

Senate Democratic Policy Committee

“An Oversight Hearing on Contracting Abuses in Iraq”

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As a veteran Army officer and American citizen who had grave concerns about the safety and well-being of our troops in Iraq, I brought my concerns about wasteful spending in the Halliburton Logistics contracts to Congressman Waxman's office. His attention to the matter of wasteful spending has already born fruit. American soldiers, their families, the taxpayer and conscientious contractors should all be grateful for his persistent demands for prudent contract management and appropriate allocation of Department of Defense resources. Today, I am grateful for this committee's invitation to share my personal perspective on logistics contracting. I would like to describe how poorly planned contracts not only waste funds, but also how poorly planned contracts can compromise military readiness and operational security. It is a personal story, based on my military experience and my experience with Halliburton in Kosovo and Kuwait. I do not pretend to have all of the solutions to our current predicament, but I do hope to offer suggestions for consideration as you develop your policy about contracts that support military operations on the battlefield.

I served two tours of duty in the Army. In the early 1980's, army doctrine stated that every person who served on the battlefield was a vulnerable target. Hence, the moral imperative required that all military personnel receive defensive combat training, with the expectation that everyone on the battlefield except chaplains would carry and use weapons. Military leadership enforced this doctrine as an operational principle to give every person who supported the Army the best chance of survival in the event of attack. The second moral imperative: we would train as we fight. Every unit that I served had operational standards that included maintenance of equipment, property accountability, and regular inspection of our war fighting equipment and supplies to ensure deployment readiness. The third moral imperative: every soldier who wore the uniform owed loyalty to the Constitution. All were trained, regardless of rank or position, to abide by the Law of Land Warfare and the Geneva Conventions.

I started my second tour of duty in the early 1990s, when transformation of military operations was well under way. Military leadership perceived the need to respond to regional or global threats with light, agile, rapid deployment forces. From 1993-1995, I was fortunate to serve in the 2nd Armored Cavalry Regiment when it stood up as a rapid deployment force. I trained with troopers who provided total logistics support on the battlefield, ranging from basic needs such as food preparation, water purification and medical care -- to management and provision of transportation, supplies, fuel,

ammunition and weapons. As far back as 1994, we had the capability to deploy anywhere in the world on two hours notice. Our material management center was automated. Maintenance contact teams repaired damaged equipment, using a superior automated spare parts inventory management program that made it possible to return broken vehicles to the battlefield within hours.

Our soldiers could survive hardship conditions, move about the battlefield, and provide sustenance ranging from Meals-Ready-to-Eat (MREs) to fresh salads, burgers, and even steak and lobster as an occasional reward for hard training. I served under Tommy Franks when he presided over war fighting experiments in the 2nd Infantry Division in Korea, and under General Paul Kern when the 4th Infantry Division tested new battle strategies. The principle that guided all of our training: all personnel who served as logisticians and support personnel were trained combatants. As such, they would not only deliver goods and services to troops, but would be force multipliers.

I would like to repeat this theme: as far back as 1994, Army commanders effectively transformed fighting units to be flexibly packaged to respond to war fighting missions around the world. These agile units served admirably for more than a decade in the Balkans, in Haiti, and most recently, in Operation Iraqi Freedom.

Throughout our careers, my colleagues who are now on the battlefield and I have appreciated many contributions that contractors have made to the United States Military. We have been supplied with equipment and technology, fresh food, rear operations, construction and renovation services, training, and research and development. There is no question in our minds that soldiers benefit when the military buys off the shelf products such as American made trucks and SUVs. Our economy could have benefited if the procurement that was done for LOGCAP was done prior to the war, with an emphasis on wholesale purchase of manufactured goods made in American factories. When soldiers work with “off the shelf products” like CAT generators or John Deere forklifts and commercial internet satellites, they do their war fighting mission with confidence, especially when the equipment is delivered to them with spare parts and maintenance manuals. When reservists and National Guard personnel from states like Michigan and Wisconsin watch companies like Halliburton lease poorly maintained forklifts and trucks from Middle East companies, they are demoralized. Especially when equipment is leased at four times the price that would have been paid if the equipment were purchased from their hometown factories.

