

Iraq: Making a Killing Big Business of War

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While nearly 100,000 Iraqis and 1600 US troops have died as a result of the Iraq war and tens of thousands have been severely wounded, the war has proven to be extremely lucrative for the Houston-based oil services company Halliburton and the San Francisco-based construction company Bechtel. These are the two largest private contractors to the US occupation forces in Iraq.

Iraq war and reconstruction contracts helped Halliburton to turn a profit in the first quarter of this year, after the company suffered a loss of US\$65 million in the first quarter of last year after paying out \$4.2 billion in asbestos lawsuit settlements.

Until 2000, Halliburton was headed by US Vice-President Dick Cheney. On April 15, Cheney released his 2004 tax return. It showed that he received \$194,852 in deferred payments from Halliburton, only slightly less than the \$203,000 he earned as vice-president.

On April 21, Halliburton reported a net profit of \$365 million. This is a dramatic turnaround from last year's first quarter loss. Nearly a third of Halliburton's revenue - about \$1.5 billion - now comes from Iraq-related work, principally through its Kellogg, Brown and Root (KBR) engineering and construction unit.

KBR personnel were in Iraq within 72 hours of the US-led invasion on March 20, 2003, and KBR is the biggest contractor to the US military in Iraq, handling most support services from mail delivery to providing food for troops.

KBR was paid more than \$3.6 billion by the US government for Iraq-related work in 2003 and \$5.4 billion for such work in 2004. However, the company is being probed by several US government departments over whether it overcharged for services.

The April 12 Washington Post reported that "Pentagon auditors have questioned \$212.3 million - about 13 percent - of \$1.69 billion that a Halliburton Co. subsidiary charged the government over the past few years, mostly for importing fuel to Iraq under a no-bid contract ...

There also have been questions about KBR's performance under a separate giant logistics contract to provide troops in the Middle East with food, shelter and other supplies. Auditors found \$1.8 billion in 'unsupported costs' in \$10.5 billion in billings from that contract, which KBR won by competitive bid.

The April 12 New York Times revealed that a new report from the US State Department accused KBR of serious cost overruns and "poor performance" in its \$1.2 billion contract to repair Iraq's southern oilfields.

Even more damaging to the company's credibility, on April 22 Inter Press Service reported that Henry Waxman, the top Democrat on the US House of Representatives subcommittee on government reform, said that Pentagon audits showing additional overcharges totalling \$212 million had been concealed by US officials from the UN's International Advisory and Monitoring Board, set up to monitor the occupation authority's expenditure of Iraqi oil revenues.

The evidence suggests that the US used Iraqi oil proceeds to overpay Halliburton and then sought to hide the evidence of these overcharges from the international auditors, Waxman wrote in a letter to sub-committee chairperson Christopher Shays.

Halliburton claims it has performed well under difficult circumstances in the aftermath of the invasion of Iraq and that cost disputes are part of the normal contracting process. But former Halliburton employees have alleged intentional and systemic scamming.

One former Halliburton employee, Mike West, told NBC News last July 26 that he was paid \$82,000 a year to be a fore in Iraq, but never had any workers to supervise. They said just log 12 hours a day and walk around and look busy, he said.

Another former Halliburton employee, Marie deYoung, who audited accounts for KBR, told NBC News there was no effort to hold down costs because all costs were passed on directly to the Pentagon.

A former US Army chaplain, deYoung produced documents detailing scamming even on routine services: \$50,000 a month for soft drinks, at \$45 a case; \$1 million a month to clean clothes or \$100 for each seven-kilogram bag of laundry. It's just a gravy train, she said.

On March 29, the second-largest contractor in Iraq, Bechtel, reported record revenue of \$17.4 billion in 2004. It was company's second year in a row of record-setting revenue, topping its 2003 take by 6.4%.

The company did not provide a profit figure. Nor did it disclose the amount of revenue brought in by its work in Iraq, where it has been awarded over \$1 billion in contracts to repair water, sewage and electrical plants. However, according to the March 29 San Francisco Chronicle, Stewart Scharf, a Standard and Poor's equity analyst who covers large construction companies, estimated that government services, including the company's work in Iraq, brought in the biggest share 35% of Bechtel's revenue.

The Chronicle added that Bechtel's civil infrastructure work which includes Boston's troubled Big Dig accounted for 29% of revenue in 2004. That \$14.6 billion project, which Bechtel manages with another firm, has been plagued by cost overruns and leaks discovered in the highway tunnels running beneath Boston's downtown.

Bechtel is not only being criticised for shoddy work in Boston. The April 10 Los Angeles Times reported that at least 40 water, sewage and electrical plants refurbished by Bechtel are no longer working properly. This includes all 19 of the electrical plants that have had US-financed repair work.

The LA Times reported that it had obtained an internal memo by coalition officials stating that throughout Iraq renovated plants deteriorate quickly to an alarming state of disrepair and inoperability. One US official involved in reconstruction projects estimated that hundreds of millions had been squandered.

According to the LA Times report, "Bechtel has turned over 20 water treatment plants and 24 sewage treatment plants to the Iraqis for operation. None is running properly." As a result, the paper added, "schoolchildren have to step over rancid brown puddles on their way to classrooms. Families swim in, fish from and get their drinking water from the polluted Tigris and Euphrates rivers, leading to high rates of child mortality and water-borne illnesses. People jury-rig pumps in their homes to increase water flow " poisoning the water further by sucking sewage through cracks in the lines."

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