that  
9 they own and operate and manage in different -- they  
10 have a regional organization and they're managed  
11 from Washington, with these regional bureaus. So if  
12 you imagine us, OBO, as GSA's Washington  
13 headquarters, it is similar in some ways. Their  
14 portfolio is a little similar in that they have a  
15 lot of office buildings. So that's why we're really  
16 looking to them. Plus, they are stated in EISAct.  
17 They're stated as being the ones who are going to  
18 run the high-performance federal buildings office.

19 MR. KNOOP: Okay.

20 MR. FERRELL: They have a longer history of  
21 going Energy Star?

22 MR. KNOOP: Yeah.

23 MR. FERRELL: Just to give you more  
24 feedback.

25 MR. KNOOP: Well, they just have -- I mean,

1 how many buildings did you just say they had?

2 MS. McINTIRE: 8,900.

3 MR. KNOOP: I mean compared to?

4 MS. McINTIRE: 8,600, sorry.

5 MR. KNOOP: Compared to how many that you  
6 have?

7 MS. McINTIRE: We have 18,000, but that's  
8 including the residential side.

9 MR. KNOOP: So there are some size issues  
10 there.

11 MS. McINTIRE: Well, for comparison, they  
12 have 24 LEED-certified buildings. They have 420  
13 historic properties. So you know, we can go through  
14 the comparison, but they're using LEED aggressively.

15 MR. KNOOP: Um-hum.

16 MS. McINTIRE: They're requiring a silver-  
17 level certification.

18 MR. KNOOP: I think what you're doing,  
19 though, by taking the next initiative, to not self-  
20 certify but actually go to true certification.  
21 That's real commitment. I mean, there's a lot of  
22 agencies who say, well, we'll meet the LEED  
23 standards, but they're not going to go through  
24 certification.

25 MS. McINTIRE: Um-hum.

1 MR. KNOOP: It doesn't have any teeth.

2 MS. McINTIRE: Um-hum.

3 MR. KNOOP: This has teeth.

4 MS. McINTIRE: Um-hum.

5 MR. KNOOP: And so that's where --

6 MR. SHINNICK: We're trying to do that in a  
7 lot of our areas. I mean, not to go back to this  
8 morning's subject, but some of our issues you guys  
9 might be aware of. In our commissioning process,  
10 for instance, we have taken the commissioning out of  
11 the contract for the builder of the building and  
12 moved it off to a certain -- it was a builder's  
13 responsibility. It was to get a commissioning  
14 contractor.

15 Well, we've moved that off to the side and  
16 we're making that a separate contract so that it's  
17 not -- we're just putting up Chinese wall between  
18 commissioning because one could interpret having the  
19 commissioning contractor hired by the contractor who  
20 was building the building, as self-certification. I  
21 mean, I'm not saying that it would be, I'm not  
22 implying that anybody would do anything that was not  
23 right, but whoever pays the piper calls the tune.

24 You know, I mean, we're just seeing what  
25 runaway things like that did to the real estate

1 industry with -- you know, for guys, the appraisers  
2 and stuff. So consciously, as an organization,  
3 we're moving away from self-certification. We split  
4 just with Joe sitting over here. One of the lessons  
5 we've learned, which he has changed, is we were  
6 doing fire certification coming out of our fire  
7 engineering shop. Well, Joe wanted to move that out  
8 to get a stop self-certification on that end. In  
9 the future, you'll see that another fire office that  
10 we have, our fire marshal's office, is going to  
11 become heavily involved in the certification process  
12 and we're going to -- unhappily for Joe but happily  
13 for Adam, we're going to fund it out of project  
14 costs, still, but it's going to be -- we're going to  
15 get that Chinese wall between that certification.  
16 So we're looking to do a lot of that stuff. It's  
17 more answer than you wanted with your question, but  
18 just, as an organization, that's the way we're  
19 moving.

20 MR. GUNER: I'd like to make one comment  
21 back on the League of Nations here. I hope they'll  
22 have momentum in the future to deal with the local  
23 utility companies. Right now it's post by post to  
24 get green rates and it makes a big difference in our  
25 sustainable program, getting green rates with the

1 utility companies, like the -- in the United States  
2 and that rate, like Germany, Switzerland, Spain was  
3 an example. And so if we can get more of that going  
4 into the EU community and the Pacific Rim, we would  
5 encourage, from a diplomacy side, to work in that  
6 area for us.

