

U.S. Army Corps of Engineers (USACE) Recovery Project Presented at International Workshop

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Procurement professionals and academics from 19 nations gathered in Lisbon, Portugal, Nov. 15–18, 2009, for the 4th International Research Study of Public Procurement (IRSP). IRSP's purpose is to develop international comparative procurement benchmarks and enhance the body of knowledge in government procurement. Focusing on the global economic crisis, the workshop featured presentations on procurement's contributions in the different nations' responses to the crisis, including detailed case studies documenting those contributions and their effectiveness. This article describes the U.S. presentation and some preliminary conclusions from the workshop.

A container ship is docked at the Port of Oakland, CA, earlier this year. In 2008, 1,928 vessels of this type passed through the nation's fifth busiest container port carrying cargo valued at \$33 billion. (Photo by Brandon Beach, USACE San Francisco District.)

Background: *American Recovery and Reinvestment Act (ARRA)*

The authors' presentation of the U.S. case focused on procurement's role in the execution of the *ARRA*. Signed into law by President Barack Obama in February 2009, *ARRA* provides for a variety of stimulus measures with a potential value of almost \$790 billion. It is intended to provide quick and effective stimulus for the economy by injecting financial resources into key sectors. Elements of *ARRA* include direct cash payments, tax credits and benefits for both individuals and firms, funds for state and local governments to maintain essential health and education programs, and investments in infrastructure.

Procurement plays a key role in *ARRA*, since grants and contracts are the principal means by which the *ARRA* funds will be obligated. *ARRA* gives preference to so-called "shovel-ready" projects; that is, activities that can be started and completed expeditiously. According to Office of Management and Budget (OMB) guidance, agencies must ensure that public funds are expended responsibly and in a transparent manner to further job creation,

economic recovery, and other purposes of the *ARRA*.

The Port of Oakland Project

Since the USACE executes a significant number of construction and infrastructure projects, it provided an excellent example of an *ARRA* project for presentation at the Lisbon workshop. The specific project, accomplished by the USACE's San Francisco, CA, District of the South Pacific Division, entailed the acceleration of existing interrelated projects to improve the Port of Oakland—the second largest port on the West Coast and the fifth largest container port in the Nation—and restore environmentally sensitive wetlands near Hamilton Airfield several miles north of Oakland.

The deepening project increased the channel depth of the Oakland Harbor and Port berths from 42 feet to 50 feet. At this new depth, the port can accommodate much larger vessels, including a new generation of very large "post-panamax" ships. It also allows for container ships to increase loads by 60 percent.

Approximately 3 million cubic yards of sediment dredged for this project

contributed to environmental enhancement and wetland habitat at Hamilton Airfield. The Hamilton Wetlands Restoration Project, currently USACE's largest restoration project with nearly 2,500 acres of wetlands restoration, holds more than 24 million cubic yards of beneficial reuse dredge material. Endangered species that will derive protection from this portion of the project include the clapper rail and the salt marsh harvest mouse. Without this portion of the project, the dredged materials would have to be transported to a disposal location well out in the Pacific Ocean with substantially higher costs and increased risks (technical, environmental, safety, etc.) in several areas.

The project began in 2006 and was originally scheduled to be completed no earlier than December 2011, assuming the project was fully funded. By applying *ARRA* funds to this "bucket-ready" project, it was modified to accelerate its completion date to January 2010. According to the contractor, a substantial number of jobs were thus saved, and the project was successfully completed months ahead of schedule, thereby allowing for a more rapid realization of the economic benefits of the harbor improvements.

In terms of accomplishing *ARRA* objectives, three major elements of the USACE response are evident in this project:

- Procurement spending (injecting capital into the private sector).
- Improved transportation infrastructure.
- Secondary economic benefits (e.g., growth of San Francisco Bay area commerce).

Challenges and Successes in Execution

The project was initiated in 2006 when the USACE project manager organized a 2-day teambuilding session that included all major



Key individuals work on the Oakland-Hamilton contract. From left to right: York So, Civil Engineer, Cost Engineering Section; Bick Lee, Civil Engineering Tech, Cost Engineering Section; James Garror, Contract Specialist, Contracting Division; Al Paniccia, Project Manager, Programs and Project Management Division; and Dave Doak, Project Manager, Programs and Project Management Division. (Photo by Brandon Beach, USACE San Francisco District.)



Six million cubic yards of dredged material were used to restore 188 acres at the Port of Oakland. This new shallow-water habitat is called the Middle Harbor Enhancement Area. (Photo by Brandon Beach, USACE San Francisco District.)

stakeholders—the contractors; federal, state, and local agencies (including environmental agencies); Port of Oakland authorities; and, of course, the cognizant San Francisco District Contracting Office. Participants report that this session set the stage for effective communication and collaboration among all stakeholders throughout the project. In particular, when the contract was modified to accelerate the project, this change was facilitated by the excellent lines of communication already present in the project.

