

# HURRICANE HALLIBURTON

CONFLICT, CLIMATE CHANGE & CATASTROPHE



AN ALTERNATIVE ANNUAL REPORT  
ON HALLIBURTON, MAY 2006

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# HURRICANE HALLIBURTON: CONFLICT, CLIMATE CHANGE & CATASTROPHE

Halliburton's astonishing earnings for the first quarter of this year has propelled its share price to a record high. Yet the \$488 million in earnings<sup>1</sup> would have been slashed to less than half had the company been held accountable for overcharging and disputed billing in its Iraq contracts.

In this report, we will document some of the sources for Halliburton's profit:

- how the company management in Iraq and Kuwait has cheated taxpayers out of millions of dollars through bribery and waste;
- how the company has increased its profits in Iraq by employing sweatshop Asian labor and refusing to pay injury claims;
- how senior management used worker's pensions to pay for management benefits, despite the fact that the soaring stock price has made the top managers tens of millions of dollars.

Today as the military slows its purchases of Halliburton services in Iraq, the company is diversifying into such profitable areas as the Hurricane Katrina disaster in the Gulf States and the provision of direct services to the oil and gas industry abroad.

In the latter part of this report, we show that the company's biggest profit center, energy services, has been fraught with charges of bribery and political meddling in Iran and Nigeria.

We will also look at charges leveled at Halliburton's domestic operations:

## ALTERNATIVE ANNUAL REPORT ON HALLIBURTON

- that its hydraulic fracturing operations in the United States have had disastrous impacts on the environment, including community water supplies;
- that its lobbying efforts have prevented legally mandated regulatory oversight.

In early 2006 the military decided to award Halliburton more than \$253 million of questionable costs in Iraq and Kuwait. The company claims this disproves allegations of war profiteering, but to the contrary, it simply demonstrates how firmly the company has the United States government by the throat. Indeed the company even thumbs its nose at the military by supplying contaminated water and food to troops

in Iraq. But the Pentagon is wholly dependent on the Texas-based company's services for everything from cleaning toilets to repairing the oil fields on which Iraq depends for its revenues. The day Halliburton stops working in Iraq, is the day the occupation will end.

This alternative annual report is our third – and the third in which whistleblowers and community members have exposed new evidence of wrongdoing on the part of the company. Rather than fix the problems, Halliburton's friends in government have chosen to silence critics such as Bunnatine Greenhouse, a top military official, by demoting them or as in the case of Scott Parkin, a peace activist, by deporting them.

Pipes await Halliburton crews at Al Fathah crossing, Northern Iraq, Photo: U.S. Army Corps of Engineers video





U.S. military accompanies Halliburton convoy, Southern Iraq, Photo: David Martinez, CorpWatch

## MILITARY CONTRACTS

Three years after the U.S. invasion of Iraq toppled the brutal regime of Saddam Hussein, Halliburton continues its role as the primary provider of basic logistical support to the 135,000 plus U.S. and coalition troops in the country. Halliburton does a broad array of work supporting the U.S. military from cleaning toilets in Iraq to building prisons in Guantánamo Bay, Cuba and is compensated handsomely in return: last year the company was paid \$5.4 billion for work in Iraq.<sup>2</sup> Over the past five years, US government contract work has brought Halliburton more than over \$20 billion--a huge increase over the meager \$1.2 billion it was paid for all government work a decade prior (1991-1995).<sup>3</sup> The company has seen its profits in government contracting almost quadruple to \$330 million in 2005 compared to \$84 million in 2004.<sup>4</sup>

Just as the company's profits have soared, so too have the allegations of over-charging and fraud. In 2005 military auditors identified more than \$1.4 billion in "questioned" and "unsupported" expenditures by Halliburton in Iraq and

Kuwait.<sup>5</sup> The Pentagon's Defense Contract Audit Agency (DCAA) determined that Halliburton had \$1 billion in "questioned" expenses (or expenses which military auditors consider "unreasonable") and \$442 million in "unsupported" expenses (or expenses that do not contain any documentation or verification).<sup>6</sup> The auditors challenged most of these costs as "unreasonable in amount" because they "exceed that which would be incurred by a prudent person."<sup>7</sup>

By contrast, military audits of most of the Pentagon's 77 contractors in Iraq have "found only minor cost" problems, says the DCAA, and "the majority of these problems have been resolved by the contractors."<sup>8</sup> But this is not the case with Halliburton. According to DCAA "major contract audit issues" are "limited to [the] largest Iraqi reconstruction contractor"- which is Halliburton.<sup>9</sup>

Halliburton has two major contracts with the military in Iraq, one for troop support and the other to repair Iraqi oilfields. Under Halliburton's troop support contract, Logistics Civil

Augmentation Program (LOGCAP), auditors found \$813 million in "questioned costs" and \$382 million in "unsupported costs." Under the Restore Iraqi Oil (RIO) reconstruction contract, auditors discovered that Halliburton had rung up another \$219 million in "questioned costs" and \$60 million in "unsupported costs" before ending work on the project.<sup>10</sup>

## TROOP SUPPORT CONTRACT

The auditors discovered Halliburton had overpriced and double-billed on a number of items, including soft drinks, movie rental, tailoring services, as well as on heavy equipment such as tractors and trailers.<sup>11</sup> In one task order, Halliburton charged \$2.31 for towels and \$300 for video players. But in other task orders, Halliburton charged \$5 for towels and \$1,000 for video players.<sup>12</sup> Former employees testified before Congress that Halliburton charges the military \$45 per case of soda and \$100 to clean 15-pound bags of laundry.<sup>13</sup> Company executives had billed the military for stays at a five-star Kempinski resort in Kuwait. Halliburton truck drivers testified that the company "torched" brand new \$85,000 trucks rather than perform relatively minor repairs and regular maintenance.<sup>14</sup>

Typically the military reimburses Halliburton for all its costs in Iraq, then adds a one to seven percent profit. So, the higher the cost the company incurs, the greater its profits. Critics say this contract arrangement, known as "cost-plus," provides an incentive for Halliburton to artificially inflate costs ultimately billed to U.S. taxpayers. Halliburton procurement officials described the company's motto in Iraq as "Don't worry about price. It's cost-plus."<sup>15</sup>

## SIX MANAGERS & SUPPLIERS INDICTED

While the allegations of over-charging continue to be the subject of multiple investigations, there is mounting evidence of widespread corruption and fraud by management personnel in Iraq and Kuwait. Six men have been indicted so far for over-charging on Halliburton-related contracts and federal investigators say there will be more to come.

Last year Jeff Alex Mazon of Norcross, Georgia, a Halliburton contracts manager in Kuwait, was indicted for accepting a million dollar bribe from Kuwait-based La Nouvelle for a fuel supply contract. Also indicted was Ali Hijazi, the man who offered him the bribe (see *2004 Alternative Annual Report: Houston, We Still Have A Problem*).<sup>16</sup> These indictments were followed by the arrest of another Halliburton manager, Glenn Allen Powell of Cedar Park, Texas, for accepting more than

\$110,000 in kickbacks from an Iraqi sub-contractor he chose to renovate buildings in Iraq.<sup>17</sup>

In February 2006, an executive from Houston-based Eagle Global Logistics (EGL) was indicted in connection with a sub-contract from Halliburton. The shipping company held a contract for the last two years to transport military equipment ranging from "armor-plated vehicles to trash bins" from Houston to Iraq. The company brought the equipment by sea into the port of Dubai and then used Russian cargo planes to fly the material to Baghdad.<sup>18</sup>

Christopher Joseph Cahill, the regional vice president of EGL, was charged with adding false insurance surcharges to bills for the planes. These charges were added to take advantage of security concerns after a rival company's plane was shot down in late 2003 while trying to land at Baghdad airport.