7 MR. KNOOP: It's one thing if you had just  
8 the United States embassy asking for certain  
9 requirements even out of a local energy company, at  
10 a post. It would be another thing if you had 24  
11 posts in that same city, demanding that same -- you  
12 know, the same level of energy delivery.

13 MR. GUNER: Right.

14 MR. KNOOP: Now, you have leverage.

15 MR. GUNER: Right. Just like the program  
16 here going for a group rate.

17 MR. KNOOP: Yes, exactly.

18 MR. GUNER: Right.

19 MS. McINTIRE: And I will say that GSA has  
20 45 folks that all they do is work on energy  
21 procurement, how to structure the rate and how to  
22 buy the energy. So they have 45 people just  
23 dedicated to that.

24 UNIDENTIFIED SPEAKER: We have a lot of  
25 different rates.

1 MS. McINTIRE: Yes, we do.

2 MR. HICKS: But you know, just as an  
3 aside --

4 UNIDENTIFIED SPEAKER: You've got 45  
5 people --

6 MR. HICKS: Well, I know when I worked as a  
7 developer and you'd take a project to maybe some of  
8 the more depressed parts of the country or places  
9 where people really wanted development, obviously  
10 one of the first things I'd do was negotiate a rate  
11 structure with the utilities and that was one of the  
12 first stops I made and I don't think we do a good  
13 job, dare I say any job, at that, quite frankly.  
14 That might be a good way to game the system. We'll  
15 just negotiate lower rates somehow and get the  
16 credit for being green, I don't know, but just from  
17 a bottom line standpoint, something that's been on  
18 sort of a to-do list on my part, which we just don't  
19 do.

20 MR. WOODS: We talked some this morning  
21 about your difficulty, and we certainly understand  
22 it, of it hiring and training people, the FSMs. How  
23 is the training -- because a lot of this -- those of  
24 us who operate or maintain buildings here, know that  
25 the key person is -- and I hate to use the term --

1 "the building engineer," because they're not a  
2 professional engineer, but -- and I know George, if  
3 he was here, used to complain about how you can have  
4 all of these great systems, but if you can't make  
5 them operate correctly, you can spend a lot of money  
6 and have a lot of people's expectations dashed. And  
7 I know. I'm the project manager for a micro-project  
8 of a \$5 million church renovation and the  
9 congregation wants to know why it's not cool enough  
10 in the summer and why it's not warm enough in the  
11 winter, and it's because we're still working through  
12 "the commissioning of making the control systems and  
13 all of this stuff work together." Now, you do  
14 this -- and I'm going to go back to Ouagadougou --  
15 you got a totally different issue.

16 MR. NAMM: If I could take that one? And  
17 the point was made this morning about maybe building  
18 dumb buildings because it is difficult to find the  
19 right technical expertise in a lot of countries. We  
20 do have a fairly aggressive training program for our  
21 facility managers. We're going to step that up.  
22 That comes under operations. But dumb buildings --  
23 dumber buildings is something we're looking at  
24 because if we can't get the right expertise to  
25 service the systems that we're putting in, that's a

1 problem.

2 MR. SHINNICK: But we are fortunate to have  
3 the skilled core of people that we can build on. As  
4 Adam mentioned, he'll be in charge of that soon and  
5 we are -- we do have a focus group led by our  
6 Foreign Service Institute, right now meeting very  
7 actively, very aggressively on tailoring and  
8 changing our training programs for our facility  
9 management personnel. I mean, that is going on  
10 right now at the Foreign Service Institute because  
11 just a short time ago some of the training that we  
12 were doing was self-initiated and being run by us.  
13 And although that might've been good for certain  
14 specific things, we wanted to turn that over to the  
15 professional educators and formalize the program so  
16 that we can expand on it.

17 And interestingly enough, we ran a contest  
18 on the names for our facility managers, which  
19 facility managers seems to be winning, but one of  
20 the things, John, you'll happy to know is we  
21 rejected, out of hand, facility engineers, because  
22 we said, you know, this will be sticking point,  
23 especially in an organization where we have our  
24 share of real engineers, you know, PEs. So we're  
25 not going to call them facility engineers, John.