Major project challenges included:

- Large number of diverse stakeholders.
- Complexity inherent in managing a “dual-use” project.
- Significant extent of required permitting.
- Limited availability of dredging equipment on the West Coast, along with increased risk of mechanical failures with high-volume use of limited equipment.

In particular, the complexity of the project and the large number of diverse stakeholders meant that success would be complex and nuanced. Each stakeholder would judge success differently. For example, the contractor would judge factors such as profit and

market share; conservation groups would examine the quality of the wetlands restoration; the environmental agencies would judge compliance with its regulations, and so on. Further, the contributions of the project to the larger objectives of *ARRA* would remain yet determined in terms of their economic benefits.

For the San Francisco District Contracting Office, significant challenges were negotiating, awarding, and managing the contract with limited staffing and without disruption to previously planned work. The USACE is, like most federal agencies, always challenged to recruit and retain professional procurement staff members. Very challenging contract negotiations were required, as the overall project included both a negotiated requirement and a competitive invitation for bid process, in addition to negotiating the contract to advance the dredging schedule. A final major challenge was expediting a high-priority contract with new rules, procedures, and reporting requirements demanded by *ARRA*.

In the face of these challenges, the contracting office was able to implement contract changes to accelerate the project within only 100 days of *ARRA* enactment and only 3 weeks

after the change was requested, in spite of the increased workload (160 percent) imposed by all *ARRA* demands. This indicates a substantial degree of flexibility, responsiveness, and agility on the contracting office’s part. It also indicates the importance and wisdom of including contracting leaders in the original teambuilding session at the outset of the project. Without such involvement, it’s likely that the *ARRA* acceleration could not have occurred as quickly and effectively as it did.

Lessons Learned

A few key lessons emerged in this case study. First, teambuilding and the early involvement of all stakeholders, including contracting leaders, appears to have been an important factor in implementing project and contract changes in response to *ARRA* funding. Second, the flexibility and responsiveness of the San Francisco District Contracting Office indicates that its personnel are well-trained and experienced in adapting to unforeseen contingencies. This illustrates the importance of continued organizational investments in professionalizing activities such as education, training, and continuous learning. Finally, the importance of selecting a contractor with a proven track record of successful past performance in the relevant domain cannot be overstated.

Implications for Policy and Practice

At the IRSPP workshop, the authors proposed at least three areas in which this case may influence policy and practice. First, the case points out the importance of viewing the procurement function as a strategic function in public organizations in terms of promoting larger public policies and objectives. Organizational leaders should consider acknowledging this strategic role by, for example, giving senior contracting officers a larger voice in organizational strategic management processes. Second, the case reveals the importance of investing in professionalizing



An aerial view of the Hamilton Wetlands Restoration Project site is shown here. (Photo courtesy of Mark DeFeo.)

activities for procurement personnel. Organizational policies and practices should explicitly reflect those investments. Finally, the case stresses the importance of flexibility and a “contingency mindset” on the part of public procurement leaders. Professional development activities should inculcate and promote such a mindset, and policies and practices should exploit it to further organizational ends.

Emerging IRSPP Workshop Findings

While detailed comparative analysis of all the cases presented at the Lisbon workshop is only beginning, a few preliminary results have emerged. One important finding concerned the issue of whether a nation chose to relax procurement rules as a means to speed up or increase the number of stimulus obligations. Several workshop attendees reported that, in their countries, rules had indeed been relaxed. Examples include increasing acquisition thresholds for simplified procurements or eliminating so-called “2-envelope” sealed bid processes (where one envelope contains the technical proposal and the other envelope contains the price) in favor of sole-source or directed procurements. Relaxation of rules such as these can increase the risk of procurement abuses.

The U.S. was one of the few countries represented at IRSPP in which procurement rules not only haven’t been relaxed, but indeed, in some respects, were made more stringent under *ARRA*. *ARRA* includes a number of measures intended to ensure accountability and transparency of the uses and distribution of funds. OMB’s implementing guidance provides several actions required for *ARRA*-funded grants and contracts that are beyond standard practice. Most significantly, OMB stresses the need for “heightened management attention” to mitigate risks and, at the same time, satisfy *ARRA* objectives. OMB recommends “additional oversight mechanisms” or, at a minimum, “the evaluation and demonstration that existing monitoring and oversight mechanisms are adequate,” as well as the need for effective agency internal control mechanisms. Other procedural changes are related to *ARRA*-unique reporting requirements—for example, the publicizing of a contractual action as a “recovery” action and the tracking of obligated and expended *ARRA* funds.

That the USACE could successfully execute the Port of Oakland project is evidence that relaxation of procurement rules is not necessary for achieving stimulus objectives, even under very complex circumstances. The case

demonstrates the benefits of having a well-trained, motivated, and flexible professional workforce that can further national economic policies, while at the same time maintaining high levels of transparency and accountability.

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