

War Profiteers Profits Over Patriotism in Iraq

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By Robert L. Borosage, Eric Lotke and Robert Gerson

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The tales sound like tortures from the Arabian Nights. Drivers sent to their deaths in empty convoys dispatched because the contractor is paid by the trip; men stripped naked in prison and attacked by dogs; troops in the desert drinking contaminated water, waiting for meals that never come.

But the stories are not fiction. They come from the American occupation in Iraq, a military operation that has privatized war to an unprecedented degree, using private, commercial companies for everything from feeding the troops to patrolling the streets.

This report explores the unprecedented use of private contractors during the Iraq war and occupation. It shows how the catastrophic failures in Iraqi reconstruction derive directly from the conservative ideology and policies of those who drove this “war of choice.”

“There’s a lot of money to pay for this. We are dealing with a country that can really finance its own reconstruction and relatively soon.”

Paul Wolfowitz, Deputy Defense Secretary¹

“I am reasonably certain that they will greet us as liberators, and that will help us keep the requirements down.... [W]e can say with reasonable confidence that the notion of hundreds of thousands of American soldiers is way off the mark.”

Paul Wolfowitz, Deputy Defense Secretary²

I. The Facts on the Ground

More than 130,000 United States military personnel and 25,000 American contractors are risking their lives in Iraq. Many are deeply committed to their mission. While some are seeking to cash in on the crisis, many have sacrificed lives and limbs to serve their country.

What is different about the occupation in Iraq, however, is that an unprecedented portion of the effort has been privatized, contracted out to private companies. It is impossible to get complete figures on how many private contractors are working in Iraq, where they are or what they are doing. The U.S. Government Accountability Office estimates the number at 25,000 people working for over 60 firms.³ A Baghdad based trade association estimates 48,000 people working for over 180 firms.⁴ Neither the State Department, the Department of Defense nor the Iraq Reconstruction Authority can say how much money the U.S. has spent on private contracting, how it was spent or who earned it.

What is clear is that the occupation has gone bad. The reconstruction effort, which would be heroic by any standard in the midst of a growing civil war, has been crippled by inadequate planning, incompetence staffing, crony contracting, and widespread, pervasive waste, fraud and abuse.

- \$20 billion of U.S. money has been spent so far on reconstruction.⁵
- Production of oil and electricity remain below pre-war levels.
- Schools, hospitals, cars and food are less available than before the war.

Ironically, while the reconstruction has been contracted out, largely to US firms, Iraqis who are supposed to benefit have been largely left out. Iraqis see foreign-owned trucks driven by foreign nationals, delivering food grown in foreign countries. They see professional jobs going to Americans or Europeans while qualified Iraqis sit on the sidelines. They see basic jobs going to Filipinos and Nepalese while the Iraqi unemployment rate exceeds 50% and families struggle simply to feed their children. They see private contractors, armed and dangerous, riding through streets without the training, the discipline or the accountability needed in a tense occupation.

Representative John J. Duncan, Jr. (R-Tenn.):

“I come from a very conservative, very patriotic, very pro-military district ...

And then we find out that we don't even know exactly how many private security firms are operating in Iraq. Then I think people down my way would think that's kind of ridiculous, that we don't know that. I think they would find it ridiculous that we're having to hire private firms to provide security for our troops ...”⁶

Procurement

The scope of the privatization in Iraq is breathtaking. Private firms are hired to supply security for the head of the Coalition Provisional Authority. Contractors feed the troops, transport the equipment, guard officials and buildings, and construct everything from military bases to electrical stations to school rooms.

The argument for privatization is clear. Advocates claim it reduces the load on the U.S. military (and, of course, helps conceal the size of the U.S. commitment in Iraq at the same time). In theory, private contractors – competing to offer the best service at the best price – are more efficient than government agencies or the military. And in an occupation and reconstruction, much of the work involves the kind of rebuilding for which the U.S. military has neither capacity for nor interest.

The reality of U.S. contracting is far removed from the theory. Most of the large contracts in Iraq were initially made on sole-source, no bid contracts. Contractors were rarely held accountable for delivering the promised results. Low bid initial prices were “renegotiated” upward regularly in the course of the contracts. Oversight was virtually nonexistent. Deals made in Washington by men and women in suits have had disastrous consequences halfway around the world.

