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Floor Statement of Rep. Henry A. Waxman on
Waste, Fraud, and Abuse in Iraq
June 15, 2006

Before we went to war, President Bush and other senior Administration officials made three promises to the American people: (1) we would find weapons of mass destruction; (2) we would be welcomed as liberators; and (3) the reconstruction of Iraq would pay for itself.

All three promises turned out to be false.

Today, I will focus on the reconstruction effort in Iraq and the massive waste, fraud, and abuse that have undermined our efforts.

Stuart Bowen is the Special Inspector General for Iraq Reconstruction. He often talks about the "reconstruction gap," which is the chasm between the President's promises and reality.

Mr. Bowen is absolutely right — the gap is enormous. But it is dwarfed by the "competency and corruption gaps" in Iraq. The consequences of the mismanagement and corruption are serious. Waste, fraud, and abuse have flourished. The taxpayer has been repeatedly gouged. Iraq is not being rebuilt. We have lost credibility and are now viewed in Iraq as occupiers. And our troops did not get essential equipment when they needed it.

We have now spent $50 billion on Iraq reconstruction, including $30 billion from U.S. taxpayers.

Let's look at what we got for that money.

Despite spending $2 billion, Iraq's oil production is still well below pre-war levels, running about a half million barrels below 2003 levels.

We've invested $4 billion into improving electricity generation. Not only is the Administration 2,000 megawatts short of reaching its goal for peak output, but generation is actually below pre-war levels.

We have spent $6 billion. And oil production and electricity generation have actually lost ground.

The situation is the same for drinking water.

In essence, we've squandered $50 billion. Profiteering has been rampant … but the taxpayer has gotten gouged and the work hasn't gotten done. And what's especially shameful about the wasteful spending is that we needed this money to protect our troops.

When we went into Iraq, our troops didn't have enough body armor. Families had to purchase armor off the internet and ship it to Iraq in a desperate attempt to protect their loved ones. On congressional delegations, individual service members have taken our staffs aside and begged for more night vision goggles.

Patriotic Americans even had to donate their frequent flyer miles so troops who were dumped at the Baltimore airport by the Pentagon could make it home for the holidays. This should never have happened. It is inexcusable that our troops faced desperate shortages of essential gear while billions of dollars were frittered away.

To understand the magnitude of the waste, fraud, and abuse in Iraq, there's no better place to start than Halliburton. Halliburton is the largest private contractor operating in Iraq. The company has three contracts that total more than $20 billion.

We now know that political appointees — not career civil servants — decided to give Halliburton a secret no-bid contract worth $7 billion to operate Iraq's oil fields. As GAO has reported, the key decision that led to the award of the secret contract violated federal procurement law. When a career Army attorney properly objected, he was simply overruled.

And despite statements from the Vice President, we now know that his chief of staff, Scooter Libby, was personally briefed on this entire plan months before the war.

The decision to give these lucrative contracts to Halliburton has been expensive. According to Pentagon audits, Halliburton's total unreasonable and unsupported charges exceed $1.4 billion.

The examples of waste, fraud, and abuse are numerous: Halliburton charged $45 per case of soda and $100 per 15-pound bag of laundry. Brand-new $85,000 Halliburton trucks were abandoned or "torched" if they got a flat tire or experienced minor mechanical problems.

Halliburton's contracts are cost-plus contracts. This means that Halliburton is reimbursed for all of its costs and then receives an extra percentage as additional profit. In practical terms, this means that the more Halliburton spends, the richer it gets. We talked to former Halliburton employees who worked in Iraq. They told us that the informal company motto was: "Don't worry about price. It's cost-plus."

Halliburton was supposed to be in Iraq to provide support for the troops. But the company used one standard of support for the troops and a completely different standard for its executives.

Halliburton employees stayed at the five-star Kempinski hotel in Kuwait, where it cost taxpayers approximately $10,000 per day to house the employees. This gorgeous hotel offered maid service and complementary fruit baskets to Halliburton employees.

Our troops stayed in tents in the desert.

At one point, a cost-conscious Army official asked Halliburton to move its employees into air-conditioned tent facilities. The company refused.

At the same time, according to former Halliburton employees, the company routinely served expired food to the soldiers and exposed soldiers to contaminated water. Because Halliburton wasn't purifying the water, soldiers had to shower in unsafe water taken straight from the Tigris River.