1           MR. NAMM: And we have facility managers at  
2 many of our embassies, about 140 in the field. We  
3 also have a core of subject matter experts, some of  
4 whom are engineers, that we dispatch from facilities  
5 here in Washington, who go out and who look at  
6 systems that need looking at.

7           MR. WOODS: Yeah, the terrible thing is  
8 that I've been around long enough to know when we  
9 used to have the GSO core and those were all the  
10 people who managed the facilities. And that's all  
11 they did, they went from one post to another. So  
12 they could be well trained and that was their career  
13 path. My other comment I guess is I'm very  
14 complimentary and very enthusiastic about what  
15 you're doing, but the politician in my says, please  
16 don't do too much self-adulation because they only  
17 remember your mistakes. They don't remember your  
18 successes. And so I don't want the general public  
19 to have -- or even the diplomatic core to have  
20 unreal expectations. This doesn't just happen  
21 overnight. This is going to take a little while to  
22 institute. And I'm saying that from my experience  
23 running my church.

24           MR. SHINNICK: We accept that and we  
25 certainly have been, if not humble to begin with,

1 we've been humbled by the Baghdad experience because  
2 we have seen how a hard-earned reputation and a  
3 major achievement can be brought low by a negative  
4 outcome of a project. Or, more importantly, a  
5 perceived negative outcome, you know. And we saw  
6 over-promising did with the dates there. I mean, we  
7 gave dates that we couldn't meet and as a result, a  
8 whole legacy -- I don't want to go into it -- was  
9 trashed, you know, and a valuable one. And we're  
10 still up. We had Jonathan Blyth lead the team up  
11 today to the Hill and I explained where they were  
12 this morning and went through -- he tells me --  
13 whispered to me, two and a half hours. Do you want  
14 to say anything about your experience this morning,  
15 in the context of -- I mean, in the context in which  
16 Jon brings the point up about, you know, we're very  
17 proud of 55 and we are, you know, proud of that  
18 achievement, but how low did we go today, Jonathan?

19 UNIDENTIFIED SPEAKER: We're on the record,  
20 Jon.

21 MR. BLYTH: Yeah. And I was about to say  
22 I'm always afraid when I'm being recorded on record.  
23 And I think OBO has a great record to be very proud  
24 of. I mean, completing 55 embassies in a seven and  
25 a half years and accomplishing and moving, you know,

1 almost 17,000 into safe and secure facilities.

2           But you're absolutely correct. They don't  
3 remember the good things; they remember the bad  
4 things. And you know, what we did in Baghdad -- and  
5 some day the history books will record our successes  
6 and our failures. Our successes: we did a build a  
7 facility of 27 buildings in a war zone. That is  
8 going to move thousands of State Department  
9 individuals into a safe and secure facility and  
10 hopefully in a safer situation than that they are  
11 right now. But making promises that cannot be kept  
12 are always a problem with regards to telling  
13 Congress one thing and then not correcting the  
14 record. And so I think the great work that's been  
15 done by Joe Toussaint and a lot of members of OBO,  
16 we've gone out on their -- during the Easter  
17 holiday, to go to Baghdad to basically test the  
18 facilities and get them into a situation where they  
19 will still be occupied.

20           We should all be very proud of that. And  
21 now we are just really kind of cleaning up the  
22 misinformation or the misstatements that were made  
23 and hopefully soon people will be safe and secure  
24 and we can all be proud that we completed this  
25 facility. Maybe not in 24 months, but definitely a

1 record that we should be proud about.

2 MR. SHINNICK: And let the record show,  
3 when the shells started dropping, those buildings  
4 were suitable, and people moved in and slept in  
5 those buildings. So that was a major achievement of  
6 the team. I'm a little ahead, so I'll throw up, if  
7 you have any questions either from this morning or  
8 from this afternoon, and I'm especially aiming that  
9 invitation at the back benchers. So let's go. Get  
10 that self-adulation and knock it out of us with your  
11 comments.

12 MS. HAA: Hi. Me?

13 MR. SHINNICK: Yes.

14 MS. HAA: Okay. Hi. Just a quick  
15 question. First of all, I have to say I've  
16 thoroughly enjoyed today's meeting even though I did  
17 get here a little bit late.

