

# The Washington Post

## **In Iraq, Contractors' Security Costs Rise**

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Wednesday, February 18, 2004; Page A01

Attacks on the private contractors rebuilding Iraq are boosting security expenses, cutting into reconstruction funds and compelling U.S. officials in Baghdad to contend with growing legions of private, armed security teams spread throughout the country. While attacks on military targets and Iraqi citizens have received widespread attention, the assaults on the companies, which have left at least 17 dead and others wounded, are lesser known. Those attacks could jeopardize the success of the coalition efforts in Iraq, according to a Coalition Provisional Authority document reviewed by The Washington Post.

A draft of security guidance for contractors prepared by the CPA's Infrastructure Security Planning Group in Baghdad says, "Spiraling costs, excessive work delays, lost materiel and workforce casualties in the current threat environment have the potential to put Coalition success at risk." The CPA's Program Management Office is seeking to hire a central coordinator for the private security teams in anticipation of the thousands of foreign workers and hundreds of new work sites that will flood Iraq starting next month, when nearly \$10 billion in U.S.-funded rebuilding contracts are due to be awarded.

"The number of soft Coalition targets will grow dramatically," the draft states. U.S. and coalition military forces, which are being trimmed and face continuing attacks, cannot provide contractor protection, and neither can fledgling Iraqi forces, the draft states, leaving private teams as the main protection for contractors. But tighter licensing, registration and identification are needed "to prevent fratricide," the document says. The draft says the threat to coalition forces and contractors is "assumed" to remain at current levels through next year, leaving rebuilding companies vulnerable to attacks both from anti-occupation elements and criminal rings. That combination could intensify bidding wars for experienced security personnel and cause more money to be pulled away from rebuilding under government contracts that allow companies to pass on security and other costs, providing little incentive to hold down those expenses.

Security costs are consuming about 10 percent of each construction contract, up from 7 percent in October, according to the Baghdad office that manages reconstruction projects for the Coalition Provisional Authority. Costs on high-profile targets, including pipelines, run higher. The added expenses may cause some projects to be delayed or canceled, said Darrell Crawford, chief of staff for the office. The CPA would not publicly release information about attacks and killings of contractors. A review of news reports since last August found accounts of 17 deaths of foreign contractors and five injuries in incidents in five cities or towns. U.S. officials courting companies to take part in the rebuilding insist that security is not an issue for contractors and said accounts have been overblown. "Western contractors are not targets," Tom Foley, the CPA's director of private-sector development, told hundreds of would-be investors at a Commerce Department conference in Washington on Feb. 11. He said the media have exaggerated the issue.

Some contractors have not had problems with security. Creative Associates International Inc. has "been all over the country" distributing student kits and desks to schools, "and they haven't touched us," Richard L. McCall Jr., a director of the D.C.-based firm, said in an interview. However, during a conference Feb. 10 in Washington, contractor Mohamed K. Najjar, president of El Concorde Construction Ltd., which has an office in Vienna and is working in Iraq, sounded a sobering note amid an otherwise optimistic speech. Since December, the security situation for companies has become "very different," he said. "The terrorists are finding more ways to get to you." Companies that win major U.S.-funded rebuilding contracts are required to provide their own security. Smaller subcontracting firms also are hiring armed teams, creating bidding wars for experienced employees and putting more people with guns on the ground.

The CPA issues permits for weapons in Iraq, but officials declined to say how many personal security details are registered, saying disclosure could pose a safety risk. They also said reliable estimates of civilian contractors are not available. Major security contractors there estimated in interviews that at least 40

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private security companies and several thousand armed guards already are working in the country. The CPA Program Management Office, in its draft, said reliable estimates are unavailable. That office plans to issue new security directives by March, anticipating the influx of contractors. The intent is to let everyone in a region know who is traveling there and what their responsibilities are, "so each contractor is not rolling around uncontrolled," said Tony Hunter-Choat, director of security for the Program Management Office. "We can't order them to do a great deal, but we can persuade them it's in their best interest."