Federal investigators in Texas were informed by a whistleblower that the extra 50 cents per kilogram of cargo that was supposedly imposed by Aerospace Consortium (which supplied aircraft to EGL) was in fact, phony. The charges were added to 379 air cargo shipments over several months.

EGL has since fired Cahill and offered to reimburse the military for the \$1.14 million in "improper charges" that the auditors estimated had been added to the bill. But the Department of Justice wants the company to pay an additional \$2.86 million fine.

"Cahill recognized an opportunity to unilaterally institute war risk surcharges and thereby increase profits to EGL," court documents stated. Cahill also "knew that he did not have to seek approvals from elsewhere within EGL to add such purported war risk surcharges."

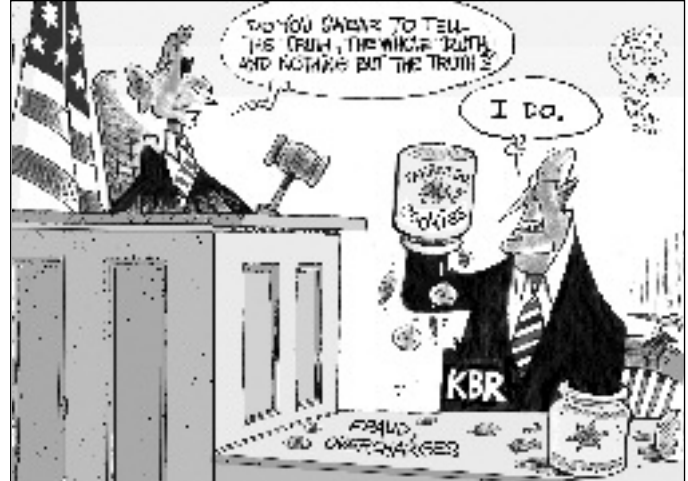
An EGL spokesperson said Cahill was dismissed when the company learned of the fraud. EGL "feels he should be treated appropriately for those violations" under the law, she added.

But Cahill's attorney Edward Chernoff told the *Houston Chronicle* that his client wasn't collecting any money for himself from these surcharges. "It was a business decision. He wasn't even getting bonuses from it," Chernoff said.<sup>19</sup>

The two most recent indictments were of former Halliburton procurement manager Stephen Lowell Seamans of Maryland and Mohammad Shabbir Khan, the director of operations for Tamimi Global, a Saudi company, that operates numerous dining facilities for troops in Iraq and Kuwait on behalf of Halliburton. The two men were indicted in March 2006 in



U.S. Department of Justice press releases announcing indictments of contractors for bribery & fraud in Operation Iraqi Freedom



Khalil Bendib, CorpWatch

connection with a \$14.4 million sub-contract to outfit and run the main dining facility at Camp Arifjan, a major American base in Kuwait, in 2002 and 2003.

Khan denied paying \$124,000 in kickbacks to Seamans for the dining contract. Unknown to him, the former Halliburton employee had been co-operating with prosecutors and had told them of a false cover story that he and Khan had created to explain wire transfers of the kickback money, the federal attorney's office said. When Khan repeated the story to federal agents at the military headquarters for the LOGCAP contract in Rock Island, Illinois, he was arrested.<sup>20</sup>

Melissa Norcross, a spokesperson for Halliburton, said the company had done its part to alert investigators to possible wrongdoing by its former employee. "In connection with an earlier internal investigation by KBR, the company had advised the government of its concerns," Norcross said in a written statement.<sup>21</sup>

## OIL FIELD REPAIR CONTRACT

In early 2006 the US Army Corps of Engineers (USACE) settled a dispute with Halliburton by agreeing to pay the company nearly all of \$263 million in costs in Iraq and Kuwait that were criticized as "unreasonable" or "unsupported" in official military audits of the company.<sup>22</sup> The settlement allows Halliburton to keep \$253 million of the \$263 million in oil reconstruction and distribution costs paid by the military, but disputed in the audits.

About \$208 million of the disputed charges was mostly related to the cost of importing fuel, which was at the heart of the controversy surrounding the contract. Halliburton hired a

little-known Kuwaiti company, Altanmia, to transport fuel in enormous truck convoys. The military auditors found that the company's charge for a gallon of gasoline was roughly 40 percent higher than what the American military paid when it did the job itself — under a separate contract it had negotiated with the very same company, Altanmia.

In addition, USACE paid profits and bonuses to Halliburton on costs deemed unreasonably high or unsubstantiated by the auditors. As a result, the military "gave Halliburton an enormous bonus for over-billing the taxpayers," Congressman Henry Waxman, a California Democrat, said, a bonus that totaled more than \$50 million.<sup>23</sup>

On average, between 55 percent to 75 percent of costs criticized by Pentagon auditors are ultimately withheld from contractors, but the military withheld from Halliburton only 3.8 percent of the \$263 million in disputed costs.<sup>24</sup>

"[T]he contractor is not required to perform perfectly to be entitled to reimbursement," Rhonda James, a USACE spokesperson said in response to widespread criticism of the military's reimbursement decision.<sup>25</sup>

The money was paid to Halliburton under ten task orders issued on the no-bid Restore Iraqi Oil (RIO) contract awarded in secret to Halliburton in March 2003. In all, the military paid Halliburton \$2.41 billion under the RIO contract, which is now completed, for fuel deliveries, pipeline repairs and other tasks.

At Halliburton's request, the military initially released a version of one audit of the RIO contracts to the public that concealed critical conclusions regarding RIO task order number five. The Army redacted from public view

Halliburton's \$108 million fuel overcharge and another \$62 million in fuel transport costs that auditors deemed "unreasonable." In addition, at Halliburton's request, the military heavily redacted portions of the audit to exclude sentences such as Halliburton "did not demonstrate the prices for Kuwaiti fuel and transportation were fair and reasonable" and Halliburton "was unable to demonstrate the proposal was based on actual costs" and Halliburton "was unable to reconcile the proposed costs to its accounting records."<sup>26</sup>

### **DAMAGE TO OIL FIELDS**

The overcharges have been the focus of much media and political concern, but T Christian Miller of the *Los Angeles Times*, has brought to light a far more troubling legacy of the RIO contract: Halliburton's mismanagement of the repair of Iraq's

petroleum industry.<sup>27</sup> This astonishing failure (after all, Halliburton is the largest supplier of services to the oil industry worldwide) has impeded oil production, which is virtually the country's only source of income, and may have permanently damaged the largest of the country's vast oil fields. The difference has been estimated at more than \$8 billion a year - money that the Iraqi government could use for new schools and hospitals.