18 MR. SHINNICK: Good.

19 MS. HAA: But it was very, very -- a  
20 wonderful meeting. Thank you. And one question  
21 that I would have, especially as it relates to the  
22 green aspect in our focus, is we're hearing a lot of  
23 that equipment that specifically saves on BTU and  
24 consumption expenses. And there is a lot of  
25 equipment that's used in a facility, particularly as

1 David and Ryan know, in the power quality realm,  
2 that are indirect greening, if you will, indirect  
3 green equipment that support the other equipment.  
4 Is that taken into consideration?

5 UNIDENTIFIED SPEAKER: Tell her your name,  
6 please.

7 MS. HAA: Andi.

8 MR. GUNER: That's in all of our life cycle  
9 cost analysis and we have to protect our equipment  
10 and so that's all in there. It's in the dollars and  
11 cents.

12 MS. SULLIVAN: Thank you again for this  
13 really good meeting. I have a question, again, for  
14 the green team. If there are technological advances  
15 that industrial companies want to present to you,  
16 some new solutions or technologies, who would be the  
17 point of contact?

18 MS. McINTIRE: The design and engineering  
19 branch has a continuing education program and  
20 Steve Gelatti (ph.) is the one who organizes those  
21 seminars, if you will, to teach us about new  
22 technologies. So we have seminars on accelerator  
23 hand-driers and that type of thing, whatever might  
24 be proposed. So I can give you his contact  
25 information.

1           MR. HORNE: I'd just like to add, I know we  
2 had a lot of discussion this afternoon on the green  
3 team and they're really focused on the measure and  
4 the measurement of BTUs and on the energy side. I  
5 think that, particular from an international  
6 standpoint, preparing for the measurement for what's  
7 coming on greenhouse gas, which is coming at a very,  
8 very, very high rate, I mean a very, very fast  
9 speed -- pace, is something, Donna, we ought to be  
10 talking about, particularly if there's an interface  
11 between where you measure from an environmental  
12 standpoint and how that measure then helps you  
13 prioritize on an energy saving standpoint because  
14 it's not just about the dollars and cents on the  
15 energy side, if the true measure that you're looking  
16 for is from an environmental standpoint. So I know  
17 a lot of that's coming very, very, very quickly.  
18 I'd like to make one suggestion, Donna. I'd like to  
19 introduce you to a friend of mine.

20           He happens to have this title that I  
21 mentioned earlier this morning, the head of  
22 corporate social governance. It happens to be for  
23 one of the largest economies, the third largest  
24 economy on the planet, it's the State of California.  
25 And if you're following this pretty closely, you'll

1 see that California and other states have combined  
2 together to really force this regulatory drive  
3 towards greenhouse gas and how we're going to, from  
4 a regulatory standpoint, point a regulatory  
5 framework in place for that.

6           Now, what I'm getting to is really focused  
7 on following the money. This particular company,  
8 it's the California Retirement System. If you do a  
9 little bit of research on those guys, I think they  
10 manage somewhere like \$400 billion in assets and  
11 they basically have the same metrics that you put  
12 earlier, Donna. They're really focused on the  
13 metrics that the President put up on energy  
14 consumption and greenhouse gas reduction. And they  
15 basically have gone after -- their corporation  
16 basically has gone after -- there are three  
17 corporate bills in California, all LEED silver, that  
18 they've built over the last couple of years. But  
19 what they're also saying is that \$400 billion that  
20 they're investing, every company that works in their  
21 portfolio has to meet these requirements and that's  
22 where they invest, really pushing and really  
23 driving, really driving what's really coming. And  
24 if you look at a little company like Wal-Mart, they  
25 drive their whole chain around this whole aspect of

1 looking at both the carbon -- not just carbon, the  
2 greenhouse gases and the energy consumption.

3 Thanks.

4 MR. KUBIC: Actually, I don't know if it's  
5 even question. I just wanted to say, sir, that this  
6 was a very, very, very good meeting. And to the  
7 extent that you and your staff were able to  
8 communicate this change in focus, this shift to a  
9 more partnered relationship with your design-build  
10 contractors, I think it's going to help you meet  
11 those two goals, one of more competition and better  
12 prices. As a general contractor who has put  
13 together a number of bids, some of which were closer  
14 than others, we were actually beginning to see in  
15 the industry our bond rate going up for doing OBO  
16 jobs because of all of the corpses that were laying  
17 around. They are big companies and we're a small,  
18 privately owned company. It wasn't too many years  
19 ago that we were a small business. And so when we  
20 then take that internal and I look to my fellow  
21 directors and try to convince them that we can bid  
22 this with a normal contingency, we just can't  
23 because we saw everything that was happening.

