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Statement of Rep. Henry A. Waxman July 22, 2004

Today is the Committee's third hearing on Halliburton's contracts in Iraq. I want to begin by commending Chairman Davis for holding this hearing. The Bush Administration is notoriously opposed to oversight, so it has taken independence and a commitment to oversight for our Chairman to agree to hold this hearing.

Halliburton holds the two largest contracts in Iraq: a \$5.6 billion contract called LOGCAP to provide support services to the troops and a \$2.5 billion contract called RIO to restore Iraq's oil fields. Yet from the very beginning, these two contracts have been plagued by mismanagement and inflated billings.

There is an old saying: Don't miss the forest for the trees. But sometimes the reverse is true. You have to study individual trees to really understand the forest.

That is why this hearing is so important. The Administration's approach to the reconstruction of Iraq is fundamentally flawed. It's a boondoggle that is enriching a lot of contractors, but not accomplishing enough on the ground. And there is no better window on what is going wrong than Halliburton.

Halliburton is an \$8 billion microcosm that symbolizes the Administration's misplaced priorities. Our troops are clamoring for body armor, but when it comes to Halliburton, GAO has found that there were "no spending limits."

Two years ago, the Administration started the drumbeat for war by providing Congress and the American people with misleading information about the threat posed by Saddam Hussein and his alleged links to al Qaeda. We know now that what we were told was unreliable and often wrong. But we didn't know enough to correct the mistakes until after the fact.

We can't let that happen again. The Administration says it has a highly sophisticated plan for rebuilding Iraq. But in fact, it is doling out monopoly contracts worth billions to private contractors, squashing competition that could discipline prices, and paying millions of dollars to so-called "oversight contractors" who are the business partners of the very companies they are supposed to be monitoring.

We know this is occurring, but where is the outrage? This Committee is investigating, but no one else is. And no legislation is moving to fix these problems.

Yesterday, John Dingell and I released two reports about Halliburton's contracts. This is what they reveal: Halliburton is gouging the taxpayer, and aside from the independent auditors at the Defense Contract Audit Agency, the Bush Administration doesn't seem to care.

The whole justification for hiring private companies like Halliburton is that the contractors can save the taxpayer money. But Halliburton has turned this principle on its head. In April, a government agency took over the responsibility of importing gasoline into Iraq. My staff's investigation revealed that the agency is now doing this job at a fraction of what Halliburton charged.

Here's one example, which is illustrated in a chart: Both Halliburton and the Defense Energy Support Center use the same company, Altanmia, to import gasoline from Kuwait into Iraq. But Halliburton billed \$1.30 in transportation charges for every gallon trucked across the border, while DESC is paying just \$0.42 per gallon – less than one-third of the price.

The GAO report we released yesterday is a top-to-bottom indictment of how the Administration has mismanaged Halliburton's LOGCAP contract. GAO found that Administration planning was "ineffective" and "piecemeal" ... that there were "no spending limits for LOGCAP until spring 2004" ... that "it is difficult to know how much the contractor has actually spent" ... and that the military officials responsible for oversight had "little or no training."

Here's a telling fact: We know from last month's hearing that the Administration started to plan for taking control of Iraq's oil fields in the summer of 2002, months before the war began. Yet GAO's report reveals that there was no contingency planning for feeding and housing our troops until May 2003, after the fall of Saddam.

Those aren't the priorities of most Americans.

Today we are going to hear from a panel of former Halliburton employees. They will describe their first-hand experiences working for Halliburton in Iraq and the instances of waste, theft, and mismanagement they personally witnessed. It is not easy to come before a congressional committee and blow the whistle on these kinds of abuses. I commend them for their candor and their patriotism for appearing here today.

And for the first time, Halliburton officials will testify before Congress. I especially welcome their participation. There can be two sides to every story, and I look forward to learning Halliburton's side of this one.

I want to conclude by addressing the role of the Vice President and the allegation that the attention and criticism Halliburton has received is politically motivated.

My focus and my concern has been the U.S. taxpayer. We are spending tens of billions of dollars in Iraq and the company with the two largest contracts is Halliburton. If you want to know whether the taxpayer's interests are being protected, you have to follow the money. And in this case, the money leads to Halliburton.

Last September, Vice President Cheney appeared on national television and said: "I have absolutely no . . . knowledge of in any way, shape or form of contracts led by the Corps of Engineers or anybody else in government." Senior government officials assured the public that Halliburton's no-bid contract was "done by career civil servants."

I accepted those assurances at face value, and many Americans did also.

But we now know that those assurances were false. The decision to give Halliburton the sole-source Iraq oil work was made by a political appointee, not career procurement officials. And the Vice President's chief of staff received an extensive briefing.

These revelations fundamentally change our oversight responsibilities.

A shrewd politician once said, "fool me once, shame on you; fool me twice, shame on me." We've been fooled once by the White House about the role of the Vice President and political appointees in Halliburton's contracts. Now we need to investigate to learn the full story.

Today, we will take another step forward – and a big one – in our oversight of contracting in Iraq. I commend the Chairman for holding this hearing and look forward to working with him as our investigative efforts continue. I also ask that the reports Mr. Dingell and I released yesterday be made part of the hearing record.