Based on multiple interviews with oil experts and individuals who worked on the repair, Miller says that Halliburton and/or its overseers at USACE have created three major problems:

- **Qarmat Ali water treatment plant:** Oil rises from the ground in southern Iraq because of natural pressure in the sands. As this oil is tapped, the pressure declines, making





## IDLE TRUCKS

Halliburton charges millions of dollars to U.S. taxpayers for Mercedes trucks that sit idle in the Iraqi desert, an internal Pentagon memo obtained by HalliburtonWatch reveals.<sup>28</sup> The Pentagon memo, written on September 16, 2004 by the Baghdad branch manager of the DCAA, reported that Halliburton "procures and retains excess vehicles" under its troop support contract with USACE. The total value of the vehicles under review was \$300 million and included both purchased and leased vehicles.

A digital photograph showing a large number of Mercedes trucks parked permanently at Camp Anaconda, Iraq, was obtained by HalliburtonWatch from a source inside the federal government who reported that the trucks are, in the source's words: "idle." At a cost of \$85,000 each, the trucks shown in the photograph are worth at least a few million dollars.

It's unclear how many idle or under-utilized Halliburton trucks are stored in Iraq because Halliburton does not have adequate utilization records that could show how often each vehicle is used. Halliburton "does not have an adequate system for determining the utilization of vehicles," the DCAA memo states, adding that existing records appear to indicate "low utilization of vehicles."

Auditors specifically requested the mission control logs to reveal how often each truck is used. But Halliburton balked, saying it would cost 750-labor hours to compile the data for 29 of the trucks under review, the memo reveals.

As an alternative, Halliburton offered the "vehicle dispatch records." But, again, this proved insufficient since, as the memo states, Halliburton "only provided dispatch records for 22 of the 29 selected vehicles, and six of the records provided were maintenance logs, not dispatch logs, with no mileage or other utilization information." Other dispatch logs requested by the DCAA "would require a manual search" at several locations and "would take time," Halliburton is quoted in the memo as saying.

The DCAA official to whom the memo was addressed, Bill Daneke, told HalliburtonWatch he was not authorized to comment on the issue, so he referred all inquiries to Lieutenant Colonel Rose-Ann Lynch in the Office of the Assistant Secretary of Defense for Public Affairs, who referred HalliburtonWatch to Art Forster in the Congressional and

Public Affairs Office of the Defense Contract Management Agency. He was not able to answer any questions and suggested a Freedom of Information Act (FOIA) request would be required to determine how the military concluded the issue. To date the military has not provided a response to the FOIA request.

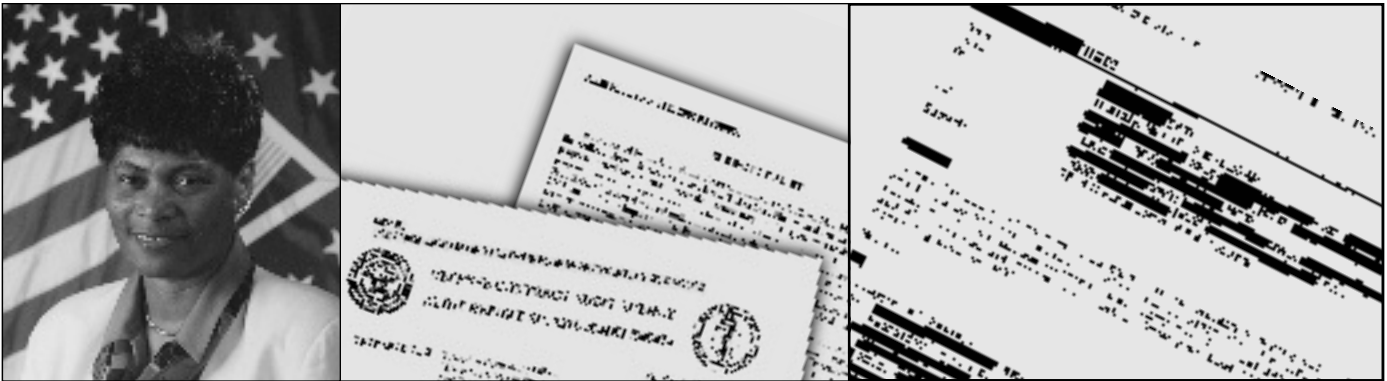
Halliburton spokesperson Melissa Norcross did not specifically deny the allegations in the memo. In an emailed response to HalliburtonWatch, she said, "For more than two years KBR has been involved in numerous government audits relating to our work in Iraq, and we continue to cooperate with our customer and the appropriate government agencies to demonstrate that our work has been performed at a fair and reasonable cost and within the appropriate bounds of government contracting."

Another internal DCAA memo, first publicized by HalliburtonWatch, alerted the Pentagon that Halliburton's proposed purchase of 106 postal vehicles, for a total of \$12.6 million, "was supported only by a memorandum" that contained "apparent math errors." It concluded that "the proposed quantities for some of the equipment purchases was not supported by an adequate analysis of the requirement." The memo, written on May 28, 2004, by the branch manager of the Iraq Branch Suboffice at Camp Arifjan, Kuwait, was also addressed to Bill Daneke.

Halliburton confirmed to the DCAA that 34 of the 106 postal vehicles were needed only for a "temporary surge" in troop numbers, but the memo chided the company for failing to consider leasing, rather than buying, the vehicles. Halliburton's Logistics Director agreed that temporary surges in troop numbers occur only once or twice per year. "Based on our discussion, he stated he would consider leasing the surge vehicles and revising the proposed quantities accordingly," the memo concludes.

Critics have complained that Halliburton purposely uses an antiquated bookkeeping system in order to encourage inadvertent overcharges. One Halliburton whistleblower testified before Congress that the company's "manual accounting system" is unnecessary and that, "There's no reason in the world why Halliburton can't do real time data management."

## WHISTLEBLOWER DEMOTED



The top civilian contracting official at USACE was demoted after exposing cronyism between Halliburton and the military.<sup>29</sup> The USACE oversees many aspects of Iraq's reconstruction, including the contract for reconstruction of the country's oil industry.

Bunнатine Greenhouse, a civil servant with 20 years of contracting experience, had complained to Army officials on numerous occasions that Halliburton had been unlawfully receiving special treatment for work in Iraq, Kuwait and the Balkans. The seriousness of her allegations prompted the U.S. Justice Department, the Federal Bureau of Investigation (FBI) and the Pentagon's inspector general to open criminal investigations that continue today.

"I can unequivocally state that the abuse related to contracts awarded to KBR represents the most blatant and improper contract abuse I have witnessed during the course of my professional career," Greenhouse told a congressional hearing in June, 2005.<sup>30</sup>

In one of the many examples of abuse, Greenhouse said that military auditors caught Halliburton overcharging the Pentagon for fuel deliveries into Iraq (See previous section). But, says Greenhouse, the USACE "took the unusual step" of issuing an illegal waiver to excuse Halliburton from explaining why its oil transport prices were much higher than competitor prices. She said USACE "simply asserted that the price charged for the fuel was 'fair and reasonable,' thereby relieving KBR of the contract requirement that cost and pricing data be provided."<sup>31</sup>

By issuing the waiver, said Greenhouse, USACE officials "knowingly violated" the law by "intentionally failing" to obtain her approval. That's because they knew she would have refused to approve the waiver request. "The evidence suggests that the reasons why I was intentionally kept from seeing the waiver request were politically motivated," she said.<sup>32</sup>

Greenhouse also complained when Defense Secretary Donald Rumsfeld's office took control of "every aspect" of Halliburton's \$7 billion no-bid Iraqi oil infrastructure contract. "In reality, the OSD [Office of Secretary of Defense] ultimately controlled the award of the [oil] contract to KBR," she said.<sup>33</sup> This arrangement was illegal since the law requires career civil servants, not temporary political appointees in Rumsfeld's office, to determine the winners of government contracts. The purpose of the law is to prevent political appointees from awarding contracts to their friends in the private sector. Rumsfeld's office violated this rule by involving itself in awarding the Iraqi oil contract to Halliburton.

