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### STATEMENT OF REP. HENRY A. WAXMAN Democratic Policy Committee Hearing September 10, 2004

Senator Dorgan, thank you for inviting me to participate in this important hearing. Congressional oversight of the contracts for the reconstruction of Iraq and support of our troops has been woefully inadequate. So this hearing and your leadership are absolutely essential.

Much of the testimony we will hear today will involve Halliburton, and there's a simple reason for this. Halliburton has the two biggest contracts in Iraq: a \$2.5 billion contract to restore Iraq's oil infrastructure and \$6.5 billion in work under the LOGCAP contract to provide our troops with dining facilities, housing, laundry, and other services. There's no way you can understand what has gone wrong in the reconstruction of Iraq without examining Halliburton.

There are two major questions on people's minds. Has the Administration given Halliburton special treatment? And has Halliburton taken advantage of the war to overcharge the American taxpayer? That's what this hearing is going to explore.

The White House says that there has been no special treatment of Halliburton. But consider these facts. Last month, the career government auditors responsible for overseeing the Halliburton contract advised the Army to start withholding payments sought by Halliburton because the company could not justify its inflated prices. Yet the Administration refuses to act. Despite the recommendation of its own auditors, it has not yet withheld any payments.

That's special treatment for Halliburton ... and a rotten deal for the taxpayer.

For over a year, the Administration claimed that the decision to choose Halliburton for a \$7 billion sole-source, no-bid contract for oil infrastructure work was made by career procurement officials. We now know that this wasn't true. A political appointee chose Halliburton, kept the Vice President's chief of staff informed, and decided not to allow other companies to even submit a bid.

In fact, we'll learn today that it was Bechtel, not Halliburton, that had the relevant experience. After the First Gulf War, Bechtel put out hundreds of oil well fires in Kuwait. Halliburton put out zero. Yet the Bush Administration gave the contract to Halliburton – and didn't even allow Bechtel or other companies to compete.

Halliburton has taken full advantage of this special treatment. Over the past nine months, Pentagon auditors, GAO, and the Coalition Provisional Authority Inspector General have repeatedly and consistently criticized multiple aspects of Halliburton's activities in Iraq. These government audits have found widespread, systemic problems with almost every aspect of Halliburton's work, from cost estimation and billing systems to cost control and subcontract management. Congressional testimony by former Halliburton employees, including Marie DeYoung, provides additional, on-the-ground evidence of inflated and unjustified charges by Halliburton.

The findings of auditors and experiences of whistleblowers are now too numerous and compelling to be ignored. But that's what Congress is trying to do. Aside from these hearings called by Senator Dorgan, there have been no Senate hearings examining these issues. And the House has obstructed efforts to investigate the full extent of the Vice President's role.

This is profoundly wrong. Inflated costs and a lack of competition don't just harm the taxpayer; they also threaten the morale, readiness, and security of the men and women now serving in Iraq.

For the sake of the taxpayer, our troops, and the future of Iraq, we need fundamental changes in our policies.