

washingtonpost.com

Halliburton Is a Handy Target for Democrats

Ties to Secret Deals, Cheney Keep Issue Alive

By Robert O'Harrow Jr.

Washington Post Staff Writer

Saturday, September 18, 2004; Page A01

In the fall of 2002, a group of Pentagon advisers assessing the condition of Iraq's oil fields saw the need for a plan to repair damage from the impending war. The effort had to be secret, because the government had not publicly committed itself to fighting, and it had to be done by trustworthy experts.

The Energy Infrastructure Planning Group turned to a familiar resource: Halliburton Co., the global oil services company where Dick Cheney was chief executive until a couple of weeks after he was nominated for vice president.

It was a small project, worth \$1.9 million to a company that brought in \$12.6 billion in revenue that year. But it turned out to be the bridge to something much larger. Four months later, Pentagon officials granted Kellogg Brown & Root Inc., Halliburton's engineering and construction subsidiary, one of the contracting plums of the war: a classified no-bid deal worth up to \$7 billion to do the restoration work.

Details about the genesis of those secret contracts have become part of an intensifying election-year effort by Democrats in Congress and the presidential campaign of Sen. John F. Kerry to question whether Halliburton became one of the Defense Department's favorite contractors because Cheney is vice president.

No one has presented evidence that Cheney made as much as a phone call on behalf of his former company in the run-up to the war, or since. But Halliburton's repeated missteps and legal troubles, the surge in its government business, and apparent contradictions in statements by Cheney and other administration officials have kept the issue alive.

Political analysts said that many voters may have no idea what services Halliburton

▼ ADVERTISING

Welcome to...

W.C. & A.N.

MILLER
COMPANIES

*Offering Truly
Personalized
Real Estate
Solutions*



*Explore Our
Impressive
Menu of
Services at*
wcanmiller.com

(click here)

provides to the government but that they know Cheney once ran the company.

John J. Pitney Jr., a government professor at Claremont McKenna College who once served as a fellow in Cheney's congressional office, said Halliburton inflames administration critics.

"For people who disapprove of the administration, Halliburton provides a handle," he said. "It summons up images of corporate connections and Big Oil."

Kerry campaign officials said swing voters in the Southwest indicated in recent focus groups that questions about Halliburton and Cheney had become a "top of the mind" and "flashpoint" issue.

Yesterday, the Kerry campaign introduced a television ad suggesting a connection between deferred pay Cheney received from Halliburton and the contracts awarded in Iraq.

"As president, I will stop companies like Halliburton from profiting at the expense of our troops and taxpayers," Kerry said in a speech in Albuquerque. "I will stop companies from receiving no-bid contracts from the government when the president or vice president is still receiving compensation from that company."

There's no question that Halliburton has done well as a wartime contractor, providing food, fuel, housing and other troop support. Its logistical contract for work in Iraq, Kuwait and elsewhere, won in a competitive bid, is the largest of its kind, worth more than \$5.6 billion through May, according to the Government Accountability Office. That contract was a major step in making Halliburton the largest contractor in Iraq.

The company also was paid more than \$2.5 billion under the sole source contract it secured to reconstruct Iraqi oil fields -- before the government decided to hold a competitive bid. Halliburton's KBR won part of the second oil fields contract through a competitive bidding process, a share worth up to \$1.2 billion more.

As a measure of Halliburton's growing relationship with the Pentagon, income from government projects rose last year from \$320 million in the second quarter to more than \$2 billion in the fourth quarter. In all, the company reported \$4.2 billion in revenue from the U.S. government last year, or more than a quarter of the company's total. In 2002, Halliburton relied on the government for less than 10 percent of its sales.

As a result, Halliburton moved from No. 19 on the Army's list of its top 50 contractors in fiscal 2002 to No. 1 in 2003.

During its ascent as a contractor, the company became entangled in a variety of

investigations. Government investigators and Defense Department auditors have accused KBR and its subcontractors of overcharging for fuel, food and other services in Iraq under its large contract for logistics support, called LogCAP. In response to audits that said Halliburton had not properly justified many bills, Army officials are weighing whether to withhold some payments on future claims.

The Justice Department, meanwhile, is investigating allegations of profiteering in the Balkans, from the time when Cheney was chief executive, as well as the company's business activities in Nigeria and Iran. And a Securities and Exchange Commission probe of a change in Halliburton's accounting practices under Cheney, which the SEC said enabled the company to inflate profit reports, ended in early August. The company paid a \$7.5 million settlement, while one former executive paid a fine and another was sued.

Cheney declined requests for an interview for this story.

His successor at Halliburton, chief executive David J. Lesar, described the probes as a function of the company's size and the fact that Cheney led it from 1995 to 2000, not that it was engaged in profiteering or prone to shady dealings. "There's no company in corporate America today that is as scrutinized as Halliburton," Lesar said in an interview.