"She is being demoted because of her strict adherence to procurement requirements and the Army's preference to sidestep them when it suits their needs," Greenhouse's attorney, Michael Kohn, told the *New York Times*.<sup>34</sup> He also said the Army had violated a commitment to delay Greenhouse's dismissal until the completion of an inquiry by the Pentagon's inspector general.

USACE officials say Greenhouse, who has received excellent performance ratings in the past, was demoted for her performance and not in retaliation for any disclosures of alleged improprieties.

Bunнатine Greenhouse, Photo: National Whistleblower Center

extraction more difficult, so water is injected into the earth to maintain the pressure in the oil field. At Qarmat Ali, the water is treated, to make sure that particles or bacteria don't plug up the holes in the soil that allow the oil to rise. Halliburton was told to repair the treatment plant at a cost of up to \$225 million, but not to fix the leaky pipelines carrying water to the fields. This leakage may be causing the pressure to decline earlier than expected, causing the oil to sink deeper than it would if proper extraction processes were employed. When Halliburton officials opened the taps to send the treated water to the Rumaila oil field in August 2004, the deteriorated pipelines burst repeatedly, delaying work for weeks on end. Even today, the plant delivers only about a third of its capacity.

- **Al Fathah pipelines:** Halliburton was awarded \$70 million to rebuild a pipeline network in northern Iraq that was bombed and destroyed by U.S. jets attacking at Al Fathah bridge during the 2003 invasion. These 16 pipelines bring crude and other petroleum products from the Kirkuk oilfields to Baiji, one of the main refineries in the north. USACE decided it would be quicker to run the pipelines under the riverbed instead of repairing the bridge, despite warnings against doing so. Trouble began soon after the project started in January 2004. The soil was unstable, and a borehole drilled to hold the pipes collapsed. The 10-week job took almost a year and the company managed to install only six of the pipelines originally planned. Instead the Iraqis have been forced to re-inject almost 200,000 barrels of oil per day back into the ground, a practice that may have damaged the fields by plugging fissures through which the petroleum flows.
- **Southern oil well repairs:** A \$37-million project to do 30 "well work-overs" - cleanup jobs that can improve the productivity of oil wells - was canceled after Halliburton refused to proceed without a U.S. guarantee to protect it from possible lawsuits. Had Halliburton done the repairs, Iraq could be producing up to 500,000 additional barrels a day, according to estimates cited by Miller.



Neil Helliwell, PPI CEO, receives award from Philippines president Gloria Macapagal-Arroyo, Photo: Radio Television Malacanang video

## THIRD WORLD WORKERS

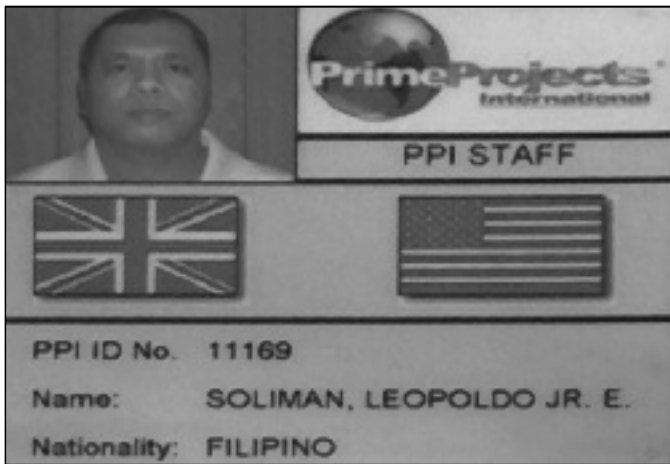
Prime Projects International (PPI) of Dubai, is a major, but low-profile, sub-contractor to Halliburton's multi-billion-dollar deal with the Pentagon to provide support services to U.S. forces. PPI was created by British businessman Neal Helliwell and his partner, Toby O'Connell after they won a sub-contract from Halliburton to help construct prisons at Guantanamo Bay just months after September 11, 2001.<sup>35</sup>

Since then Helliwell and O'Connell have supplied workers to build Camp Anaconda, a U.S. military base in Balad, northern Iraq. They are estimated to supply more than 7,000 workers to their clients, many of whom are from the Indian sub-continent or the Philippines. While the exact number of Third Country Nationals (TCNs) working in Iraq is uncertain, a rough estimate can be gleaned from Halliburton's own numbers, which indicate that TCNs make up 35,000 of KBR's 48,000 workers in Iraq.<sup>36</sup>

On November 10, 2005, Philippines President Gloria Macapagal-Arroyo, gave a special "International Employer Awards" at Malacanang palace to Neil Helliwell, chief executive officer of PPI. The award was for "displaying continuous preferences for Filipino workers and providing them with excellent career advancement and generous package of employment benefits."<sup>37</sup>

Yet these workers get a tenth of the salary paid to their American counterparts and have to make do with far fewer benefits. Numerous former American contractors returning home say they were shocked at conditions faced by this mostly

## JING SOLIMAN



Jing Soliman work ID, Photo: Lee Wang

Jing Soliman was a PPI employee from the Philippines. The 35-year-old father of two anticipated \$7,400 a year – including overtime, a far cry from the \$80,000 that his American counterparts take home. For a 40-hour work week, that barely tops \$3 an hour. But for the 12-hour day, seven-day week that Soliman says was standard for him and many contractor employees in Iraq, he actually earned \$1.56 an hour.<sup>39</sup>

Soliman planned to send most of his \$7,380 annual pay home to his family in the Philippines, where the combined unemployment and underemployment rate tops 28 percent.

The average annual income in Manila is \$4,384, and the World Bank estimates that nearly half of the nation's 84 million people live on less than \$2 a day.

"I am an ordinary man," said Soliman during a recent telephone interview from his home in Quezon City near Manila. "It was good money." His ambitions, like many U.S. civilians working in Iraq, were modest: "I wanted to save up, buy a house and provide for my family," he says.

Soliman barely escaped death on the night of May 11, 2004, when his living trailer at Camp Anaconda was blown apart by a bomb attack. Sardonicly dubbed "Mortaritaville," the camp sits 42 miles north of Baghdad. Some 17,000 US soldiers and thousands of contractors have dug into the former Iraqi airbase for a long-term occupation.

Three others were injured along with Soliman that night. One roommate, 25-year-old fuel pump attendant Raymund Natividad, was killed. Soliman flew home to the Philippines in a wheelchair days later because he wanted medical treatment in his own country. But even after surgery and skin grafts, he sometimes feels nagging pain in his leg, he says. Doctors tell Soliman he will walk with a piece of shrapnel lodged in his left leg for the rest of his life.

invisible, but indispensable army of low-paid workers. TCNs frequently sleep in crowded trailers and wait outside in line in 100 degree plus heat to eat "slop."

