

Statement By Delegate Eleanor Holmes Norton
Democratic Policy Committee Hearing On Contracting Abuses In Iraq
November 3, 2003

Thank you, Senator Dorgan. I want to thank you especially for calling this meeting to allow us to amplify some of the issues that actually we tried to bring forward on the floor of the House and you on the floor of the Senate.

The fact that so many Republicans joined us in trying to make some of these contracts, and not grants says something about the amplification that took place and the changes that occurred then. There are tremendous weaknesses in the contracting system of the federal government. They have really been exposed by the Iraq contracting experience, thus far. And the administration has taken advantage of every single weakness and exacerbated those weaknesses.

Even if we wanted to hold the administration accountable, they have made it so you can't, essentially, hold them accountable, because there is no mechanism for effective government oversight of the taxpayers' dollar once a contract is awarded, much less when it is out for a bid.

The administration has reduced the staff, the so-called acquisition work force, by 35 percent and their budgets by 40 percent. My friends, there is nobody minding the store. There's nobody monitoring these contracts. There's nobody to see what happens from bid through the performance of the contract. There is no transparency and no oversight. And that's a very dangerous situation for the taxpayers' dollar.

What we've had, thus far, is a feeding at the trough of secret sole source contracts. Most of the \$79 billion that has already gone for war expenses has gone for sole source contracts. Halliburton has a virtual monopoly on oil, as we speak. Bechtel has a virtual monopoly on construction. So anything that happens will be from hence forward, and they've already gotten much of what we are supposed to expend in Iraq on reconstruction. I am very concerned about the use of secrecy and national security.

For example, USAID used the secret contracting mechanism to award contracts for such normally non-secretive items as hospitals and public schools and the like. What's secret about that? Why do we need to put that under national security and negotiate in secret? Most of these contracts have been cost-plus contracts. We need to expose to the public what that means.

I'm a member of the Government Reform Committee in the House. I'm a member of the Homeland Security Committee in the House. I mean, if we go this way, I hesitate to think what we're going to do when this whole flock of homeland security contracts come down. How secret are those going to have to be? Cost-plus contracts, of course, inspire or encourage a company to spend more because the more you spend, the more you get, and lots of what you spend, nobody can find out, at least the public can't find out, about profits and bonuses and fees and fringes and the like. There is no incentive to economize on these cost-plus contracts. Why have we been doing cost-plus contracts with the taxpayers' dollar?

We had a rather notorious--when we did the hearings in the House, I asked about Iraqi businesses as well. We're supposed to be building their economy. They complain about the bidding process. And I recall an example that we asked the undersecretary of the army about where the Iraqis talked about a bidding process that opened and closed for the Iraqis within two days, with sketchy details of what the goods were to be provided. mean, there's a sham going on there, and it needs to be exposed. A quote from one large Iraqi contractor, who said, ``We built hospitals, mosques and palaces before the war. Since the war, we are unemployed. This is our country, and we want to be part of building it."'

So one of the great problems I have with the process we're using is that we're not even trying to rebuild the country by using their own contractors. The notorious example I was about to speak about came out in the hearing when our committee traced the price of gasoline, when you bring this gasoline from Kuwait to Baghdad. And apparently it costs 71 cents per gallon in Kuwait. And it costs 10 to 12 cents per gallon to transport it. Halliburton was charging one dollar per gallon to transport the same gasoline. And they complained about danger, and that these costs were added because it was so dangerous. Apparently, there is an Iraqi contractor, SOMO, who says they can transport the same gasoline for 50 cents per gallon. We've got to use these Iraqis sooner or later. And I think the time has come to use them.

Finally, let me say a word about bundling, because I'm concerned about how small business, minority and women-owned businesses are nowhere near this process. There are huge, unmanageable contracts here, and they've been bundled together, even though many of these contracts include services that could be disaggregated for smaller businesses. And let me give you an example of some of the services that have been bundled into the Halliburton oil contract--management of military bases, delivering mail and producing hot meals. Sounds to me like classic small business stuff. And there ought to be a way to allow small business and minority and women-owned businesses to be a part of the rebuilding of Iraq, leave alone the people of Iraq themselves.

Thank you very much, Senator Dorgan.