The pattern in Iraq should be no surprise. It is only an extreme case of how the Pentagon, the largest source of waste, fraud and abuse in the federal government, does business.

The United States spent \$270 billion in overall defense acquisitions and contracts between September 11, 2001 and 2005.⁷

- Fully 50% of the contracts were awarded without competitive bidding.
- Only 41% of those contracts were subject to full and open competition.
- In 9% of the contracts, the means of procurement is not even known.

Just as there are no clear figures on how many contactors there are and what they are doing, there are no summary figures on the scope of the waste, fraud and abuse in procurement. But anecdotal evidence abounds – suggesting a procurement process that rewards cronies, and condones widespread abuse.

Billions for Halliburton

Halliburton, of course, is the ultimate of crony companies, wired to the administration through the office of United States Vice President Dick Cheney, who was Halliburton's CEO before taking his oath of office and still owns Halliburton stock options.

Halliburton quickly became the leading firm pocketing sole source contracts in Iraq. Halliburton received over \$16 billion from the Pentagon for work in Iraq between the March 2003 invasion and July 2006.⁸

Halliburton's two biggest contracts with the military in Iraq are the Logistics Civil Augmentation Program (LOGCAP) for troop support and the Restore Iraqi Oil (RIO) contract to rebuild the oilfields.

The \$2.5 billion RIO contract to restore Iraqi oil production was awarded without competitive bidding and against Pentagon procurement requirements. The decision was apparently made by top Pentagon officials and political appointees, and against the recommendations of procurement professionals. E-mail messages uncovered by Judicial Watch suggest that Defense Secretary Paul Wolfowitz was personally involved, and that decisions were "coordinated with the Vice President's office."⁹

Representative Henry Waxman (D-Calif.) spent months trying to obtain information about the Halliburton deals, running into a wall of official secrecy and evasion. Long after the RIO deal was done, he learned that a modest contract to put out oil-well-fires had grown into full restoration of the Iraqi oil industry. "We thought it was supposed to be a short-term, small contract, but now it turns out Halliburton is restoring the entire oil infrastructure in Iraq," Waxman said. The Defense Department's only public acknowledgment of the deal was a pair of press releases announcing that it had asked Halliburton to prepare to help put out oil-well fires.¹⁰

“I can unequivocally state that the abuse related to contracts awarded to KBR [Halliburton] represents the most blatant and improper contract abuse I have witnessed during the course of my professional career.”

Testimony of Bunnatine Greenhouse, the highest ranking civilian in the U.S. Army Corps of Engineers.¹¹

Both RIO and LOGCAP are “cost-plus” contracts, under which the company purchases all goods and services to complete the job, and is then reimbursed by the government for all costs plus a percentage of costs as a fee. Such contracts contain a *built-in incentive to waste money*: the higher the cost runs, the higher the profit will be. So while taxpayers want to keep costs down, “cost-plus” contractors want to run costs up.

- For LOGCAP, Halliburton receives a base fee of 1% of its costs and an additional award fee of up to 2%. This guarantees a profit range of \$83 million to \$248 million.¹²
- For RIO, Halliburton’s base fee is 2% of its costs and its additional award fee is up to 5%. This guarantees a profit range of \$50 million to \$176 million.¹³

Bottlenecks on Body Armor

Body armor was a procurement problem with deadly consequences. Eight months after the war began, nearly 50,000 U.S. troops in Iraq, more than one-third of the total force, lacked modern body armor.¹⁴ In the anodyne language of the U.S. Government Accountability Office, “We consider this item to have a shortage because demand exceeded the production output necessary to meet the needs of the war fighter.”¹⁵

The shortage was artificial and unnecessary, a result of a broken procurement process.

Roughly twenty U.S. companies can make the required vests, but David Brooks, CEO of Point Blank Body Armor, successfully lobbied for a contract to produce *all* the body armor – even though Point Blank alone could not possibly manufacture enough to satisfy the full demand in time.¹⁶ The Brooks bottleneck created a shortage that kept soldiers and marines out of modern armor for months, at a literal cost of lives and limbs.

