

## Cheney's Halliburton Becomes The 'Enron' of War Profiteers

by Carl Osgood

Vice President Dick Cheney's Halliburton Corporation has been caught, once again, ripping off U.S. taxpayers. This time, it's not just overcharging for gasoline or other contracted items; it's the very food being fed to American soldiers in Iraq; and it's not just taxpayers, but U.S. troops being exposed to filthy mess halls and rotten food, according to official Pentagon inspection reports.

According to a Dec. 12 NBC "Nightly News" investigative report—confirmed to *EIR* by other sources—a Pentagon audit found dirty and unsafe conditions in four mess halls that Halliburton's KBR subsidiary operates in Iraq. NBC also reported that KBR's promises to improve its food services "have not been followed through," and that the Pentagon warns that "serious repercussions may result" if the contractor does not clean up its act. The auditors reported finding "blood all over the floor . . . dirty pans . . . dirty salad bars . . . rotting meats . . . and vegetables" during a series of inspections in August, September, and October—including of the mess hall that President Bush visited during his Thanksgiving visit to Baghdad. (No wonder he was parading around with the decorative turkey. He wouldn't want to touch the real thing.)

For this "service," Halliburton charges \$28 for each meal that it serves to over 100,000 troops each day. The day before the NBC report, Defense Department officials had also reported that KBR had proposed a charge of \$220 million for cafeteria services, about \$67 million more than it was paying its subcontractor.

Representative Henry Waxman (D-Calif.), who has been relentlessly pursuing his own investigation of Halliburton's war profiteering since last April, said that the revelations in the audit add up "to a company that arrogantly is overcharging when they can get away with it and not providing the quality of service that they agreed to do."

The same day that the NBC report came out, Secretary of

Defense Donald Rumsfeld was questioned about the services that Halliburton provides to American troops in Iraq, by a Midwest legislator at a conference of the National Conference of State Legislators—indicating that it was already becoming a national scandal. Minnesota State Sen. Becky Lourey, who has a son serving in Iraq, told Rumsfeld that "I'm very upset about the services to our servicemen that Halliburton is providing. Not only could we save a lot of money if they weren't overcharging as much as they are, but the services that they are providing now for our servicemen are not as efficient as, for instance, they were in Bosnia, when my son was in Bosnia, and the Army was responsible for that. . . . It is a great concern when our servicemen and women are over there, and an entity, non-bid, such as Halliburton, is not doing the job that our own Army had always done much better."

Rumsfeld acknowledged that the Defense Department has "moved from uniformed military personnel providing food services" for deployed military personnel, to private contractors, but claimed, "they've done a very good job. To the extent they don't do a very good job, they get let go as a contractor and it gets changed." Rumsfeld protested, "What you're reading about in the paper is not an overpayment at all, it is a disagreement . . . as to what ought to be charged."

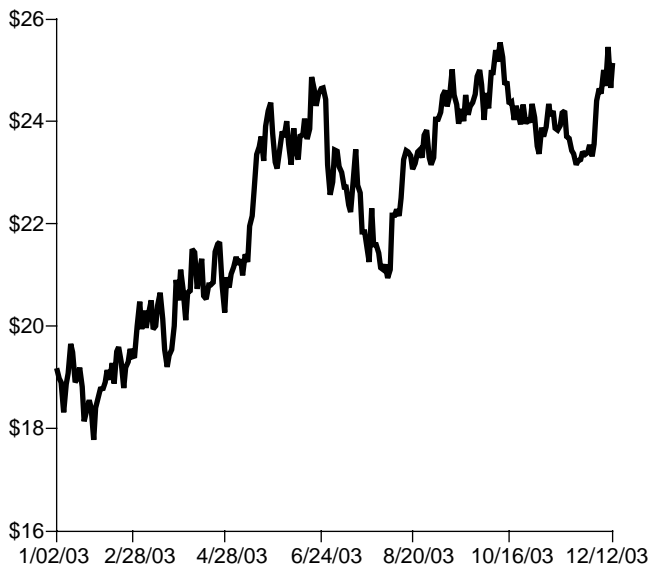
### Making a Stock Rise by War

Halliburton has the two largest contracts in Iraq, one for \$8.6 billion under the Pentagon's Logistics Civil Augmentation Program (LOGCAP) for providing logistical services to the U.S. military, and a second one for \$7 billion for rebuilding Iraq's oil infrastructure. In a May 2 letter to Representative Waxman, Lt. Gen. Robert Flowers, the commander of the U.S. Army Corps of Engineers, revealed that KBR was selected on Nov. 11, 2002 to develop a contingency plan for the repair and continuity of operations of Iraqi oil infrastructure