Many are said to lack adequate medical care and put in hard labor seven days a week, 10 hours or more a day, for little or no overtime pay. Few receive proper workplace safety equipment or adequate protection from incoming mortars and rockets. When frequent gunfire, rockets and mortar shells from the ongoing conflict hit the sprawling military camps, American contractors slip on helmets and bulletproof vests, but TCNs are frequently shielded only by the shirts on their backs and the flimsy trailers they sleep in.

Adding to these dangers and hardships, some TCNs complain publicly about not being paid the wages they expected. Others say their employers use "bait-and-switch" tactics: recruiting them for jobs in Kuwait or other Middle Eastern countries and

then pressuring them to go to Iraq. All of these problems have resulted in labor disputes, strikes and on-the-job protests.



Khalil Bendib, CorpWatch

## MARK BALTAZAR

Mark Baltazar was between jobs operating heavy construction equipment when he heard he could make \$84,000 doing the same work in Iraq. When he took the job, his plan was to save up the tax-free money and then buy a new home for his family back in Texas. A suicide bomber near Mosul changed all that just one month and three weeks after Baltazar started work with Halliburton.<sup>40</sup>

On December 21, 2004, the 32-year-old father of five, who was raised in Odessa, Texas and moved to Houston 14 years ago, had just finished lunch at the sprawling Halliburton mess tent at Camp Merez where hundreds of U.S. troops, Iraqi security forces and civilian contractors were eating. The bomber launched one of the bloodiest attacks on U.S. forces since the invasion began. The explosion swept through the tent, hurled Baltazar into the air and sent him crashing down over the back of a chair.

A total of 69 people were wounded, including Baltazar and 24 other civilian contractors. Seven of the 22 killed were Halliburton employees and sub-contractors. One was a co-worker of Baltazar's who had just left the table to get some ice cream. It was the last time Baltazar saw him alive.

Instead of returning with the money to pay for a new home, Baltazar was shipped home to Houston where he finds himself worse off than when he left for Iraq. He is jobless because of his injuries, living in a Houston apartment, and relying on a \$368 disability check every two weeks. "You make more money working at McDonald's," he says dejectedly.

Because Halliburton uses Cayman Island subsidiaries to employ 70 percent of its workers, Baltazar is not eligible for state unemployment insurance. Baltazar's lawyer says he is also being denied full insurance coverage worth more than \$1,000 a week as outlined in the Defense Base Act (DBA). The DBA requires businesses working overseas under U.S. funded contracts to provide insurance coverage for injuries and disabilities of all employees. Sub-contractors are responsible for providing similar coverage to their workers. Baltazar's projected DBA amount is a sum based on the comparative annual income he would be making if he hadn't been injured.

Immediately after the bombing, Halliburton medics x-rayed Baltazar's back. They gave him morphine and said he was fine. But after spending two days resting in his trailer, Baltazar recalls, he told his supervisors he wanted medical leave to go back to the United States and see a doctor of his choice.

"I wanted to return to work after some medical leave," Baltazar explains. "They said my injuries weren't severe enough to send me home, so I either had to stay in Iraq or quit."

Since January 2005, he has been getting spinal injections and visiting a physical therapist three times a week to help ease the pain of the back injury he sustained when he landed on the chair. He also suffers from hearing loss and blurry eyesight because of the blast, and receives psychological counseling for post-traumatic stress disorder. "I wake up with nightmares, sometimes four times a night, sweating and yelling," he says.

Halliburton insists that it is committed to ensuring its employees receive quality medical treatment. "KBR employees work side-by-side with the troops, and they do the jobs that, here at home, are routine, such as planning and preparing meals," said Halliburton spokesperson Cathy Gist. "In a war zone, however, these jobs require courage, resolve and skill."

When asked if employees had been denied medical leaves after being injured at Camp Merez, Gist answered indirectly. "As KBR's history of contracting for the U.S. military in remote environments continues, the company remains committed to ensur[ing] its employees receive quality medical treatment and care, either locally or by means of evacuation to a more advanced medical facility as dictated by the nature of the situation."

Baltazar is by no means the only one in this predicament. His attorney, Gary Pitts of Houston, Texas, represents 35 clients with claims against Halliburton's insurer, American International Group (AIG). A New York-based firm, AIG is widely involved with business in Iraq and is presently under investigation by the Securities and Exchange Commission for its accounting practices and for possible stock fraud.

AIG declined comment. "We don't discuss clients with the press," company spokesperson Andy Silver said.



South Asian workers serve U.S. troops at Camp Anaconda, Northern Iraq, Photo: Laszlo Tibold

“TCNs had a lot of problems with overtime and things,” recalls Sharon Reynolds of Kirbyville, Texas. “I remember one time that they didn’t get paid for four months.”<sup>38</sup>

A former Halliburton administrator who spent 11 months in Iraq until April, Reynolds says she was responsible for processing time sheets for 665 TCNs employed by PPI at Camp Victory near Baghdad. The 14,000 troops and the American contractors based at Saddam Hussein's former palace have use of an Olympic-sized swimming pool and a man-made lake preserved for special events and fishing.

But TCNs “don’t get sick pay and if PPI had insurance, they sure didn’t talk about it much,” Reynolds recalls. “TCNs had a lot of problems with overtime and things. ...I had to go to bat for them to get shoes and proper clothing,”

As for living conditions, TCNs “ate outside in 140 degree heat,” she says. American contractors and U.S. troops ate at the air-conditioned Pegasus Dining Facility under the Halliburton logistics contract. It featured a short-order grill, salad, pizza, sandwich and ice cream bars.

“TCNs had to stand in line with plates and were served something like curry and fish heads from big old pots,” Reynolds says incredulously. “It looked like a concentration camp,”

And even when it came to basic safety, the TCNs faced a double standard. “They didn’t have personal protection equipment to wear when there was an alert,” Reynolds said. “Here we are walking around with helmets and vests because of an alert and they are just looking at us wondering what’s going on.”

## WATER CONTAMINATION

Captain Michelle Callahan, MD, a U.S. army surgeon in Iraq with the 101st Sustainment Brigade, testified to the Senate Democratic Policy Committee in April 2006, that water containing human fecal matter and other human waste was being re-circulated by Halliburton back into the non-potable water supply used by the troops for showering, brushing teeth, shaving, washing clothes, and preparing food and coffee. According to Callahan, “concentrate reject was being used to fill the water tanks.”<sup>41</sup>

After finding coliform bacteria and e-coli in the the water, Callahan said a Halliburton official informed employees that, “there's not a problem with it.”

Callahan also stated that, after discovering Halliburton was filling the water with waste water concentrate, the same official informed employees that, “This was the way KBR always treated the water.”

“I had a sudden increase in soldiers with bacterial infections presenting to me for treatment,” Callahan told the committee in her email. “All of these soldiers live in the same living area (PAD 103) and use the same water to shower. I had 4 cases of skin abscesses, 1 case of cellulitis, and one case of bacterial conjunctivitis,” she said.