- After securing the exclusive contract, Brooks’ personal compensation rocketed from \$525,000 in 2001 to more than \$70 million in 2004.¹⁷ To celebrate, he spent \$10 million on a party in New York City’s Rainbow Room, featuring music by Aerosmith rockers and Brooks himself reportedly cavorting in a hot pink, metal-studded suede pantsuit.¹⁸
- The price of Brook’s additional salary could have manufactured 63,000 new interceptor vests – enough to fill the entire shortfall.¹⁹
- Not until eight months after combat operations were declared over, did all military in Iraq have appropriate body armor.²⁰

"You go to war with the Army you have... not the Army you might want or wish to have at a later time."

Defense Secretary Donald Rumsfeld²¹

Abuse at Abu Ghraib

The abuse in Abu Ghraib prison in Iraq is not simply a sordid stain on U.S. honor, but a disastrous crime that roused fury across the Muslim world. The pictures now are infamous: Guards urinating on inmates; men on leash, beatings; dogs; allegations of rapes.

Contracting didn't cause the abuse at Abu Ghraib; failures of government did. But private contracting is implicated at every level.

CACI International, Inc. provided more than half the analysts and interrogators at Abu Ghraib. Titan Corporation provided the translators.

The CACI contract had problems from the start. It was not awarded after competitive bidding but under a "Blanket Purchase Agreement" expansion of a pre-existing contract to provide information technology to the Department of the Interior – a function in no way related to interrogating prisoners in Iraq. The military review of the contract after the scandal came to light concluded, "it is not clear who, if anyone, in Army contracting or legal channels approved the use of the BPA [Blanket Purchase Agreement], or why it was used."²²

It is also unclear why CACI employee Thomas Howard helped to draft the contract itself, a practice that appears to violate federal law.²³

Once it secured the contract, CACI rushed to fill the billable interrogator jobs, skipping essential details like applicant screening or training. Former CACI employees said that many of their fellow investigators were hired after five-minute telephone interviews, and without checking fingerprints or criminal records.²⁴

Some of these employees – hired in a hurry after the award of a contract without bidding – engaged in abuse and torture that violated U.S. law, the Geneva Convention and modern laws of war.

Performance

In Iraq, flawed procurement has too often been followed by flawed performance. Iraqis enjoyed more electricity, better schools and better hospitals under a brutal Sadaam Hussein dictatorship shackled by sanctions than they have under the U.S. occupation. In a battle for the hearts and minds of the Iraqi people, the ability to deliver such services is essential. But contractors have repeatedly fallen down on the job.

Needless to say, the shortage of U.S. forces, the growing resistance and now the widening civil strife made fulfilling contracts perilous at best. Rebuilt pipelines were blown up down the line. Construction sites had to be guarded against terror attack. Supply convoys were favorite targets.

At the same time, external conditions too often became an excuse for shoddy and inadequate work. Again, the examples abound.

Halliburton's Logistics Failures

Halliburton \$8.3 billion LOGCAP contract, was supposed to supply American troops and support personnel with food, fuel, housing and logistical support. Yet performance has been plagued by cost overruns and shoddy results.

- Inserting Halliburton as middleman for the operation of dining halls increased costs by more than 40%.²⁵
- With the motivation of a “cost-plus” contract, Halliburton kept its own personnel at the deluxe Kuwait Hilton Hotel, where the excess costs ran in the range of \$300,000 per month.²⁶
- Examination of seven LOGCAP task orders with a combined value of \$4.33 billion identified unsupported costs totaling \$1.82 billion. Nearly half of every dollar spent (42 cents) could not be justified.²⁷ And yet the Pentagon paid the costs anyway.

But the trouble goes beyond mere money. Some of Halliburton's practices smack more of bad faith than poor performance.

- Halliburton billed the government for 42,000 meals a day for our troops, but only served 14,000 meals a day.²⁸
- Halliburton drove convoys of empty trucks through the desert, putting drivers and security personnel at risk. It was paid to run trips and it didn't matter if trucks ran empty.²⁹ Some patriotic Americans who went to Iraq to earn a living and rebuild a country died in those convoys.
- Halliburton charged the government \$45 for cases of locally produced soda and \$100 to wash bags of laundry.³⁰ Halliburton paid local citizens 50 cents an hour for laundry work.
- Rather than caring for its equipment, Halliburton bought new equipment and was reimbursed for the full cost, plus its additional “cost-plus” percentage. With this incentive, Halliburton abandoned or destroyed \$85,000 trucks if they got a flat tire or experienced mechanical problems, and never changed the oil.³¹
- Halliburton exposed troops and civilians to contaminated water from Iraq's Euphrates River that they were contracted to purify before use.³²
- Halliburton was contracted to feed 600 Turkish and Filipino workers meals “according to their customs.” Halliburton charged the government for the service but didn't prepare the

meals. Instead, the Turkish and Filipino workers were given leftover food in boxes and garbage bags after the troops ate. Sometimes there were no leftovers to give them.³³

Halliburton Oil Failures

Halliburton's \$2.5 billion no-bid RIO contract was supposed to pay for itself as well as reconstruction of the entire country. Had the contract been fulfilled correctly, Iraq would be able to export much more oil from its northern oil fields. Instead, the oil fields are barely usable and access to international markets is severely limited.

