

Appendix III - January 12, 2016, Memorandum to the Senate Armed Services Committee



A Service-Disabled Veteran-Owned Small Business

12 January 2016

**From:** Robert Schraven  
**To:** Senate Armed Services Committee  
**Subject:** Compressed Natural Gas (CNG) Cost Breakdown

Thank you for meeting with me today as a follow-up to our meeting on 15 December 2015. The purpose of this memo is to provide the SASC with additional information related to the TFBSO Compressed Natural Gas Station that was referenced in the October 2015 SIGAR Report (SIGAR-16-2-SP). The table below includes roll up details related to the \$43M total expenditure that was cited in the TFBSO Economic Impact Assessment (EIA) report prepared by Vestige/Acertas in December of 2014.

CNG Cost Breakdown (FY11-FY13)		
ITEM	COSTS (USD)	DESCRIPTION
<b>Direct</b>	<b>\$12,284,514</b>	
Construction Contracts	\$4,996,738	Contractor: Central Asian Development Group
- Phase 1 - Station Construction & Car Conversion Kits	\$2,049,541	
- Phase 2 - Generator Conversion & additional Car Conversion Kits	\$2,947,197	
Subject Matter Expert (SME) Labor	\$7,285,776	Equal split between 5 TFBSO energy projects *
<b>Overhead</b>	<b>\$30,011,706</b>	Allocation of 47% of all TFBSO overhead **
<b>TOTAL</b>	<b>\$42,296,220</b>	

\* 20% split was provided by TFBSO Energy team lead and assumes that all 5 energy projects were equal in size  
 \*\* Allocation of Energy Team project overhead at 47% of total TFBSO overhead was provided by TFBSO Management

The total SME labor for TFBSO energy project FY11-FY13 was \$36,413,880. Per TFBSO guidance this SME labor was evenly allocated across all energy projects.

It has become apparent to all that the CNG Gas Station construction project involved a significantly lower level of SME effort and corresponding overhead than other energy projects (ie: four large tender support projects). A more accurate allocation is closer to 2%-4% versus 20%. This would put the total CNG station costs at well under \$10M.

As the EIA Report highlights, overall, TFBSO Projects could lead to an additional \$54.6B in GDP by 2025. Specifically, TFBSO Energy Sector Projects will have the largest impact to the Economy by 2025:

- GDP Growth from \$53.2B to \$75.3B
- Revenue to Afghan Economy in excess of \$20B

In order for these results to be achieved it is imperative that the EIA report and associated economic model be readily shared with the Afghan government, the international community and continuously updated. This will enable and support the government to accomplish the following:

- effectively measure the progress that is being made on strategic projects;
- adjust funding of projects as necessary;
- ability to forecast future year funding in the appropriate strategic projects.