24 The no change order policy, all of those  
25 sorts of things were causing us to put contingencies

1 in our jobs for OBO that we would not have put in  
2 for other federal contractors. And so I'm going to  
3 take this message back and I hope that AGC is one  
4 vehicle, but to the extent that by your actions you  
5 can clean up your claims, begin to properly address  
6 and request equitable adjustments, I think you'll  
7 start to see the industry respond.

8           You'll get better bids and you'll get more  
9 of them. And then, just for the afternoon, the one  
10 comment, if we ever find a site in New Delhi, you  
11 know, we're your build-to-lease contractor for that  
12 platinum LEED's, you know, model American center.  
13 And just for the sake of the group, it's a  
14 tremendous initiative for public diplomacy and that  
15 is to take what used to be the USIA libraries that  
16 were tucked away places and actually build a  
17 destination within the cities or close to the center  
18 cities where people want to come to learn about  
19 America and it has a library in it, but it is built  
20 around probably some of the most state-of-the-art  
21 environmental efficient designs, so people want to  
22 come and see it. You can't quite pull the plug on  
23 it, but you can come pretty close to it, again, if  
24 we can ever find a site.

25           UNIDENTIFIED SPEAKER: Well, Ambassador --

1 MR. KUBIC: That's what I understand.

2 MR. SHINNICK: So we had a long meeting  
3 with the ambassador, it went about an hour and a  
4 half, I think, about a half an hour over, with the  
5 Under Secretary, my boss. And let me say that he  
6 was -- my boss remains enthusiastic about the  
7 possibilities.

8 MR. KUBIC: Maybe I could have five minutes  
9 afterwards, sir.

10 MR. SHINNICK: All right. Some of the guys  
11 closer to the road, I have to tell you, like in  
12 diplomatic security and to some degree in OBO are  
13 not as sanguine about the possibilities.

14 MR. KUBIC: Right.

15 MR. SHINNICK: But we all share his goal  
16 and we all think the public diplomacy belongs, you  
17 know, where he wants to have it, but there are  
18 proscriptions imposed by the Congress. I was the  
19 skunk at the party, by telling him that --

20 MR. KUBIC: Right.

21 MR. SHINNICK: -- we don't have \$18 million  
22 and you're aware of that figure. It's not fungible  
23 yet. It was an earmark and we'd have to reprogram  
24 it. And once you get up on the Hill and you start  
25 reprogramming, they ask you questions like where's

1 your setback?

2 MR. KUBIC: Right.

3 MR. SHINNICK: So anyway --

4 MR. KUBIC: Five minutes.

5 MR. SHINNICK: -- I'm with you. Okay. And  
6 listen, I understand that it's a tradition that we  
7 go around to the members of the panel and ask them  
8 for a parting benediction. So I'll start with you,  
9 Nancy, if you will.

10 MS. GOSHOW: Well, my parting words are  
11 thank you very much for giving me the opportunity to  
12 serve on this great panel. I've enjoyed all the  
13 time I've been here and I hope that some of my ideas  
14 have helped you in performing your function and  
15 reaching your missions and objectives. So thank  
16 you.

17 MR. SHINNICK: Thank you. And I certainly  
18 -- and we have everything recorded and your ideas  
19 have been well received and we'll be reading them  
20 too, so they will live on and we'll follow them as  
21 much as we can. John, you're up.

22 MR. WOODS: Well, like Nancy, I want to  
23 thank you for your openness today. It's been a real  
24 pleasure to come and participate. And I hope my  
25 love of the microphone hasn't overwhelmed.

1           MR. SHINNICK: Not at all. You and I,  
2 we're going to form a chapter of microphone lovers  
3 of America, John. So I mean, it takes one to know  
4 one, so there you are. Darryl?

5           MR. HORNE: Sir, I would also like to ditto  
6 what Nancy said and I really appreciate the  
7 opportunity to be a part of the panel and I wish you  
8 all good luck going forward. Thank you so much.