Halliburton's work on the pipeline crossing the Tigris river at Al Fatah was a critical failure. Against the advice of its own experts, Halliburton tried to dig a tunnel through a geological fault zone. The underground terrain was a jumble of boulders, voids, cobblestones and gravel – impossible for the kind of drilling Halliburton planned.

“No driller in his right mind would have gone ahead,” said Army geologist Robert Sanders when the military finally sent people to inspect the work.³⁴

But the geologists didn't understand what the business managers knew: that Halliburton would get paid no matter what.

Halliburton spent every nickel of the \$75.7 million allocated to the river crossing, including \$100,000 a day while crews sat idle while drill bits were broken and equipment jammed. They never reported their poor results, changed their approach or were penalized for their failure.

- The Inspector General estimated the money lost from oil exports at \$5 million a day.
- After Halliburton spent all the money, the U.S. issued a new \$66 million job order dedicated to the same task.

“In the past year, we have made significant progress... We are improving roads, and schools, and health clinics and working to improve basic services like sanitation, electricity, and water. And together with our allies, we will help the new Iraqi government deliver a better life for its citizens.”

President George Bush, June 2005³⁵

Blackwater U.S.A and the Fallujah massacre

The killing of four men in Fallujah is often seen as a turning point in the occupation. Killed, burned and hung from a bridge, their deaths remain seared in American minds. Few Americans watching the news realized that the men were not GIs but private contractors, employees of Blackwater USA, sent into Fallujah on business.

Part of the horror may have resulted from inherent problems in the contractual relationship. The marines had recently changed tactics in Fallujah in a way that made transport more difficult.

Blackwater might not have known that, and might not have known to circumvent the downtown area that marines knew to avoid.

Other problems seem attributable only to Blackwater:³⁶

- The contract with the military required that every mission use armored vehicles. The two vehicles sent into Fallujah were not armored.
 - Buying unarmored rather than armored vehicles is estimated to have saved Blackwater \$1.5 million in equipment costs.
- The contract required at least six people on each team: a minimum of two vehicles, each with a driver, a navigator and a heavily armed rear gunner.
 - The victims in Fallujah were on a four person team with no rear gunners and no heavy arms.
- The contract required that Blackwater perform a risk assessment before each trip. No risk assessment was performed before this trip.
 - The team sent into Fallujah had never been there before and did not even have a map.

Katy Helverston's son Scott was killed in the massacre:³⁷

“He said, ‘I’m gonna go over there, make some money, maybe make a difference. I’ll only be away from my kids for a couple of months.’”

Gary Jackson, president of Blackwater, speaking of Blackwater's 600% growth:³⁸

“This is a billion dollar industry. And Blackwater has only scratched the surface of it.”

Bechtel and the Missing Children's Hospital in Basra

The brand new, high-tech children's hospital in Basra was presented as a hallmark of Iraqi reconstruction. First Lady Laura Bush has praised the project, with its planned linear particle accelerator for radiation therapy and sophisticated equipment for treating childhood cancer. Secretary of State Condoleezza Rice said the hospital "will make a real difference, a life-saving and lasting difference, to the thousands of children and their families."³⁹

But the hospital has yet to advance past the dream stage. With construction contracted to Bechtel, the hospital has featured not saving lives, but cost overruns and broken promises.

- Congress allocated \$50 million to the project in 2003, to be finished in 2006.

- The project is now estimated to cost \$270 million to complete and won't be finished before 2007, if ever.

