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Statement of Rep. Henry A. Waxman May 18, 2004

Iraq is fast becoming a hall of mirrors. When the Administration says conditions are getting better, they are probably getting worse. When the Administration says they have a plan, they usually don't. And when the Administration says they are trying to build an international coalition, they may actually be further alienating our allies.

Today, we can add another contradiction to this list: When the Administration says they will closely scrutinize the work of private contractors in Iraq, what they mean is that they have given the contractors a virtual blank check.

Many people naturally give the Administration a presumption of competence. But when it comes to Iraq, this Administration deserves a presumption of incompetence.

The Administration is pouring billions of taxpayer dollars into rebuilding Iraq, but its procurement strategy and oversight is fundamentally flawed. Private contractors like Halliburton and Bechtel may get rich, but Iraq won't get rebuilt and the taxpayer will get fleeced.

The Coalition Provisional Authority has identified over 2,000 specific reconstruction projects in Iraq. The contracts to perform this work should be bid competitively, so that market forces dictate the costs to taxpayers. But under the Administration's approach, not a single one of the 2,000 reconstruction projects will be awarded on the basis of competition.

Instead, these projects will all be performed on a cost-plus basis by large private contractors who have been awarded monopolies over large sectors of the reconstruction effort.

Under these circumstances, aggressive and impartial oversight is obviously crucial. Yet as we describe in the letter and report we are releasing today, the Administration has outsourced this essential oversight responsibility to private contractors with significant conflicts of interest.

While Parsons is supposed to oversee Fluor's electricity work in Iraq, Parsons and Fluor have a huge \$2.6 billion joint venture in Kazakhstan. CH2M Hill has been permitted to oversee the Iraq work of Washington Group International, Fluor, and AMEC even though it has existing contractual relationships with all three companies in the United States.

Parsons is even in a position to benefit its own reconstruction efforts through the use of its oversight powers.

The public wonders why unsupervised private contractors would be allowed to interrogate and abuse prisoners in Abu Ghraib ... how Halliburton could be allowed to charge inflated prices for gasoline and to submit bills for millions of meals it never served ... and why there is so little to show for the billions that the Administration has spent on the reconstruction effort.

There is one answer to all of these questions: whether by design or incompetence, the Administration is failing in its responsibility to oversee the reconstruction effort and to protect the taxpayer from waste, fraud, and abuse.