9           MR. SHINNICK: Thank you. And listen, let  
10 me just say to the panel members who are so happy to  
11 have served, remember, you know how to get in touch  
12 with OBO and if -- ideas are going to be just as  
13 valuable to us as ex-panel members, as they were as  
14 panel members. So I encourage you to stay in touch  
15 and let us know, your friends of OBO. And as you  
16 can see, hanging on your wall will be that very  
17 wonderful thing that'll remind you of us. So thank  
18 you. Thank you, Darryl. Greg?

19           MR. KNOOP: Well, I'd just, again, also  
20 thank the -- thank you, Mr. Director, and thank OBO.  
21 And you see badges on the people who -- it says OBO,  
22 but somehow all of us now where a badge of OBO,  
23 being a part of this experience and being a part of  
24 a supporting U.S. diplomatic missions worldwide by  
25 investing ourselves into the care and the importance

1 of the work. So we thank you for that opportunity.

2 MR. SHINNICK: And we thank you for taking  
3 advantage of that opportunity and making this  
4 contribution, which it is, in time and energy to --  
5 without sounding corny, to our nation. Really,  
6 thank you. Dr. Oey.

7 DR. OEY: Thank you. It's kind of weird  
8 when someone calls me Dr. Oey, but --

9 MR. SHINNICK: I hope you aren't going to  
10 tell me to take two aspirins and come to the next  
11 meeting?

12 DR. OEY: I appreciate the opportunity and  
13 sometimes I feel like I'm learning a lot more in the  
14 OBO process and federal government and that I'm able  
15 to contribute and hopefully I've contributed some.  
16 But yeah, this has been a great experience for me  
17 and I'm glad that we can stay in touch and I hope to  
18 be able to find ASC representation for the next  
19 couple of years to help OBO and I think it's a  
20 really good vehicle. Thanks.

21 MR. SHINNICK: Thank you.

22 MR. BAROTTI: As an ex-panel member and  
23 here today covering for Clare, thank you very much,  
24 Mr. Director, for allowing me to be here today and I  
25 think you're on the right track with everything.

1 The green building team here, I think you're way  
2 ahead of most everyone else, so keep that up. And  
3 also the format of the meeting, I think it's a great  
4 format. Keep that up too. You get a lot more out  
5 of it. So thank you.

6 MR. SHINNICK: Thank you. Barbara,  
7 welcome.

8 MS. NADEL: Thank you, sir. I'm the new  
9 kid on the panel here, so I've been in listening  
10 session today, but I'm delighted to represent the  
11 American Institute of Architects in this group.  
12 It's a great honor for me personally, as well as for  
13 our organization. I'm also delighted to hear the  
14 interest in integrating sustainability with security  
15 and good design. I think those are the three most  
16 important elements of what OBO is doing in  
17 representing the American public to countries  
18 overseas. So I hope to make some contributions to  
19 this panel.

20 MR. SHINNICK: Well, you already have by  
21 your attendance today and we'll look forward to more  
22 participation. I know you were born in New York --

23 MS. NADEL: Yes.

24 MR. SHINNICK: -- so that gene will come to  
25 the forward at your second meeting, you know, and --

1 MS. NADEL: Undoubtedly.

2 MR. SHINNICK: So thank you, Barbara.  
3 Regan.

4 MR. McDONALD: Sir, I appreciate the  
5 opportunity to participate today and like others,  
6 I'll probably take more than sometimes I contribute  
7 here. But my term will culminate next time, so I  
8 look forward to working with your staff on a  
9 suitable replacement to represent the Society of  
10 American Military Engineers and I look forward to  
11 being here in June.

12 MR. SHINNICK: Thank you very much. And  
13 the last chance for the peanut gallery. Only the  
14 old people will know what that even means.

15 (No response.)

16 MR. SHINNICK: Okay, with that, these  
17 proceedings are adjourned.

18 (Whereupon, at 3:30 p.m., the hearing in  
19 the above-entitled matter was adjourned.)

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C E R T I F I C A T E

This is to certify that the attached  
proceedings in the matter of:

UNITED STATES DEPARTMENT OF STATE

OVERSEAS BUILDING OPERATION

INDUSTRY ADVISORY PANEL

Washington, D.C.

April 8, 2008

were held as herein appears, and that this is the  
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Virginia Johnson, Reporter  
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