Bechtel says the soaring cost overruns are due to security problems. But Ammar el-Saffar, a deputy health minister in Baghdad, said the problem was mismanagement on the site and Bechtel's selection of subcontractors. He said that the U.S. government wasted money by going through a complex chain of contractors and sub-contractors rather than working directly with Iraqis who would do the work anyway. "Our counterparts should have full faith and credit in Iraqi companies," he said.⁴⁰

Accountability

Too often, the failures, frauds and abuses of contractors went unnoticed, without any competent oversight by the administration or the Congress. Even as the Pentagon pushed the boundaries in privatizing the occupation, it failed to build in even routine accountability.

For the past three years, the U.S. military has been spending nearly \$1 billion every week in Iraq. Yet, until relatively recently, the Pentagon's Inspector General, the largest watchdog in the U.S. government, had no inspectors on the ground in Iraq.

When an Inspector General was finally appointed for reconstruction and when the U.S. Government Accountability Office finally started to examine these issues, it found "substantial evidence of widespread mismanagement, waste, and corruption in the spending and disbursement of over \$19.6 billion in Iraqi funds during the period of U.S. control."⁴¹

The lack of control is most vivid with boondoggle over the spreading of hard cash. Loading up planes directly from the Federal Reserve, the United States shipped nearly \$12 billion in U.S. currency to Iraq between May 2003 and June 2004, the largest international cold cash currency transfer in recorded history. Nearly half of the U.S. currency shipped into Iraq — more than \$5 billion — flowed into the country in the final six weeks before control of Iraqi funds was returned to the interim Iraqi government on June 28, 2004.⁴²

- The U.S. government shipped to Iraq more than 281 million individual bills, including more than 107 million \$100 bills. Total U.S. cash shipments weighed 363 tons.⁴³

After the funds arrived, the money went out, but few records were kept of who got it or what for.⁴⁴

- One contractor received a \$2 million payment in a duffel bag stuffed with shrink-wrapped bundles of U.S. bills.
- One official was given \$6.75 million in cash and ordered to spend it in one week, before the interim Iraqi government took control of Iraqi funds.



U.S. officials paying contractors in Iraq⁴⁵

But the problem goes beyond cash. Even on formal contracts, the Pentagon and administration failed to provide even minimum oversight.

- The Army Corps of Engineers paid Halliburton over \$250 million in cost reimbursements, profits and bonuses for billings that Defense Department auditors found to be unreasonable and unsupported.
- Construction costs of a power station project in Musayyib were reported as \$6.6 million, while overhead costs were reported as \$27.6 million – an overhead rate of 418%.⁴⁶
- Bechtel was paid in full for construction of the children’s hospital in Basra that barely made it past walls and a roof.
- Contractors who tortured Iraqi civilians in Abu Ghraib have so far escaped liability – because the conduct occurred off U.S. soil but Iraq cannot gain legal authority over American employees.

From *Ibrahim v. Titan Corporation*, a lawsuit over abuses at Abu Ghraib, in which the court dismissed most counts:⁴⁷

“Plaintiffs make reference to numerous treaties and other sources of international law that strongly condemn torture. Those authorities generally address official (state) torture, and the question is whether the law of nations applies to private actors like the defendants in the present case.... **[T]he answer is no.**”

- To date, nobody has been held personally accountable at high levels of either corporate or public governance for the widespread failures of contracting in Iraq.

Congress too failed in its role. Historically, Congress has played an active role in overseeing government action. At the height of World War II, U.S. Senator Harry S. Truman created the Senate Special Committee to Investigate the National Defense Program – the Truman Committee, as it

came to be called. Committee investigations saved taxpayers' billions and provided an independent source of accountability.

Efforts to create a similar committee were rebuffed by the administration and conservative leaders of Congress. Even requests from members such as Senator Frank Lautenberg and Representative Frank Wolf to hold investigative hearings were repeatedly denied by the Republican majority.

II. The Path to Failure

“We don't do nation building.”
*President George Bush*⁴⁸

“[Occupying Iraq] will be the most daunting and complex task the U.S. and the international community will have undertaken since the end of World War II.”
*Conclusion of seventy national security experts and Mideast scholars convened for advice by the National Defense University before the war.*⁴⁹

September 11 didn't change everything. It didn't change the conservative ideas that guide this administration and the majority in Congress, and it did not dent the arrogance of the people in control of the United States government. The same catastrophic conservatism that proved so costly at home in the wake of Katrina has directly contributed to the failure of the occupation and reconstruction in Iraq, at terrible price in lives, resources and declining security.