FIGURE 1

**Halliburton Stock Price, 2003**

(Dollars per Share)



Source: National Association of Securities Dealers

*Halliburton's stock price had nosedived to a low in early 2003, just before the Cheney-driven invasion of Iraq—but the stock has done just fine since then.*

under the LOGCAP contract, which it had been awarded in December 2001. On March 8, 2003, the Army awarded the second contract to KBR “to carry out the contingency plans it had developed,” without any competitive bidding, and in secret. The only acknowledgment of the contract was a pair of press releases issued by the Pentagon, during March, announcing that KBR had been hired to help fight oil well fires in Iraq. According to an April 27 report on CBS’s “60 Minutes,” while all this was going on, another company, GSM Consulting, expert in stopping oil well fires and rebuilding petroleum services, had been told in a Defense Department letter dated Dec. 30, 2002 that “it was too soon to speculate” about Iraq “in the event that war breaks out in the region.”

It appears, then, that the Cheney chicken-hawks had already secretly decided on war and were lining up their cronies to get the profits.

In response to Flowers’ May 2 letter, Waxman wrote back on May 6, saying that the contract with Halliburton’s KBR is “considerably broader in scope than previously known.” He noted that the contract “can include ‘operation’ of the Iraqi oil fields and ‘distribution’ of Iraqi oil,” and said that an earlier letter from Flowers indicated that Halliburton’s contract could stay in place until January of 2004.

It did not end there, however, as Waxman’s continuing investigation uncovered, in October, that Halliburton was

charging up to \$2.65 per gallon for importing gasoline into Iraq from Kuwait. Halliburton’s pricing, Waxman wrote to National Security Advisor Condoleezza Rice on Dec. 10, raises “serious questions,” including: Why is Halliburton paying \$1.17 per gallon of gasoline when the average wholesale price in the Mideast is 71¢? Why is Halliburton charging \$1.21 for transporting gasoline from Kuwait, when the Defense Department and the state-owned Iraqi oil company are paying a fraction of that? Why is Halliburton being paid the 24¢ mark-up plus the 2¢ “other” charge, when their main function is to hire a subcontractor to actually purchase and transport the gasoline?

“We do not understand the White House’s seeming indifference to this evidence of overcharging, nor why the White House has not responded to our previous letters,” Waxman wrote. He reported that more recent data indicated that Halliburton was shipping gasoline at a cost of as much as \$3.06 gallon.

The Pentagon’s Dec. 11 admission that indeed, Halliburton may have overcharged for gasoline imports by as much as \$61 million, spurred even President Bush to say on Dec. 13 that the Pentagon had “put the issue right out there on the table for everybody to see. . . . And if there’s an overcharge, like we think there is, we expect the money to be repaid.” The following day, Rep. Jim Gibbons (R-Nev.), a member of the House Armed Services Committee, called the overcharge allegation “an absolute outrage” and called on the committee to hold hearings on Halliburton early next year. “If these allegations which were found by a Pentagon audit of government contracts are true, then it’s time for Halliburton to break out its checkbook and refund American taxpayers,” he said.

Gibbons was the first Republican member of Congress to call for Congressional hearings on the company.

The Pentagon’s audit agency is also accusing Halliburton of withholding internal documents that show that the company was aware of accounting problems relating to the fuel overcharges. A Dec. 10 letter from the agency to Halliburton’s KBR, charged that the agency “has been denied access to” key documents concerning the fuel contract.