But statements by Cheney and others in the Bush administration have served to stoke criticism, especially from Democrats. "Every time we turned around, things we were told at the beginning weren't the full story," said Rep. Henry A. Waxman (D-Calif.), who has led the questioning.

For example, Cheney said in a television interview last September that he was not involved in awarding contracts while he was secretary of Defense, had never lobbied the Pentagon while head of Halliburton and had severed all ties to the company since becoming vice president. The Kerry campaign features the interview in its new television ad. "I have no financial interest in Halliburton of any kind and haven't had now for over three years," Cheney said on NBC's Meet the Press.

Yet Cheney has reported on his financial disclosure statements that he continues to receive money from Halliburton. The payments are part of a deferred compensation contract that pays him for work he performed in 1999. It provides for five payments, the last one in January. Cheney reported receiving \$147,579 in 2001, \$162,392 in 2002, and \$178,437 in 2003 in deferred salary.

Cheney spokesman Kevin Kellems said the amount of the deferred pay is unaffected by any Halliburton business because Cheney had purchased an insurance contract that guarantees he will receive the full amount owed.

Cheney also had options to buy more than 400,000 shares of the company stock, according to financial disclosure records filed in May 2003. Cheney said he has committed to donate to charities any proceeds from the sale of that stock and cannot personally benefit in any way from the holdings.

Though not mentioned in the Kerry ad, Cheney added in the same television interview last year, "As vice president, I have absolutely no influence of, involvement of, knowledge of in any way, shape or form of contracts led by the Corps of Engineers or anybody else in the federal government."

Details about the activities of the Energy Infrastructure Planning Group, which helped the Pentagon prepare for the war, do not provide a direct link to Cheney. The Army Corps of Engineers chief counsel has said Halliburton's first secret Iraq contract "was done by career civil servants." But details unearthed about the workings of that planning group showed that at least two political appointees, not just career civil servants, were involved.

The head of the group, Michael H. Mobbs, was a senior political appointee. Mobbs played a decisive role in granting the first oil field work to KBR in November 2002, and again just before the war began in the spring of 2003, according to statements he made to lawmakers in a closed-door meeting in June.

Mobbs said at that meeting, according to a summary released by Waxman that hasn't been challenged, that he chose KBR over two other companies because it was already working with Army war planners, an apparent reference to the company's existing LogCAP contract. In doing so, Mobbs, backed by other department officials, overruled objections from a career Army attorney who argued the new work was not "within the scope" of that contract, according to a Government Accountability Office report. The GAO agreed the initial contract didn't fit under LogCAP.

Mobbs acknowledged in a memo that the \$1.9 million task order would uniquely position KBR to win the far larger sole-source contract to actually do the restoration work to Iraqi oil fields, GAO investigator William T. Woods said at a recent House oversight hearing.

Mobbs also described his intention to use KBR at an October 2002 meeting of the Deputies Committee, made up of senior officials from the White House and other agencies, including Cheney's top aide, I. Lewis "Scooter" Libby. Mobbs said he did so to ensure the officials had no objections to his plans to use KBR, according to Waxman's summary of the congressional briefing.

Mobbs declined several requests for an interview.

Libby declared after that meeting that he would not tell Cheney anything about the decision to use KBR and didn't, according to Cheney spokesman Kellems and another official who attended the meeting.

Kellems said Cheney has never been told about any decisions about contracts for Halliburton or other companies.

"Vice presidents don't do contracting," Kellems said. "Some Democrats have alleged that somehow the vice president has been responsible for securing contracts. That is a lie."

Cheney's sensitivity to the criticism flashed in a June 22 confrontation with Sen. Patrick J. Leahy (D-Vt.), a leader in what the Democrats called "Halliburton Week," when Democrats made an effort to link Cheney to the company's activities in Iraq. When Leahy approached Cheney on the floor of the Senate, Cheney's response was immediate and rough: He cursed Leahy.

In a July hearing about Halliburton at the House Committee on Government Reform, Waxman described the company's efforts as a "boondoggle" at the expense of U.S. taxpayers. He repeatedly invoked Cheney's name, stopping shy of accusing him of any wrongdoing. Chairman Thomas M. Davis III (R-Va.) described Waxman's investigations of the company as a "witch hunt" for material to embarrass the vice president.

© 2004 The Washington Post Company

Advertising Links by Google

What's this?

Is Bill O'Reilly fair?

Take the PollingPoint Media Survey and grade the fairness of TV news
www.pollingpoint.com

Articles on Halliburton

KeepMedia - current and archived articles from leading publications
www.KeepMedia.com

Bush Cheney 2004 Gear

Bush 2004 Hats, Shirts, Magnets, Pins, Stickers
www.FreedomHQ.com