In Iraq, as in Katrina, the failure began because of conservative scorn for the mission. When George Bush campaigned in 2000, he mocked Clinton for involving U.S. forces in nation building. Defense Secretary Rumsfeld and then national security advisor Condoleezza Rice made it clear that the U.S. military fought wars, it didn't build schools or police streets.

That scorn for nation building contributed to the inexplicable failures to plan for the occupation. Under Rumsfeld's misguided leadership, the Pentagon elbowed out the State Department's experts from the occupation effort, took control over it and then failed to plan for it. The Pentagon's leaders assumed that the military would be out of Iraq in a matter of weeks. They left U.S. soldiers stranded in an occupation for which they lacked sufficient forces, training and guidance.

When it became clear that the U.S. was going to be responsible for reconstructing an Iraq devastated by years of dictatorship, sanctions, war and looting in its wake, once again conservative ideological preconceptions undermined the mission. The architects disbanded the Iraqi military and laid off Iraqi public officials. Rather than developing public works reconstruction plans that would put Iraqis to work, they turned to the private sector, launching an ideological experiment in privatization that left Iraqis largely out in the heat.

Iraqis stewed as foreign corporations imported foreign workers to build projects to foreign specifications. Reconstruction looked less like a gift and more like an occupation, that U.S. military bases suggested might be permanent. Resistance grew, not diminished, as reconstruction rolled on. During what experts call the “golden hour” after the fall of the old regime and before new forces take shape, the U.S. government was asleep at the wheel and private actors drove around with the meter ticking.

The result was a reconstruction that has turned into a nightmare. American citizens, soldiers, and employees of contractors are all paying the price of that failure.

Privatization

"The best minds are not in government; if they were, business would steal them away."
Ronald Reagan

"The average Halliburton hand knows more about the world than the average member of Congress."
Dick Cheney⁵⁰

The conservative disdain for government drives them outside of government. The flip side of the belief that government does everything badly is the belief that the private sector does everything right. The result is overzealous privatization. In the case of war, it can be dangerous.

"It makes it too easy to go to war," said retired Air Force colonel Sam Gardiner. "When you can hire people to go to war, there's none of the grumbling and political friction."⁵¹ The same administration that recognizes the political difficulty of increasing troop presence in Iraq finds it all too easy to direct money to private companies to perform similar functions. The result is the same – young men and women at risk – but in between stands a corporation that seeks private gain.

Privatization in Iraq has delivered poor performance as a result of poor procurement and accountability. But some problems are inherent in the contracting relationship.

- **Private sector employers are less legally accountable.** They can use jurisdictional dodges to avoid liability in court, and they can evade Freedom of Information inquiries that public agencies must answer.
- **Privatization dilutes responsibility for results.** Every soldier is accountable to the chain of command and the military justice system. Contractors can suspend operations for any reason, including if they become too dangerous or unprofitable; and employees, unlike soldiers, can quit and leave.⁵²
- **Privatization often drives costs up, not down.** When an army sergeant provides a security detail, taxpayers pay about \$104 per day to cover salary, housing and sustenance; but when a private contractor is hired to provide the same service, the cost can run as much as ten times higher. Due to the tiering of security contracts through multiple contractors and subcontractors, each of whom takes a cut, the final cost to the taxpayer can run in the range of \$1,000 per day.⁵³
- **Privatization hurts the military's ability to retain talented soldiers.** Contractors in the security/reconstruction industry earn more two to ten times more than the same people doing the same work as soldiers. All too often, people exit the military after training and conditioning to "re-enlist" as a private contractor.⁵⁴

If the private sector is to be used, it requires close supervision and careful attention. Contracts must be competitively bid and contractors must be held accountable for results. Too little of this has

happened in the war so far. Finally, privatization is distracting. We are talking about money; we should be talking about lives.

Cronyism, Incompetence and Corruption

As Katrina showed, conservative scorn for government feeds cronyism, incompetence and corruption. If you don't believe government can or should produce efficiently, then what harm is there in using government resources to reward friends. Examples in Iraq are notorious.

