

Rep. Waxman Demands Halliburton Hearings

The letter excerpted below was sent on Nov. 10 to Rep. Tom Davis (Va.), Republican Chairman of the House Committee on Government Reform, by the ranking Democrat on the Committee, Rep. Henry Waxman (Calif.). So far, there has been no response—and little-to-no coverage in the media of this initiative.

Although it is unsaid in the letter, the Halliburton contract issue goes directly to the corruption of Vice President Dick Cheney, the former CEO of that company, among others.

Dear Mr. Chairman:

I am writing to request additional hearings on Halliburton's \$7 billion no-bid contract to restore Iraq's oil infrastructure.

Documents that the Committee recently received from the State Department reveal that senior Administration officials, including the U.S. Ambassador to Kuwait, intervened to direct a lucrative fuel contract to a favored Kuwaiti subcontractor. The documents also disclose that the State Department received reports in June and August 2003 that Halliburton officials demand "kickbacks," "solicit bribes openly," and "are on the take." The implications these new disclosures should be thoroughly investigated.

On July 9, 2004, we jointly requested copies of communications from the U.S. embassy in Kuwait regarding the Altanmia Commercial Marketing Company, the Halliburton subcontractor responsible for importing fuels into Iraq from Kuwait. On October 8, the State Department produced over 400 documents in response to this request. These documents appear to undermine months of claims by Administration officials that the Halliburton contracts and subcontracts were awarded without political interference and without knowledge of allegations of corruption.

Beginning in October 2003, Rep. John Dingell and I wrote a series of letters to Administration officials raising concerns about the extraordinarily high prices that Halliburton and its KBR subsidiary were charging to import gasoline from Kuwait into Iraq. Our correspondence revealed that KBR and its Kuwaiti subcontractor, Altanmia, charged the taxpayer \$1.64 per gallon to import gasoline into Iraq, which was more than double what it cost others to provide the same fuel. Our concerns were validated on December 11, 2003, when the Defense Contract Audit Agency (DCAA) disclosed a draft audit that estimated that KBR and Altanmia had overcharged the

taxpayer \$61 million for gasoline imports through September 30, 2003.

The State Department documents show that rather than acting to halt these overcharges, senior State Department officials intervened to pressure U.S. contracting officials to drop their efforts to find a less expensive source of gasoline. On December 2, 2003—just nine days before DCAA revealed its audit findings—Richard Jones, the U.S. Ambassador to Kuwait and Deputy Administrator of the Coalition Provisional Authority, sent an e-mail directing officials to:

[T]ell KBR to get off their butts and conclude deals with Kuwait NOW! Tell them we want a deal done with al-Tanmia within 24 hours and don't take any excuses. If Amb. Bremer hears that KBR is still dragging its feet, he will be livid.

Federal procurement rules require “complete impartiality and . . . preferential treatment for none” in contracting decisions. Standard contract clauses mandate subcontract competition to the maximum extent practicable. Yet as this e-mail and other similar ones reveal, senior Administration officials repeatedly insisted that Halliburton continue to use Altanmia rather than solicit bids from less expensive competitors. According to a Dec. 6 document from Mary Robertson, the career official at the Army Corps of Engineers responsible for the Halliburton oil contract, she received “political pressures. . . to go against my integrity and pay a higher price for the fuel than necessary.”

The documents also reveal that the Administration received warnings of extensive corruption in the Halliburton oil contract in June and August 2003. One e-mail summarizing an Aug. 4, 2003, meeting between embassy officials and Altanmia reports Altanmia's claim that it is “common knowledge” that coalition and KBR officers “are on the take; that they solicit bribes openly” that anyone visiting their seaside villas at the Kuwaiti Hilton who offers to provide services will be asked for a bribe.”

In addition to these new documents, there is other recent evidence of special treatment for Halliburton that our Committee has not considered. Two weeks ago, the attorneys representing Bunnatine Greenhouse, the top contracting officials at the Army Corps of Engineers, sent a letter and documents to the Committee. According to these materials, Ms. Greenhouse observed multiple instances in which Halliburton received special treatment from Defense Department officials. Her allegations are now being investigated by the FBI.

To your credit, our Committee has already held hearings on the Halliburton contracts. The State Department documents and the materials provided by Ms. Greenhouse raise new issues that deserve further investigation. For this reason, I respectfully request that the Committee hold hearings to examine (1) the new evidence that senior Administration of-

ficials applied political pressure to stifle competition and steer the lucrative fuel subcontract to Altanmia; (2) the new claims that Halliburton executives sought kickbacks and bribes; and (3) Ms. Greenhouse's allegations of special treatment of Halliburton. . . .

Claims of Kickbacks and Corruption

The State Department documents also reveal that Administration officials were aware of allegations of rampant corruption involving Halliburton's Restore Iraqi Oil contract as early as June and August 2003. Halliburton disclosed in January 2004 that two of its employees participated in a kickback scheme under the LOGCAP troop support contract. The allegations in the State Department documents are the first indication that Halliburton employees may also have demanded kickbacks under the Restore Iraqi Oil contract.

According to a June 29, 2003 memorandum from the U.S. embassy in Kuwait, Altanmia's General Manager, Waleed Al-Humaidhi, told embassy officials “that he and his employees were pressured to provide unnamed KBR executives with ‘kickbacks’ on the humanitarian fuel contract. Mr. Al-Humaidhi claimed that “his refusal to provide ‘kickbacks’ to KBR executives” was “the real reason” why Altanmia was disqualified from a winter fuel subcontract. According to the memorandum, Mr. Al-Humaidhi “fears being ‘blacklisted’ by KBR for having drawn attention to what he alleges are improprieties.”

A summary of an Aug. 4, 2003 meeting between embassy officials and Altanmia officers relates Altanmia's claim that it is “common knowledge” that coalition and KBR officers “are on the take; that they solicit bribes openly; that anyone visiting their seaside villas at the Kuwaiti Hilton who offers to provide services will be asked for a bribe.” At the meeting, Altanmia officers also alleged that a senior KBR executive's wife received a \$26,000 watch “gratis, from the real estate company to which it is alleged KBR pays double the market rate for its office space in Kuwait City.” Embassy officials confirmed portions of this account after interviewing a Hilton manager. According to an embassy document, the chief operating officer for KBR's Middle East operations demanded that the hotel replace the “diamond-encrusted” watch his wife allegedly lost, stating, “get off your f& %ing ass, put my wife in a car, and go get her a watch.”

The Altanmia officers also reported that a senior KBR employee was fired for complaining to “senior KBR management about corruption” and that “KBR employees are smuggling discounted-price ‘stolen’ crude out of Iraq in USG provided tanker trucks for personal gain.” . . .

Conclusion: Under your leadership, the Committee held several days of productive hearings on the contracts for the reconstruction of Iraq, including Halliburton's Restore Iraqi Oil contract. In light of the new evidence the Committee has received, I believe that additional hearings are needed. . . .