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ONE HUNDRED EIGHTH CONGRESS

# Congress of the United States

## House of Representatives

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### Statement of Rep. Henry A. Waxman June 15, 2004

In early March, this Committee held its first hearing on Iraq contracts. I spoke at length at that hearing about the fundamental flaws in the Administration's procurement strategy and the enormous waste of taxpayer dollars that was occurring in Iraq.

Today — more than three months later — none of these fundamental problems have been addressed.

We know more today than we did three months ago about how the Administration has mismanaged the contracts to reconstruct Iraq. And what we have learned shows that the problems are even worse than we thought.

The focus of today's hearing is the two largest Iraq contracts. One contract, called "LOGCAP," was awarded to provide the military with logistical support, such as housing and dining facilities. The other contract, called "RIO," was awarded to import fuel and restore Iraq's oil fields.

Both of these contracts went to one well-connected company: Halliburton.

In total, Halliburton has been awarded a phenomenal sum — over \$7 billion — under these two contracts.

In the course of our investigation into the Halliburton contracts, we've tried to look at the contracts from three different perspectives. One is the "boots on the ground" perspective of employees who worked for the company. One is the "fly-over" perspective of Pentagon auditors who scrutinize Halliburton's books to ensure the taxpayer is not overcharged. And one is the "50,000 foot" perspective of the General Accounting Office, which has examined whether the federal government has the necessary safeguards in place to prevent waste, fraud, and abuse.

All three perspectives point to the same conclusion: Halliburton is gouging the taxpayer, and the Bush Administration doesn't seem to care.

Yesterday I released the statements of five former employees of Halliburton. These individuals describe a company that acts like it is spending someone else's money — which is

just what Halliburton is doing. Under the company's cost-plus contract, the more taxpayer money Halliburton spends, the more profit it makes.

The examples of waste, fraud, and abuse provided by the former Halliburton employees are stunning. One former logistics specialist told us that Halliburton charged the taxpayer \$10,000 per day to house its employees in the five-star Kempinski Hotel in Kuwait. The same employees could have stayed in air-conditioned tents like those used by our troops for less than \$600 per day.

A former "convoy commander" told us that Halliburton removed the spare tires from its brand-new \$85,000 trucks. When one of the trucks got a flat tire, Halliburton would abandon or torch the truck.

Can you imagine that? Halliburton's approach to fixing a flat tire is to buy a new truck.

Another truck driver, James Warren, tried to do something about the waste and theft he observed. He called Randy Harl, the President and CEO of KBR, the Halliburton subsidiary operating in Iraq. Instead of investigating Mr. Warren's allegations, KBR fired him.

The Pentagon auditors at the Defense Contract Audit Agency observed the same kind of problems that the whistleblowers report. In an audit that was completed last month but withheld from Congress, DCAA found multiple deficiencies in Halliburton's billing practices. In one example, DCAA found that Halliburton submitted "billings to the Government for as much as three times the meals actually served."

Last year, Rep. John Dingell and I requested that the General Accounting Office review Halliburton's LOGCAP contract. Today, we will hear GAO testify about the results of the investigation. GAO found widespread problems, including inadequate planning, little concern for costs, and poor contract management.

Here's one example GAO told us about. Prior to the Iraq war, the military had a contract with a Kuwaiti company called Tamimi to provide meals to U.S. troops in Kuwait. Before the war started, the Bush Administration turned the contract over to Halliburton with the specific instructions that Halliburton subcontract with Tamimi to continue feeding the troops.

According to GAO, a cost-conscious procurement official finally terminated the Halliburton contract this spring and returned the contract to Tamimi. The result: eliminating Halliburton as a middleman cut costs by over 40%.

Our own investigation has exposed other examples of astoundingly bad contract management. In the March hearing, I objected to the Bush Administration giving the job of overseeing the reconstruction contracts to private contractors. When I investigated further, I learned that the companies hired to oversee the private contractors had significant conflicts of interest. Parsons, for example, was hired to oversee its business partner Fluor, while CH2M Hill was hired to oversee its business partner Washington Group International.

These decisions have real consequences. Our troops have died in Iraq because they lacked body armor and reinforced Humvees. We can't afford to throw away money on Halliburton when we don't have enough funds to adequately equip and protect our soldiers.

GAO will tell us today that the Bush Administration did not have contingency plans in place for feeding and housing the troops. But the Administration did have detailed contingency plans for running Iraq's oilfields. In fact, Halliburton was given the secret contract in November 2002 to develop these plans.

Here's the message this sends about this Administration's priorities: protecting Iraq's oil came before feeding the troops.

Many people have wanted to know what role the Vice President has played in all of this. For months, he has denied any knowledge about Halliburton's contracts. I'd like to read you what Mr. Cheney said on *Meet the Press* last September:

Since I left Halliburton to become George Bush's vice president, I've severed all my ties with the company. . . . And as vice president, I have absolutely no . . . knowledge of in any way, shape or form of contracts led by the Corps of Engineers or anybody else. . . . I deliberately stayed away from any information on that.

The Administration has also consistently maintained that Halliburton was selected for the Iraq contracts by career procurement officers.

But we now know that this is simply not true. Halliburton was selected for the oil contracts by political appointees in the Bush Administration — not by procurement officials. And the Vice President's chief of staff, Scooter Libby, was personally briefed on the contracts before they were issued.

We don't know the full extent of the Vice President's involvement in the Halliburton contracts. All we know for sure is that what the Vice President has said so far is false.

Americans cannot rely on the Bush Administration to fix the contracting problems in Iraq. This Administration is notorious for refusing to acknowledge mistakes or to hold officials accountable. In fact, as the Vice President's comments demonstrate, it's even hard to trust the Administration to provide honest information.

So it is really up to Congress to look after the interests of the troops and the taxpayers. And the question I have is whether we are up to this challenge.

Chairman Davis has taken some commendable steps. He has now agreed to bring the whistleblowers identified by the minority before the Committee. He has also agreed that Halliburton's CEO, David Lesar, and KBR's CEO, Randy Harl, will receive formal written invitations to testify before the Committee.

But Chairman Davis has failed to take other essential steps. Three months ago, Chairman Davis and I wrote to Defense Secretary Rumsfeld and USAID Administrator Natsios to seek documents relating to the Halliburton and Bechtel contracts in Iraq. The Administration failed to provide most of these documents. In fact, even when the Administration finally did respond to portions of the request, it withheld key documents. Despite this record, the Chairman has refused to subpoena the documents.

We cannot conduct effective oversight by consent. The test of what we investigate should be what we need to do in order to fulfill our oversight responsibilities — not what the Administration agrees to let us see. If we are going to do our jobs, we need to be far more assertive than we have been so far.

George Will said something very wise in a recent column. He wrote — and I quote — “failures are multiplying because of choices for which no one seems accountable.” Although asking tough questions can be politically inconvenient, we will be doing the President no favors if we refuse to fulfill our constitutional oversight responsibilities. Oversight can be painful at times, but it is an essential part of our system of checks and balances.

I look forward to this hearing. And I hope that it marks the beginning — not the end — of our Committee’s work on Iraq contract oversight.