Because of the lack of planning, the Coalition Provisional Authority was put together on the fly. It became, as Christian Miller has reported, a prestigious patronage posting. Staff were chosen more for their service to the Republican party than their expertise in Iraq. The administration turned to the Heritage Foundation and to party recruiters to put together the staff. Key positions were filled by Republican loyalists and "heroic amateurs."⁵⁵ Jay Halen, a 24 year old Yale political science graduate who had applied for a job at the White House, was put in charge of opening Baghdad's stock market. Simone Ledeen, the 29 year old daughter of Michael Ledeen, a conservative scholar at the conservative American Enterprise Institute, became de facto budget director for reconstruction. Young Republican college graduates were inserted into positions of senior responsibility during reconstruction, where they accomplished little, were paid well, and returned to the U.S. with resumes enhanced and ready to rise through the ranks. They stayed an average tour of duty of three months.⁵⁶

Cronyism extended, of course, to the contractors, a class that has come to be called "access capitalists." Jack Kemp, former Republican Congressman and Secretary of Housing and Urban Development once said, "This is how corruption is done these days. It's not about bribes. You just help your friends get access. Cheney doesn't call the Defense Department and tell them, 'Pick Halliburton.' It's just having dinner with the right people."⁵⁷

Most everyone knows that Vice President Dick Cheney was CEO of Halliburton and still owns stock options. Yet he is not alone. The revolving door between public responsibility and private contractors in Iraq is spinning very fast.

Dick Cheney: A Capital Crony

After his tenure with the Pentagon ended in 1993, Dick Cheney put his connections to work, earning a personal fortune as CEO of Halliburton. He also contemplated a bid for the presidency. The Federal Election Commission shows that Cheney's PAC accepted contributions from executives from several of the private contractors now employed in Iraq. Among them:

- Former Halliburton CEO, Thomas Cruikshank.
- Stephen Bechtel, whose company, Bechtel, has had contracts in Iraq worth as much as \$2.8 billion.
- Duane Andrews, past Senior Vice President of Science Applications International Corp., which has won at least seven contracts for work in Iraq.⁵⁸

Blackwater⁵⁹

When Blackwater staff were massacred in Fallujah, Blackwater turned to the Alexander Strategy Group to help weather the media firestorm.⁶⁰ Blackwater and Alexander already had a relationship

developed by lobbying on regulations on private militias in war zones,⁶¹ and Alexander had all the right relationships on the Hill:

- Ed Buckham, former Chief of Staff for former House Majority Leader, Tom DeLay. Buckham is Alexander's chairman.
- Tony Rudy, former DeLay operative.
- Karl Gallant, former head of DeLay's leadership PAC.

Additionally, Blackwater has direct ties with the Republican Party. Erik Prince, founder of Blackwater, is a staunch Republican and closely tied with the religious right. His sister, Betsy DeVos, is the Chairman of the Michigan Republican Party. His father helped Gary Bauer, religious right leader, develop the Family Research Council in the late 1980s.

Titan⁶²

Titan, one of the contractors implicated in the Abu Ghraib Prison scandal, has many connections between their lobbying power and former government staffers.

- Gene Ray, Titan's founding CEO, was Air Force Chief of Staff and Chief of the Air Force Strategic Division
- John Dressendorfer, former White House lobbyist under President Reagan
- Susan Golding, former Republican Mayor of San Diego
- American Defense International, which employs Van Hipp and Michael Herson, former underlings during Dick Cheney's reign as Defense Secretary

Titan has also employed the services of NorthPoint Strategies. NorthPoint is made up mostly of former staffers of Randy "Duke" Cunningham (R-Calif.), who once sat on the Armed Forces Committee, the Intelligence Committee and the Appropriations Defense Subcommittee, but now sits in federal prison.

CACI⁶³

CACI, another interrogation contractor, is also famous for human rights abuses in the Abu Ghraib Prison scandal. For at least five years, CACI has utilized the services of the Livingston Group. The Livingston Group has strong ties to Capital Hill as well.⁶⁴

- The name was given to the company by former House Appropriations Committee chairman and Speaker of the House, Bob Livingston.⁶⁵
- Livingston is the only former chairman of the Appropriations Committee now in private practice.⁶⁶
- Some of Livingston's former aides work on the CACI account.

Pay to Play

"If you want to play in our revolution, you have to live by our rules."

Tom DeLay, just after the 1994 Republican revolution.

"We've created a culture that just breeds corruption."

Representative Jeff Flake (R-Ariz.)

Two armies are involved in the occupation of Iraq. One army marches in boots on the ground in Baghdad. A second army strolls the corridors of Congress, trading favors and offering campaign contributions. Efforts to hold contractors accountable or demand performance for payment too often run into the pay-to-play politics of Republican Washington.