An internal Halliburton report leaked to the committee and authored by Wil Granger, the company's Iraq water quality manager, admitted that, “No disinfection to non-potable water was occurring [at Camp Ar Ramadi] for water designated for showering purposes. This caused an unknown population to be exposed to potentially harmful water for an undetermined amount of time.”<sup>42</sup>

“This event should be considered a ‘NEAR MISS,’” the Granger report warned, “as the consequences of these actions could have been VERY SEVERE resulting in mass sickness or death” (emphasis in the original). The report added, “The deficiencies of the camp where the event occurred is [sic] not exclusive to that camp; meaning that country-wide, all camps suffer to some extent from all or some of the deficiencies noted.”

So far, Halliburton management has denied a problem even exists and declined invitations to testify before the Congressional committee.

Senator Byron Dorgan, a Democrat from South Dakota and the committee's chairman, said, “This report, made by an employee of the Halliburton Corporation to the Halliburton Corporation,

and previously not made available [to the public], establishes there was indeed serious contamination of the non-potable water provided to our troops, not only at camp Ar Ramadi, but throughout the U.S. military camps in Iraq."<sup>43</sup>

After reviewing Halliburton's internal water report, Jeffrey Griffiths, MD, professor of Public Health and Medicine at Tufts University School of Medicine, told the committee that the source water used at Ar Ramadi was "highly polluted" and "highly likely to make [the troops] sick." "Everyone knows that drinking, or washing with poop is bad for you. The reasons are so obvious we consider them common sense," he said.<sup>44</sup>

Dr. Griffiths said the troops "would have been better off with water [taken] directly out of the Euphrates River," which he described as an "open sewer." That's because Halliburton's non-potable water was not chlorinated or filtered to remove parasites, amoebas and viruses that cause various illnesses including dysentery, an inflammatory disorder of the lower intestinal tract that causes fever, severe diarrhea, vomiting and often "pooping of blood." Dr. Griffiths pointed out that "in many if not most wars, dysentery has killed more soldiers than has combat."

Halliburton instructs the troops not to drink the non-potable water, but claims it is safe for showering. But Dr. Griffiths said showering with Halliburton's untreated water is still dangerous because infection can occur through the mouth and skin.

Anticipating that Dorgan's criticism could create a public relations problem, Halliburton attempted to deter the senator by sending a second internal report to his office the night before the hearing. It contradicted the first internal on-site report and purportedly "exonerates" (as Dorgan put it) the company. But this second report admits that Halliburton "lacked an organizational structure to ensure that water was being treated in accordance with Army standards in its contractual requirements."

"This is really pretty unbelievable to me," Dorgan said in response to denials by Halliburton and the Pentagon. "I understand no one wants to take responsibility. No one ever wants to be accountable for anything," he said. "We now know that those denials were wrong and Halliburton and the Pentagon would have known them to be wrong."<sup>45</sup>

Thanks to Dorgan's efforts, the Pentagon, after initially resisting calls for an investigation into the matter, announced that it would conduct a formal inquiry.<sup>46</sup>



Testimony and evidence of food and water contamination presented to Democratic Policy Committee, U.S. Senate

## SPOILT FOOD

At an earlier hearing before the Democratic Policy Committee, Rory Maryberry, a former Halliburton contractor who worked at the dining facilities in Camp Anaconda, turned whistleblower and testified that the company often supplied rotten food to the troops.

Located just north of Baghdad, near the town of Balad, Anaconda is the largest United States military base in Iraq. Maryberry worked for Halliburton in Iraq from February to April 2004. He claims the company charged the Army for 20,000 meals a day when it was only serving 10,000 during his tenure. In a video-taped deposition shown during the packed hearing, Maryberry explained how the company would sometimes supply food that was more than a year past the expiration date or had spoiled due to inconsistent refrigeration. When the United States military occasionally refused the spoiled food, Halliburton truckers were instructed to take it to the next base in the hope that it would escape scrutiny.

Worst affected were the non-American workers. Maryberry says that Halliburton was supposed to feed 600 Turkish and Filipino workers meals. "Although KBR charged for this service, it didn't prepare the meals. Instead, these workers were given leftover food in boxes and garbage bags after the troops ate. Sometimes there were not leftovers to give them," said Maryberry.

"Iraqi drivers of food convoys that arrived on the base were not fed. They were given Meals Ready to Eat (U.S. military

# DISASTER CONTRACTS: FROM BASRA TO B



Immigrant Workers clear up Hurricane Katrina debris in Biloxi, Mississippi, AP Photo: Marcio Jose Sanchez

In the aftermath of Hurricane Katrina, impoverished immigrant workers from Latin America flooded the Gulf States to work for Halliburton. They were hired through pre-existing military agreements such as CONCAP (Construction Capabilities), issued by the Naval Facilities Engineering Command, the very same contract used to build prisons in Guantánamo Bay, Cuba.

While the federal government paid other mega-contractors such as the Shaw Group and Bechtel to rebuild civilian infrastructure, Halliburton took over the reconstruction of many military facilities, including several naval stations and the Stennis Space Center on the Mississippi/Louisiana border. Under this Navy contract, Halliburton was also awarded an early contract to pump water from Plaquemines Parish in Louisiana and set up a temporary morgue, a job which would not normally be given to the military.

“Due to the magnitude of Hurricane Katrina and the urgent requirements for emergency response, the Corps (USACE) was authorized to tap into the existing contracts of sister services,” said USACE spokesperson Carol Sanders.<sup>49</sup>

Just as in Iraq, Halliburton used sub-contractors to hire migrant laborers to work under brutal living and working conditions. “A shadowy labyrinth of contractors, subcontractors and job brokers, overseen by no single agency, has created a no man's land where nobody seems to be accountable for the hiring - and abuse - of these workers,” reported Roberto Lovato in Salon.<sup>50</sup>

## HALLIBURTON KATRINA CONTRA

DATES AWARDED & MODIFIED	AMOUNT	AGENCY
SEPT 9, 2005	\$15,000,000	DEPARTMENT OF DEFENSE
AUG 29, 2005 SEPT 30, 2005 NOV 17, 2005	\$96,846,447	DEPARTMENT OF DEFENSE
SEPT 3, 2005 SEPT 4, 2005 OCT 7, 2005 NOV 8, 2005	\$84,461,021	DEPARTMENT OF DEFENSE
SEPT 4-9, 2005	\$34,000,000	ARMY CORPS OF ENGINEERS
SEPT 8, 2005	\$70,070,000	ARMY CORPS OF ENGINEERS

Sources: Taxpayers for CommonSense <http://www.taxpayer.net/budget/katrinaspending/>

Lovato, with Victoria Cintra of the Mississippi Immigrants Rights Alliance (MIRA), visited a trailer park in Gulfport, Mississippi, and saw more than a dozen Halliburton workers living in a single mobile home. Cintra says many workers were paid little, and refused medical care at the bases where they worked such as Belle Chasse Naval Base near New Orleans.

Cintra told Lovato, “Latino workers are being invited to New Orleans and the South without the proper conditions to protect them. This is evil on top of evil on top of evil. The Bush administration and Halliburton have opened up a Pandora's box that's not going to close now.”