Halliburton's performance under its oil contracts was, if anything, even worse. The taxpayer was repeatedly gouged as the company charged exorbitant prices to import gasoline from Kuwait. One expert told us: "It's as if they put the gasoline on the Queen Mary and take it around the globe before they deliver it." Another expert called the prices "highway robbery."

The *New York Times* recently had a front page story on Halliburton's "ditch to nowhere" in Iraq. The company spent over $70 million trying to drill holes under the Tigris River for an oil pipeline, even though geologists hired by the company told them the project would be impossible to complete. One geologist who advised Halliburton said: "No driller in his right mind would have gone ahead."

But Halliburton went ahead anyway. It made little progress, but a lot of money.

To their credit, career government auditors identified these overcharges. When they examined Halliburton's second oil contract, they harshly criticized Halliburton's performance, citing "profound systemic problems" and "exorbitant indirect costs."

But their recommendations were too often rejected. After reviewing Halliburton's first oil contract in Iraq, auditors recommended that the Army not pay Halliburton $263 million in unreasonable and unsupported charges. But the Army ignored these recommendations and paid Halliburton $254 million — over 95% of the disputed charges.

And despite the auditors' findings, Halliburton was paid nearly $100 million in profits and bonuses for overbilling taxpayers.

Halliburton symbolizes what went astray in Iraq. But it is not the only contractor abusing the system. Parsons received the contract to rebuild health clinics throughout Iraq. But despite spending $186 million, Parsons completed just 20 of 142 health clinics. Another firm, Custer Battles, received two security contracts. A federal jury recently found that the company committed 37 separate acts of fraud.

These aren't isolated examples. There are over 70 corruption investigations currently underway in Iraq. These cases involve allegations of contract fraud, false claims, theft, bribery, and kickbacks.

Some of the worst problems in Iraq are almost beyond comprehension. The U.S. management of the Development Fund for Iraq, which was the fund that held the proceeds of Iraqi oil sales, is a classic example of what not to do.

The Coalition Provisional Authority handed out $8.8 billion in cash — in *cash* — to Iraqi ministries and has no idea what happened to the money. Eight billion in cash simply vanished.

One former U.S. official who was in Iraq at the time, Frank Willis, described conditions as the "wild west." He said the lack of controls effectively created a "free fraud zone." Iraq was awash in brand-new $100 bills, with no accountability to prevent corruption. Another high-ranking official said: "We were squandering the money we were entrusted to handle. We were a blind mouse with money." And all the while, the White House looked the other way — and Congress put its head in the sand.

Under the Constitution, we are supposed to be a check and a balance. But we've abdicated this responsibility. The Republican majority is terrific at applauding the President. They are proving that again today with this dishonest resolution.

Congress isn't doing the serious and important work it must do to protect our troops, rebuild Iraq, and look out for American taxpayers. Congress must be more than a cheerleading section for the White House.

The fiasco in Iraq has been a windfall for some. Halliburton made more than $2 billion in profits last year and its total revenue has increased by 66% since 2002. Another beneficiary was David Brooks, the CEO of a company that makes bulletproof vests. In 2001, Mr. Brooks reportedly earned $525,000. In 2004, he earned $70 million. Last year, the U.S. Marines recalled more than 5,000 of the company's armored vests. But by that time, Mr. Brooks had pocketed $186 million.

The American people might think that Congress would rise up in the face of such unconscionable profiteering. When our troops are willing to sacrifice so much, and when they sacrifice so much, how can we let others create cynical fortunes off their blood?

As we debate this resolution, 2,500 of our bravest men and women have been killed in Iraq. Over 18,000 have been wounded. And the total cost of the Iraq war is over $300 billion.

Those of us privileged to serve here have been spared the burden and personal consequences of being on the front line. But we shouldn't be spared the responsibility of doing our job.

We owe more to our troops than slapping "I support the troops" bumper stickers on our cars and extolling their courage. Instead of wasting time on partisan charades, we should acknowledge and fix the mistakes so that Iraqis can take over and our troops can come home. And we owe

more than empty promises to the American families who are paying for this costly war in Iraq. They count on us to make sure their money is spent well, and we haven't done that.

An honest, unsparing look at the record of these past three years tells a stark truth: the White House and Congress have failed our troops, our taxpayers, and the Iraqi people.

Our troops and the American people deserve better than a partisan resolution that pats ourselves and the White House on the back. It is shameful that we are squandering money on Halliburton at the very same time that we don't have enough money to protect our troops. And it is shameful that Congress has abdicated its oversight and legislative responsibilities to rein in the incompetence and corruption that has undermined our efforts in Iraq.