The United States Army has always “outsourced” manufacturing and services. By outsourcing the entire wartime logistics mission, however, I believe we harmed the Army for the following reasons:

- 1) We compromised security by conducting commercial procurement operations in the war theater by personnel who are not familiar with military principles of information security. From day one of the Halliburton contracts, for example, bids for trucking operations and all internal logistics functions were put out on the street to vendors without any precautions taken to vet the company’s ability to

comply with the Army's security concerns. A major transportation subcontract, which grew in value from 9.5 million to \$134 million in one year's time, is an example of a contract where we not only paid 4 to 9 times the price for each service on the contract, but where each service had two or more layers of vendors below Halliburton. Halliburton hired staff to run the operation, but then, inflated the price of running this transfer point and increased the security risk by turning the entire operation over to a subcontractor, who in turn, hired different vendors off the street to provide and operate trucks, the dining facility, the laundry operations, etc. Several efforts by prudent subcontract administrators to reduce the cost of each type of equipment or service such as tents and generators, and fuel tanker leases were rebuffed. The confluence of media pressures, congressional inquiries and Army audits produced enough pressure to force Halliburton to eliminate unnecessary middlemen and procure directly with service providers, that is, the companies that actually supplied fuel tankers, laundry operations, etc. I suggest that this late stage effort to reduce costs did not address a more fundamental concern: security of operations.

- 2) We compromised security by subcontracting and hiring thousands of third country nationals to perform military essential tasks such as organizing truck convoys, wholesale management of airfield construction operations. It is simply not true that Halliburton served 400,000 meals per day in Iraq. All of the dining operations were run by subcontractors. The workers who were brought in from many other countries were paid wages that were not only significantly lower than Halliburton employees, but also much lower than wages earned by the American soldier. Their living conditions were inferior, creating potential for shift in loyalties. There have been numerous media accounts of attacks on U.S. soldiers, even in Kuwait, by third country national employees, who obviously were not screened as security risks.
- 3) We compromised security by allowing contractors to lease most of our trucks and equipment without appropriate maintenance plans. In the Halliburton contracts alone, more than 400 trucks were abandoned in Iraq, due to poor quality of equipment and nonexistent maintenance. Every truck that broke down on a convoy because of poor maintenance is a truck that put the lives of soldiers and other contractors in danger.
- 4) We compromised security by hiring thousands of truckers and civilians to drive and work in the line of fire without the capacity or the legal right to defend themselves in the face of insurgents and underemployed Iraqis who routinely attacked contractors on logistics bases and in convoys.
- 5) We compromised security by allowing civilian contractors in Kuwait and Iraq to live extravagant high profile lifestyles on the economy. More than once the CIA complained to Halliburton officials that employees discussed troop movements in upscale restaurants. During my tenure in Kuwait, employees expressed their own

concern that the company was ignoring Department of State advice to move out of high profile coastal luxury hotels and into compounds secured by the military.

- 6) We compromised security by taking corporations like at Halliburton at their word when setting up umbrella prime contracts, and allowing these corporations total control of the logistics mission. Most of the subcontractors were from the Middle East. These subcontractors have provided all of the trucks, equipment, staff, food to do logistics operations. All Halliburton had to do was to negotiate reasonable prices and then pay its subcontractors for services rendered, but many of these vendors were not paid for months, a year at a time. They continued to provide direct support to the military, but under threat of bankruptcy, often complained they would have to stop their operations.

Because Halliburton had a virtual monopoly on the prime logistics contract, I believe that Army commanders were at the mercy of Halliburton for the first year of the war. If the military had planned for organic command and control of the logistics, planning would have included ongoing verification of equipment and personnel readiness. By contrast, when Halliburton acquired its multibillion contract, it did not have warehouses full of equipment and supplies, trucks, fuel, or an automated enterprise system to manage its operations. It did not use its own capital to set up the LOGCAP mission. The company used subcontractors, which not only entailed a transfer of risk to the subcontractors, it entailed major delays in the start of most operations, because the procurement cycle for subcontracts is longer than the decision-making timeline for contingency operations.

To summarize, I believe that this policy making committee has an opportunity not only to look at the fiscal issues involved with contractors on the battlefield, but also, to look at the impact of commercial contractors on military readiness and the security of our combat operations. I believe the Bush Cheney administration compromised our military security by commercializing and outsourcing the military's command and control of all phases of planning and management of combat service support missions for Operation Iraqi Freedom. I hope that in your work with Pentagon officials that you will encourage a return to a model where logisticians on the battlefield are war fighters and thereby, force multipliers, who are trained not only to provide superior organic support for small rapid deployment forces, but who can contribute to security when faced with imminent threats.