### **Cheney’s Continuing Interest**

Halliburton’s war profiteering is intimately tied to its relationship with Vice President Cheney, who largely created Halliburton’s present government contracting business from the ground up. Cheney’s relationship with Halliburton goes back to at least 1991, when the company received contracts from then-Secretary of Defense Cheney to rebuild facilities in Kuwait that had been destroyed in the first Persian Gulf war.

Cheney subsequently commissioned Halliburton to do the original secret, Pentagon-funded study which has led to the ballooning of its war business in the decade since! The study—whose fruits Rumsfeld was referring to in “defending” Halliburton—was on replacing the U.S. military’s logistics in-depth with the present, bloated, mercenary model of privatization. When Cheney joined Halliburton as its CEO in

## Chicken-Hawk Hunts Tame Pheasants

On Dec. 8, Vice President Dick Cheney made a quick round-trip to Western Pennsylvania for a game-shoot at the Rolling Rock Hunt Club, associated with the home estate, "Rolling Rock," of the Mellon Family in Westmoreland County east of Pittsburgh. The logistics of Cheney's private trip and the pretense of his "hunt" have raised ire in the region. His motorcade shut down Route 30, the Lincoln Highway, for a time, and involved contingents of state, county, and local police as well as Secret Service. The day began with two Gulf Stream V jets—one of them being Air Force 2—arriving at Arnold Palmer Regional Airport before 8 a.m.; then a convoy of several Chevy Suburbans and a Humvee proceeded to the private club in Ligonier Township in the Laurel Highlands.

The "hunt" was arranged in the same way as the famed Mellon fox hunts: The prey are pen-raised, and released at points along the way of the "hunters," so they will be sure to bag something, regardless of how drunk they might be. Details of the arrangements for Cheney were kept secret, but reports are that some 500 pen-raised pheasants were released, and several dozen ducks for the morning hunt. Cheney and his party of nine killed 400 of the pheasants. Cheney is said to have killed 70 ringnecks himself, and more mallards than they could count.

This is Cheney's second trip to a private hunt on the

Mellon lands; he was there in November 2002. The *Tribune-Review*, published by Richard Mellon Scaife, reported that Cheney's "press secretary at that time said hunting and fishing are among Cheney's favorite activities, and that his previous visit included breakfast, lunch, and cocktails after the hunts. Cheney was accompanied on that outing by a group of companions from Texas." His companions this year were kept secret. The Rolling Rock Club's manager said, "We are a private club, and we do not talk about our members." Cheney's spokesman, Kevin Kellem, refused to release photographs, or give any details. He said, "The birds don't go to waste, they go to hunger-relief charities," but he would give no locations nor names.

Cheney's fundraising jaunts usually involve private meetings with fat-cats, but no public appearances. He doesn't meet any constituents, no-hand-shaking, no mixing with the people. But his motorcades tie up traffic; the cost of extra local police is borne by local taxpayers; and the cost of his travel is carried by national taxpayers. All this is raising considerable ire, as well as money—\$12.9 million for the Bush-Cheney ticket since June, with 32 stops:

- *Rocky Mountain News* (Denver), Nov. 7: "Cheney Motorcade Stalls Traffic."
- *Buffalo News*, Nov. 19: "Cheney's Lucrative Visit Comes at a Cost to City." A columnist demanded that Cheney's campaign should pay the \$10,000 extra cost for police overtime, since all he did in the city was to steal in and steal out with the money.
- *Cleveland Plain-Dealer*, Nov. 25: "Cheney Visit Raises \$750,000, Along With Voices of Protest."

1995, he aggressively sought out more government business from this lucrative spigot he and Halliburton had teamed up to turn on, and is credited with nearly doubling Halliburton's government contracts during his five-year tenure that ended in 2000.

Cheney has falsely claimed that he severed all ties with the company in 2000. "I have no financial interest in Halliburton of any kind and haven't had, now, for three years," he said, on the Sept. 14 edition of NBC's "Meet the Press." Sen. Frank Lautenberg (D-N.J.) showed Cheney's claim to be a lie, with a Congressional Research Service report demonstrating that the stock options and the deferred salary that he is receiving from Halliburton, in fact, constitute a substantial financial interest. The CRS report, released by Lautenberg on Sept. 25, states that a deferred salary "is a not a retirement benefit or a payment from a third party escrow account, but rather an ongoing corporate obligation paid from company funds. If a company were to go under, the beneficiary could lose the deferred salary." Cheney also holds 433,333 unexercised Hal-

liburton stock options, on which he has signed an agreement to donate any profits to charity. The report says, "Should Halliburton's stock price increase over the next few years, the Vice President could exercise his stock options for a substantial profit, benefitting not only his designated charities, but also providing Halliburton with a substantial tax deduction."