The need for central coordination has been recognized since the CPA took over governing Iraq last summer and has "nothing to do with any real or perceived change in the security situation," Capt. Bruce A. Cole, spokesman for the office, said in an e-mailed response to questions. Thomas W. Charron, a principal with Boston-based Sallyport Global Holdings, a consulting firm that represents companies doing business in Iraq, said it was clear to him after recent discussions with U.S. officials that "they don't want a bunch of people running around Baghdad with guns saying they're security." Scott Custer, whose Fairfax-based Custer Battles LLC has about 400 foreign employees providing armed security in Iraq, said, "There are a lot of cowboys." Demand for security teams is so keen that firms have been poaching employees from competitors inside Iraq and offering highly lucrative pay. Because it is so hard to estimate the cost of variables like security, especially in a hostile setting, the major U.S.-funded rebuilding contracts have been "cost plus" based. That means prime contractors can pass along to the government or the CPA the added security costs they pay.

Mike Baker, chief executive of D.C.-based Diligence LLC, said that shortly after the fall of Baghdad, former American and British commandos were paid as much as \$2,000 a day by some of his competitors. Diligence is a four-year-old firm that built its business on intelligence and information analysis, but added security forces last July because of opportunities in Iraq. Diligence employs mostly Iraqis as guards, Baker said, which is less expensive than using ex-commandos. Yet some other firms that hire locally and pay their Iraqi workers \$200 a month charge their contractors' accounts 10 times that, he added. The market started to correct itself by November, Baker said, when "the clients started to realize this doesn't make sense." But, "there still is a tendency for companies to push the envelope on profit."

Two security company executives, who asked not to have their names used because they compete for work, said they still charge \$1,000 a day for skilled employees who work as bodyguards. Even then, they said, they've had workers hired away inside Iraq by companies offering even more. "In a normal situation, you would have your client looking at the costs of security in terms of their profit and loss," said Noel Philp of ArmorGroup International Ltd., a London-based security company with more than 600 foreign workers in Iraq doing armed security. "But here, you have the U.S. government saying it wants security. 'OK, here's the bill for it.' The Army Corps wants it. 'Here's the bill.' A big contractor wants it. 'Here's the bill.'" Said Custer, "I've never had a security line item reduced."

ArmorGroup's chief executive, Jerome E. Hoffman, said, "It's clear the market value has changed, but there is a finite amount of money to be spent getting the job done in Iraq," and "I happen to be more critical of some things I'm seeing. Proper controls and standards need to apply." Bechtel National Inc., which has the main U.S. contract for Iraqi rebuilding, estimates security accounts for about 6 percent of its contract costs. "Security is an engineering issue if you know what the security problem is," forcing creativity to deal with attacks "here and there," said Clifford G. Mumm, Bechtel's project director. Some contractors said they've never relied on military backup. Fluor Corp., a California-based engineering and construction firm, runs between 10 and 20 armed security details every day from a compound in Baghdad. "No one leaves without close protection," and no one leaves except for official business, said Tom Flores, Fluor's corporate security director. "We've never had the military involved in any of this."

The tension produced by pushing forward on reconstruction while violence continues surfaces regularly. In Baghdad last month, Brig. Gen. Steven Hawkins, who is in charge of the Army Corps of Engineers' mission to fix Iraq's electrical infrastructure, said contractors get easily spooked. When told that two French subcontractors had been killed in a highway ambush earlier in the day, his frustrations spilled over. "You know what this means?" he said. The contractor on the job "is going to come in here and ask for two weeks off to reassess their security. We can't stop for two weeks because they're scared."

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A few weeks later, as would-be bidders gathered near Dulles to learn more about the upcoming work, CPA program management officer Bill Smith acknowledged that many companies had felt isolated in Iraq. "I know it's been like each of you is out there like 'Little House on the Prairie' up to this point," he said.

Pentagon contract manager Nancy Gunderson said contractors need to identify security risks and say in their bid proposals how they plan to offset those risks on their own without extensive military support. Iraqis need help now, she said. "We need to be prepared to start the contracts in the face of potential continuing security problems."

*Staff writer Thomas E. Ricks and staff researcher Alice Crites contributed to this report.*