Senate Democratic Policy Committee Hearing

"An Oversight Hearing on Waste, Fraud, and Abuse in U.S. Government Contracting in Iraq"

Gary Butters
Chairman of Lloyd-Owen International

June 27, 2005

My name is Gary Butters and I am currently the Chairman of Lloyd-Owen International.

The individual to my right is Alan Waller and he has been my business associate for approximately 10 years and was instrumental in establishing Lloyd-Owens's presence in Iraq. He is the founder and CEO of the company.

Lloyd-Owen International has for the past 12 months (as of June 30th, 2004) been responsible for the delivery of fuel from Kuwait to Iraq, to include the following:

- Fuel loading in Kuwait;
- Fuel monitoring;
- Transport logistics;
- Transport management;
- Security;
- Delivery management; &
- Accountability.

During the past year, Lloyd-Owen has (as of June 22nd, 2005) successfully delivered 158,145,195 million gallons of gasoline.

These fuels have been delivered at an approximate 98% delivery rate (loaded versus delivery). During the course of the years Lloyd-Owen has lost due to operational accidents 53,391 gallons of fuel. These accidents were the result of normal road traffic accidents. A rate commensurate with that encountered by trucking haulers in safe western environments.

How did Lloyd-Owen International come to find itself involved in this crucial fuel delivery program? It is no exaggeration to say this program has assisted in stabilizing the security situation in the South of the country.

Essentially, the Iraqi Ministry of Oil and their representatives (the State Oil Marketing Organization – better known as SOMO) buy the fuel directly from the national oil company of Kuwait, KPC. Geotech Environmental Services, a Kuwaiti company, has a contract with SOMO to transport the fuel from Kuwait to Iraq. We have a contract with Geotech to manage and monitor the fuel transport. We also have a contract with SOMO to provide security for the fuel convoys.

It is also important to mention that during the course of operation in Iraq, we have provided equipment such as hoses, pumps, generators, couplings and other sundry equipment to ensure the viability of this project.

It was agreed, as part of the contract, that the price of transporting the fuel would be 18 US cents per gallon, which we understand to be significantly cheaper than the rates charged by other transport companies. Here's a breakdown of Geotech's price of 18 cents per gallon. Geotech is paying the transport companies anywhere between 9 and 11 cents per gallon, leaving about 6 and a half cents to Geotech.

From the 6 and a half cents per gallon Geotech has the following costs:

- Geotech Kuwait Office
- LOI Kuwait Office
- LOI Management & Monitoring
- Geotech support staff