The CRS study reports that "deferred salary or compensation received from a private corporation in the reportable year is considered as among the 'ties' retained in or 'linkages to former employers' that may 'represent a continuing financial interest in those employers, which makes them potential conflicts of interest,' and must be disclosed as employment relationships and outside earned income." The study shows the same is true of "benefits . . . such as deferred compensations."

Senator Lautenberg had, very presciently, charged on Oct. 2 that Halliburton was not only winning huge Iraq war contracts, but padding them. He said that Halliburton had had "a September to remember," with their contracts doubling from \$700 million to \$1.4 billion just before the bidding process

opened up (they have since nearly doubled again). Lautenberg charged then that Halliburton's contract padding "would make [Enron chairman] Ken Lay proud."

### 'Drives Me Nuts'

Cheney is not simply engaged in profiteering off of war, however. He has been promoting a policy of "perpetual imperial war" for the United States after the collapse of the Soviet Union, since about the same time he began his financial relationship with Halliburton in 1991. Cheney's faction of "chicken-hawks," many of whom have similar conflict-of-interest problems, pushed the hardest for war against Iraq—unsuccessfully before Sept. 11, 2001, and successfully since then.

However, Cheney is beginning to feel the heat. In an interview with right-wing commentator Armstrong Williams, reported in the *Washington Post* on Dec. 17, Cheney lashed out at "cheap-shot journalism" about himself and the Bush Administration, complaining that "it drives me nuts. . . . People don't check the facts." The Vice President was particularly incensed about press coverage of Halliburton, complaining that journalists have not tried to find out "the real facts" when writing about his favorite company. "There are an awful lot of people in the press who don't understand the business community. I think our political opponents have spent a lot of time hammering away on trying to find some allegation that Halliburton got favoritism on contracts, or trying to make some kind of connection they've never been able to make. There's no evidence to support anything like that, but if you repeat it often enough, it becomes sort of an article of faith."

Washington sources have told *EIR* that Cheney has become obsessed with Lyndon LaRouche's campaign against him, and that he blames LaRouche for the attacks on his war and profiteering policies, which have been picked up repeatedly in elements of the mass circulation media, most notably in a series of articles by investigative journalist Seymour Hersh in the *New Yorker*.

LaRouche's commented on Cheney's outburst: "What about that stinking dead meat that Cheney and Halliburton are sitting on top of? This stinking dead meat that he's trying to feed to U.S. soldiers? While Bush is parading around with an imaginary turkey, they're feeding rotten meat to the troops."

WEEKLY INTERNET  
AUDIO TALK SHOW  
**The LaRouche Show**  
EVERY SATURDAY  
3:00-4:00 p.m. Eastern Time  
<http://www.larouchepub.com/radio>

## LaRouche Ballot Drive Is On Target

by Marla Minnicino

Already qualified for the primary ballot in one-third of his campaign's 36 target states, Democratic Presidential candidate Lyndon LaRouche is now considered one of the "major" Democratic candidates, though the Democratic Party would still prefer not to admit this ironic truth.

On Dec. 17, when LaRouche was certified for the Feb. 10 Virginia primary ballot by the state Democratic Party, wire services reported: "Dems certify nine candidates for February primary." In fact, the Democratic Party had no choice but to certify LaRouche along with Lieberman, Kerry, Edwards, Kucinich, Gephardt, Clark, Dean, and Sharpton



"D.C. stands for Dump Cheney!" The LaRouche Youth Movement has been everywhere, from the city buses, to the Congress, to the neighborhoods, mobilizing for a primary victory for LaRouche in the nation's capital—a strong shove to get Cheney's neo-cons out of office.