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December 10, 2003

The Honorable Condoleezza Rice
Assistant to the President for National Security Affairs
The White House
Washington, DC 20500

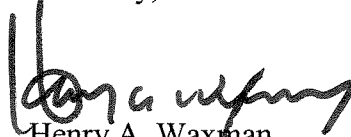
Dear Ms. Rice:

As a followup to the letter I sent to you earlier today with Rep. John D. Dingell, I am attaching materials my staff received from the U.S. Army Corps of Engineers at a briefing on November 17, 2003, for your personal review.

As you can see, this information raises serious questions about the prices to import gasoline from Kuwait into Iraq. Halliburton is charging \$2.64 per gallon for gasoline that should cost around \$1.00 per gallon. This gasoline is then being resold inside Iraq for \$0.05 to \$0.15 per gallon.

Clearly, this is not a good deal for the U.S. taxpayers or the U.N. Oil for Food Program, both of whom are paying for these gasoline imports.

Sincerely,



Henry A. Waxman
Ranking Minority Member

Enclosure

The Cost of Gasoline

- From Turkey

Fuel	\$.89 / gal
Transport	\$.22 / gal
Other	\$.02 / gal
Markups	\$.11 / gal

\$1.24 / gal

- From Kuwait

Fuel	\$1.17 / gal
Transport	\$1.21 / gal
Other	\$.02 / gal
Markups	\$.24 / gal

\$2.64 / gal

Why \$2.64 per Gallon?

- Gasoline cost \$1.17 per gallon
- Transportation cost \$1.21 per gallon
- Other & mark ups \$0.26 per gallon

Why is Transportation \$1.21 / gal?

- Kuwait had virtually no truck fleet
 - Had to import trucks from Saudi Arabia, Turkey, and Jordan.
- Kuwait lacked sufficient drivers
 - Brought in drivers from India, Pakistan, and the Phillipines, and has to house and feed them.
- Inability to schedule trucks caused many change orders. Trucks were then leased by the month.
- Losses due to attacks, hijackings, and looting