

**Statement By Senator Byron L. Dorgan**  
**Democratic Policy Committee Hearing On Contracting Abuses In Iraq**  
**November 3, 2003**

Good afternoon.

The Democratic Policy Committee has convened this hearing to examine the issue of contracting abuses in Iraq.

At the outset, let me make three points:

First: we all agree that our troops should have all the funding they need on the military front in Iraq. Even though the President declared that the mission had been accomplished, it is clear that the U.S. military mission in Iraq is far from over – and our men and women in uniform deserve our full support in finishing the job.

Second: there is no doubt that Iraq has a lousy infrastructure, and Iraq has a lot of rebuilding to do. This is not because of any fault of our military. On the contrary, our military deliberately avoided targeting Iraq's civilian infrastructure. Instead, the need stems from decades of neglect by Saddam's regime.

Third: The Administration has asked the U.S. taxpayers to finance the reconstruction of Iraq out of their pockets, to the tune of \$18.6 billion. Many of my colleagues and I feel that this makes no sense, because Iraq has vast oil resources, and can use these to finance its own reconstruction. But the Administration disagreed, and it appears that the Administration is going to get its wish.

As \$18.6 billion of U.S. taxpayer cash is going to be flown over to Iraq, we need to ask some tough questions about the reconstruction efforts to date. Because if that is any indication of how this additional \$18.6 billion is going to be spent, we have a problem.

*NBC News* reported last week that the U.S. Army got a giant cement plant in northern Iraq up and running again. That was good news, and it was no small feat: it allowed 665 Iraqi workers back on the job, and it got cement production ramped up, which is important for reconstruction.

Now, at the end of the war, this aging plant had been looted, and it was inoperable. The Army was eager to get it going again, so it asked its engineers to figure out how much it would cost to fix it -- assuming U.S. contractors did the work. The answer: it would cost about \$23 million, and would take up to a year.

Thankfully, the commander of the 101st Airborne didn't have the patience to wait that long. So instead of spending millions on a contract, the 101st took just \$10,000 of Saddam Hussein's frozen assets and gave it to the plant managers. U.S. soldiers were

amazed to see the Iraqis get spare parts from old machines, use them to build new ones, and get the factory running again.

The plant is now producing about 900 tons of concrete a day. That's just 25 percent of capacity, but it's a big first step, and generates \$20,000 a day in profit.

The sort of can-do mindset that got that cement plant fixed should be taking hold everywhere. But instead, the Administration is writing contractors a big check, and often getting little in return.

Halliburton has been accused of gouging prices on imported fuel – charging \$2.65 a gallon when the Iraqi national oil company says it can buy oil at less than 98 cents a gallon. Is there anything more ironic than getting ripped off on the price of oil imports in Iraq, of all places?

These sorts of abuses fester when there is no transparency, and no accountability. Last week, *Newsweek* did a cover story on “Waste, Chaos, and Cronyism” in the rebuilding of Iraq. It said the following:

Six months ago the administration decided to cut corners on normal bidding procedures and hand over large contracts to defense contractors like Bechtel and Halliburton on a limited-bid or no-bid basis. It bypassed the Iraqis and didn't worry much about accountability to Congress. . . . But by sacrificing accountability for speed, America is not achieving either very well right now. For months no one has seemed to be fully in charge of postwar planning.

If there is no accountability and no transparency, the \$18.6 billion the President is sending over to Iraq may be squandered. Certainly, the details in the President's request for the money (which was originally \$20.3 billion) were not a good sign. Among other items, there was \$9 million to design a new zip code system. There was \$400 million to build two prisons, at \$50,000 per bed. And there was \$10,000 tuition per student for a month-long business course – which is twice the cost of Harvard business school. Senator Wyden and I offered an amendment that cut a lot of these items from the President's request – over \$1.8 billion in questionable spending. But I worry that there is a contractor's feeding frenzy in Iraq right now.

I invited representatives of Bechtel and Halliburton to testify today. They declined. Bechtel submitted a written statement for the record, and I have agreed to accept it. However, I wish Bechtel and Halliburton had agreed to appear in person, and answer some questions from the Committee. The American public has a right to no less, considering that a lot of the \$18.6 billion of taxpayer dollars that the President is getting is going to go to Bechtel and Halliburton.

With that, let me ask that our panel of witnesses begin their testimony. Let me emphasize that this panel includes both Democrats and Republicans, with a variety of perspectives.