In late October 2005, Federal immigration officials conducted two surprise raids at Belle Chase, and processed 14



# OURBON STREET

## CTS

TASK	NOTES
PUMP REPAIRS, UTILITY RESTORATION, UNWATERING IN NEW ORLEANS	PART OF A CONTRACT AWARDED PRIOR TO HURRICANE KATRINA
CONSTRUCTION AND EMERGENCY REPAIRS AT NAVAL AIR STATION (N.A.S.) PASCAGOULA, N.A.S. GULFPORT, STENNIS SPACE CENTER AND OTHER NAVY INSTALLATIONS	TO BE COMPLETED BY SEPT 2007
EMERGENCY REPAIRS AT NAVY INSTALLATIONS IN NEW ORLEANS AND ELSEWHERE IN THE SOUTHERN REGION	TO BE COMPLETED BY SEPT 2007 THESE ARE MODIFICATIONS TO A BASIC CONTRACT AWARDED IN JULY 2004
THE ARMY CORPS TASKED HALLIBURTON TO HELP UNWATER PLAQUEMINES PARISH AND PLUG LEVEE BREECHES.	ISSUED UNDER AN EXISTING 2004 NAVY CONTRACT ISSUED AS FOUR SEPARATE TASK ORDERS
DEPARTMENT OF HOMELAND SECURITY SUPPORT FACILITY IN NEW ORLEANS	_____

contracts/kbr.htm; DefenseLink, <http://www.defenselink.mil>

undocumented people who worked for Halliburton subcontractors.<sup>51</sup> "Skilled Louisiana workers rebuilding a U.S. military base were pushed aside by sub-contractors looking to make a quick buck off American taxpayers by hiring low-skilled, low-wage undocumented workers," charged U.S. Senator Mary Landrieu, a Democrat from Louisiana.<sup>52</sup>

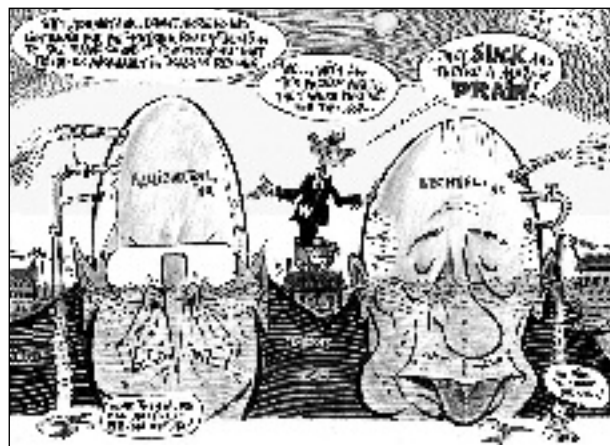
The National Committee of La Raza, (NCLR) also found multiple abuses by Halliburton subcontractors. On November 18, 2005, NCLR staff visited a "tent city" of Hispanic workers in Gulfport. They reported, "Workers repeatedly complained about contractors who hired them for long periods of time and then refused to pay them for their labor. For example, Esteban J., a Mexican worker who left behind a wife and four children in Veracruz, Mexico, was recruited in North Carolina

by a sub-contractor hired by Halliburton, to perform debris removal with 105 other workers.

"The sub-contractor promised an hourly wage of \$13, along with food, lodging, and overtime pay; yet, after several weeks, the subcontractor had not paid any of them and several of the men were forced to sleep outside. After making several demands, Esteban was finally paid a week's worth of wages with little for him to send back home to his family," reported NCLR. Estimating that the contractor owed him 200 hours worth of wages, Esteban filed a wage and hour claim with the Department of Labor. The agency ruled favorably and ordered Halliburton to pay \$141,887 in back wages to Esteban and his fellow workers.<sup>53</sup>

These immigration and labor enforcement actions against Halliburton and its Katrina cleanup sub-contractors did not prevent the company from winning a big immigrations-related contract in January 2006. USACE awarded KBR a contract worth up to \$385 million to build temporary detention centers in the event of an immigration crisis at the border.<sup>54</sup>

These detention centers would be created in ill-defined circumstances. "Whatever the emergency is, and whatever poor folks will be rounded up, one thing is certain: They will not be free to leave, and their hosts for the next five years will be Kellogg, Brown and Roots," writes Joe Richey on Alternet.<sup>55</sup>



Khalil Bendib, CorpWatch

## SKYROCKETING STOCKS ENRICH TOP MANAGEMENT

War and skyrocketing oil prices have been good to Halliburton's directors and executive officers, who saw the price of their company's stock quadruple since the March 20, 2003 invasion of Iraq. As a group, their stock in the company increased by at least \$104 million during the first three years of the war. The group owned 1,776,069 shares and share options as of March 1, 2006.<sup>57</sup> Halliburton's stock price closed at \$20.50 on the day of the Iraq invasion, meaning the shares were worth \$36,409,415 as U.S. troops first entered Iraq.

Three years later, on April 10, 2006, the stock closed at \$79.13, placing the value of the shares at \$140 million, for a \$104 million gain since the outbreak of war in 2003. The value of the shares on April 10 does not include an additional 1,383,037 common shares and share options sold by the group at various stock prices between March 20, 2003 and March 1, 2006.<sup>58</sup> These additional shares were sold at various stock prices for gross amounts between \$28.3 million on March 20, 2003 and \$95.9 million on March 1, 2006.<sup>59</sup>

CEO David Lesar holds the largest block of any Halliburton official, owning 844,928 common shares and share options as of March 1, 2006.<sup>60</sup> The shares were worth \$17.3 million as the troops first rolled into Iraq in 2003. Three years later, on April 10, 2006, the shares were worth \$66.8 million, for a \$49.5 million gain. Lesar sold an additional 631,071 shares during the war at various stock prices for gross amounts totaling between \$12.9 million on March 20, 2003, and \$49.9 million on March 1, 2006.<sup>61</sup>

Thanks to the added gasoline price hike caused by Hurricane Katrina, Lesar profited \$15.9 million in gains on his shares and options, or \$5.3 million a week, during the first three weeks after the hurricane made landfall on

August 29, 2005.<sup>62</sup> The *Boston Herald* calculated that, "due to the fuel crisis," Lesar made an estimated \$60 million - his holdings in the company were valued at \$113.5 million by late August, shortly before Katrina hit, and rose to \$129.4 million in the weeks following the hurricane.<sup>63</sup>

### ...BUT WORKERS GET STIFFED

A federal investigation of Halliburton's pension plans uncovered three legal violations, including charging some costs of Halliburton's top bosses pension and bonus plans to the workers' pension fund.

The U.S. Labor Department discovered that Halliburton was supposed to distribute several million dollars worth of cash and stock to pension participants, but instead kept the money for itself. Halliburton used pension money to pay the legal, actuarial and other costs of its executive pension and bonus programs from June 1, 1999, through January 1, 2004, spending about \$2.6 million in total.

The third violation happened in 1999, when Halliburton converted to a new payroll system that incorrectly deleted the payroll deductions of a number of employees who were paying back loans from their retirement plans.

The first two violations began while Vice President Dick Cheney was the company's CEO but the third, which involved the largest amount of money, took place after he resigned in the summer of 2000. Later, after investigators discovered the violation and asked the company about it, Halliburton sent the money to the affected people, the correspondence states, and put the missing stock into the correct employee pension funds.<sup>64</sup>

prepackaged rations), with pork, which they couldn't eat for religious reasons. As a result, the drivers would raid the trucks for food," he added.<sup>47</sup>

"KBR's priority has always been providing the troops the best possible food, shelter and living conditions while they serve in Iraq," said Halliburton's Gist, in response to Mayberry's allegations.

