

Congress of the United States
House of Representatives
Washington, D.C. 20515

October 29, 2003

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

Dear Ms. Rice:

We have learned that the U.S. government is paying enormous sums for gasoline imported into Iraq from Kuwait. We are writing to learn why this is happening and what can be done to stop this waste of taxpayer dollars.

Here are the facts:

1. As of October 19, 2003, Halliburton had imported 61,304,091 gallons of gasoline from Kuwait into Iraq. Halliburton has been paid \$162,503,305 for this gasoline, for an average price of \$2.65 per gallon.¹
2. The \$2.65 per gallon price is grossly excessive. Experts we consulted stated that the total price for buying and transporting gasoline into Iraq should be less than \$1.00 per gallon. They estimated the price to buy gasoline in the region at 71 cents per gallon, and they estimated transportation costs at less than 25 cents per gallon, for a total per-gallon price of about 96 cents.²
3. The Iraqi oil company, SOMO, is currently paying just 97 cents per gallon to import gasoline from Kuwait to Iraq.³ Even Halliburton has charged only \$1.22 per gallon to import gasoline from Turkey into Iraq.⁴
4. The gasoline imported from Kuwait is sold inside Iraq for just 4 to 15 cents per gallon. Although Iraq has the second richest oil reserves in the world, the U.S. government is subsidizing over 95% of the cost of gasoline consumed by Iraqis.⁵

We have heard different possible explanations for the exorbitant cost of the gasoline. One is that Halliburton is paying inflated prices in order to receive favorable consideration for other projects. Another is that the Bush Administration is responsible and, in effect, is using Halliburton as a vehicle for moving funds.

We do not know if either of these explanations is accurate. But we do know that U.S. taxpayers are not getting their money's worth. The U.S. government is paying nearly three times more for gasoline from Kuwait than it should, and then it is reselling this gasoline at a huge loss

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inside Iraq. Whether this is due to incompetence, malfeasance, or some other reason, the waste of taxpayer dollars must be stopped.

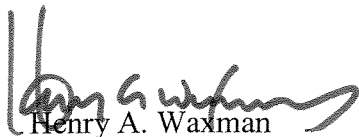
We cannot understand the refusal by the Administration to respond to our previous requests for information. We have written the White House twice to express our concerns about how taxpayer dollars are being spent in Iraq.⁶ But the White House has refused to address the matter. The signal that this sends is that the Administration either has no explanation or does not care about squandering taxpayer dollars.

Three weeks ago, you were given responsibilities for coordinating Iraqi reconstruction efforts. We are therefore writing to you to seek answers to the following basic questions:

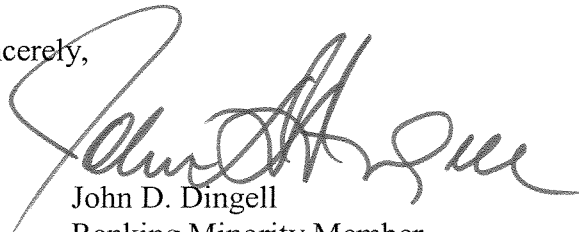
- What is the justification for paying \$2.65 per gallon to import gasoline from Kuwait into Iraq?
- What is the justification for selling this gasoline for only 4 to 15 cents per gallon inside Iraq?
- Halliburton issued a subcontract to import gasoline from Kuwait into Iraq that was awarded without any competition. Who received the subcontract and why was the subcontract awarded without competition?
- Who within the U.S. government and the Coalition Provisional Authority reviewed and approved the subcontract to purchase and transport the gasoline from Kuwait into Iraq?
- Did any official within the U.S. government or the Coalition Provisional Authority direct Halliburton to use a specific subcontractor to purchase and transport gasoline from Kuwait into Iraq?

As you know, the Administration has requested \$900 million for fuel imports in the latest emergency supplemental request. In light of this pending request, we ask that you respond to these questions immediately.

Sincerely,



Henry A. Waxman
Ranking Minority Member
Committee on Government Reform



John D. Dingell
Ranking Minority Member
Committee on Energy and Commerce

¹ E-mail from U.S. Army Corps of Engineers to Minority Staff, Committee on Government Reform (Oct. 21, 2003).

² Letter from Reps. Henry A. Waxman and John D. Dingell to Joshua Bolten, Director, Office of Management and Budget (Oct. 15, 2003).

³ Letter from Mohammed M. Al-Jibouri, General Manager, State Oil Marketing Organization, to Minority Staff, Committee on Government Reform (Oct. 16, 2003).

⁴ E-mail from U.S. Army Corps of Engineers, *supra* note 1.

⁵ Letter from Reps. Henry A. Waxman and John D. Dingell, *supra* note 2.

⁶ *Id.*; Letter from Reps. Henry A. Waxman and John D. Dingell to Joshua Bolten, Director, Office of Management and Budget (Sept. 12, 2003).