The seventy or so companies with contracts in Iraq have contributed more money to President Bush than they did to any other candidate during the past twelve years.⁶⁷ Retired Air Force colonel Sam Gardiner, who has taught at the National War College, said that so many contracts in Iraq are going to companies with personal connections with the Bush Administration that the procurement process has essentially become a “patronage system.”⁶⁸

- Halliburton and Titan both give 89% of their contributions to Republicans.
- Halliburton, Bechtel, Parsons, Titan, CACI and Blackwater have given a combined \$2,167,255 to Republicans and their PACs. They have given \$183,050 to members of the Senate and House Appropriations Committee.
- Jerry Lewis (R-Calif.), Chairman of the House Appropriations Committee, has accepted \$78,000 from Halliburton, Parsons, Bechtel, CACI and Blackwater. He has accepted \$47,000 from Titan alone, the company closely aligned with problems in Abu Ghraib.

In March of 2006, California Representative Henry Waxman proposed an accountability and oversight amendment to the Fiscal Year 2006 Emergency Supplemental Appropriations Bill for Iraq and Hurricane Katrina.⁶⁹ The amendment created the straightforward and obvious provision that the military’s Defense Contract Audit Agency not pay any amount in excess of \$100 million if the Agency has itself has determined that the costs were “unreasonable.” The Amendment was rejected with voting along party lines.

On war profiteering, too, the private companies exploit legal loopholes to their advantage. The federal Hatch Act prohibits the contribution of funds by government employees to political campaigns. Private companies such as Halliburton, however, have no such constraints. They have been putting their freedom to work to advance their interests.

Paying to Play⁷⁰
*Political contributions and lobbying expenses by notorious war contractors
 since September 11*

	To Republicans	To Democrats	Lobbying
Halliburton Co. <i>(Oil and troop support)</i>	\$482,510	\$62,504	\$1,992,000
Titan Corp. <i>(Abu Ghraib translators)</i>	\$541,454	\$64,491	\$1,640,000
Bechtel Group <i>(Basra children’s hospital)</i>	\$633,822	\$470,902	1,920,000
Parsons Corp. <i>(Prisons)</i>	\$454,868	\$431,501	\$1,350,000
CACI <i>(Abu Ghraib interrogators)</i>	\$48,601	\$32,012	\$588,000
Blackwater USA <i>(Fallujah)</i>	\$6,000	\$0	\$0

III. Accountability: Who Stood Up; Who Stood in the Way

It is vital that citizens hold their political leaders accountable for this catastrophic failure. Part of this must be to challenge those who opposed sensible oversight of the costly occupation and encourage those who supported it. Since the mid point of the 108th Congress, numerous anti-profiteering bills and amendments to defense appropriations have been introduced in Congress to combat war profiteering. Six hearings have recently been held that exposed the harsh reality of contractor waste, fraud, and abuse during the occupation of Iraq. Members of Congress have called for a Truman Commission style investigation of the gross misuse of funds. These efforts have gone nowhere, often not even getting out of committee.⁷¹ Partisan division has too often undermined national interest. Here we report on the results of two key measures that actually went to a vote.

- Only 12 Republicans voted to support Representative Harry Waxman's (D-Calif.) amendment to prevent the Defense Contract Audit Agency from dispensing funds to contractors if it found more than \$100 million of the contractors' costs to be unreasonable.⁷²
- Sen. Dodd (D-Conn.) offered an amendment to the FY2005 Defense Authorization Bill to prohibit the use of contractors for certain Defense activities and to establish limitations on transferring custody of prisoners of the Department of Defense. The Republican majority voted to table the amendment by yea-nay tally of 54 – 43, along party lines.⁷³

In Iraq, as in the wake of Katrina, catastrophic conservatism has made us less secure, sacrificed too many lives, and wasted billions. The failure to plan and execute a sensible reconstruction in Iraq now leaves our soldiers stranded in a widening civil war, our allies dismayed and our enemies emboldened. Companies have profited from the Iraq fiasco. Profiteers have cashed in. But our country has been badly served.

As citizens, we can't provide oversight for the private contractors in Iraq. But we can hold our leaders accountable.



Senator Truman during the Truman Committee hearings, circa 1942.⁷⁴

ENDNOTES

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