"KBR is not responsible for purchasing food to serve at its dining facilities throughout Iraq. KBR's dining facilities are thoroughly inspected every month by the Army's Preventive Medicine Services division, and one of the main things they check is the expiration dates on various food products. If at any point food is deemed unfit to serve, KBR follows the government-approved processes and procedures to destroy it," she added.<sup>48</sup>

## PEACE ACTIVIST DEPORTED



Australia's Department of Immigration ordered the arrest and deportation of Scott Parkin of Houston, Texas, after deciding his presence was a "national security threat." Parkin is a teacher and non-violent peace activist who traveled to Australia in June on a six-month visitor visa. He was arrested in Melbourne after protesting Halliburton's role in the Iraq war as well as in hundreds of secret defense projects in Australia.

Australian activists have repeatedly drawn attention to the fact that Halliburton owns Kinhill Holdings Limited, an Australian engineering company involved in mining and minerals processing, petroleum and chemicals, and commercial and civil infrastructure.<sup>65</sup>

And Kinhill's former chairman, Malcom Kinnaird, is today a consultant for Halliburton's KBR subsidiary. Kinnaird was hired in 2003 by Australia's defense minister to overhaul the country's military procurement system. Not surprisingly, Kinnaird recommended increased private sector involvement in Australia's defense forces--a recommendation that paid off for Halliburton. In 2003, it won \$18 million in Australian defense contracts, up from about \$2.5 million in 2000,

according to the *Sydney Morning Herald*. In 2004, it won more than 150 defense contracts.<sup>66</sup>

Parkin was arrested by six federal police and immigration officials after he took part in locally organized protests against this military role of Halliburton, and refused an interview request from Australia's top spy agency, the Security Intelligence Organization (SIO). Prior to his arrest, Parkin had been told by immigration authorities that he was not required to give an interview. "I was in solitary confinement at the Melbourne Custody Center, a maximum security lock-up," he said.<sup>67</sup>

Australia's Green Party leader, Senator Bob Brown, speculated that Parkin's arrest was orchestrated by the U.S. military. "I'd like to know whether the orders for his arrest came from the Pentagon," he told the Australian Broadcasting Corporation.<sup>68</sup> "I doubt very much that they came from Australia's security services. ... After all, he was cleared for a visa for this country a few months ago."

"Scott has complied with that visa completely while he's been here," Parkin's lawyer said. "There's been no wrongdoing on his part."<sup>69</sup>

Left: Scott Parkin, Photo: Rainforest Action Network Right: Sydney demonstration in support of Scott Parkin, Photo: Possum News Network

## THE SPY CONNECTION?

In a *Newsweek* article "The Other Big Brother," investigative journalist Michael Isikoff reports that a "harmless" anti-Halliburton protest in 2004 by 10 peace activists outside the company's Houston headquarters "was regarded as a potential threat to national security" by people inside the Bush administration.<sup>70</sup> The demonstrators wore papier-mache masks and handed out free peanut-butter-and-jelly sandwiches to Halliburton employees as they left work.

The purpose of the "peanut-butter protest" was to call attention to Halliburton's food overcharges in Iraq and Kuwait. It was organized by activist Scott Parkin, who was deported by the government of Australia in 2005 for organizing peace-ful teach-ins on Halliburton's war contracts.

Unknown to the activists, their protests were monitored by the ultra-secret Counterintelligence Field Activity (CIFA), created three years ago by the Defense Department to track threats and terrorist plots against military installations and personnel inside the United States.

According to Isikoff, "In May 2003, Paul Wolfowitz, then Deputy Defense Secretary, authorized a fact-gathering operation code-named TALON—short for Threat and Local Observation Notice—that would collect 'raw information' about 'suspicious incidents.' The data would be fed to CIFA to help the Pentagon's 'terrorism threat warning process,' according to an internal Pentagon memo."

There are now questions about whether CIFA exceeded its authority and conducted unauthorized spying on innocent people and organizations. A Pentagon memo obtained by Isikoff reveals that the Deputy Defense Secretary "now acknowledges that some TALON reports may have contained information on U.S. citizens and groups that never should have been retained." The number of citizens named in the TALON reports "could be in the thousands," says a senior Pentagon official quoted by Isikoff.

Isikoff's article concludes: "A Pentagon spokesperson declined to say why a private company like Halliburton would be

## NEW GUANTANAMO CONTRACTS

In July 2005, Halliburton was awarded a contract to build a new \$30 million prison at the U.S. naval base at Guantánamo Bay, Cuba, where some 520 men are being indefinitely detained for alleged links to terrorism, after being seized in Afghanistan in late 2002 and early 2003. The two-story prison, known as Detention Camp #6, will be built at Guantánamo to house 220 men. It will include exercise areas, medical and dental spaces, as well as a security control room. Halliburton also built the previous prison, Camp Delta.<sup>56</sup>

Critics have decried the indefinite detention of Guantánamo detainees, whom the United States has denied rights accorded under the Geneva Conventions to prisoners of war. The prison was called "the gulag of our times" in a recent Amnesty International report.

The deal was part of a larger contract with the Navy that could be worth up to \$500 million if all options are exercised, the Defense Department said. Another task order that was issued under this contract, was for the repair of naval bases in Mississippi after Hurricane Katrina struck the Gulf States.



deserving of CIFA's protection." Given that the military uses contractors in almost all of its work, possibly the Pentagon considers the protection of military contractors part of its spy program?



Pipeline being laid in Cumpirishiato, Camisea, Peru, Photo: Peter Kostishack, Amazon Alliance

## FOSSIL FUEL CONTRACTS

This past year has been a banner year for Halliburton's Energy Services Group (ESG). This business unit services the exploration, development, and production of oil and gas by major, national, and independent oil and gas companies throughout the world. Revenue for ESG increased by 26% and operating income increased 80%, compared to 2004.<sup>71</sup> This financial bonanza was due to high energy prices as well as to improved contract terms with customers.<sup>72</sup> In this section, we shine a spotlight on fraud allegations as well as on the environmental impact of Halliburton fossil fuel operations around the world.

### PERU

In February 2002, Halliburton subsidiary Kellogg, Brown & Root (KBR) won a contract from Texas-based Hunt Oil and Argentine Pluspetrol to design a liquid natural gas (LNG) export facility for the Camisea Natural Gas Project in Peru. The \$1 billion terminal, the first in Latin America, will process approximately 625 million cubic feet of gas per day from the Camisea field into products such as propane, butane, and diesel for domestic consumption and export to U.S. and Mexican markets.<sup>73</sup>

The upstream component of the project is located in the Lower Urubamba basin, an area of Amazon rainforest that the Smithsonian Institution has described as a world "biodiversity hotspot" with an unprecedented variety of endemic fauna. The

project threatens the lives and well-being of some of the last native Amazonians living in isolation. Three-quarters of the concession area lies inside the internationally-recognized Nahua-Kugapakori Reserve, established by the Peruvian government to protect the rights and traditional livelihoods of uncontacted indigenous tribes and other isolated native groups.<sup>74</sup>

The project also affects another 22 indigenous and dozens of farming communities through construction of two pipelines that transport the natural gas and gas liquids to the Peruvian coast. The natural gas pipeline to Lima crosses 125 miles of pristine jungle, 188 miles of erosion-prone highlands, and 144 miles of coastal plain. The 350 mile-long gas liquids pipeline leads to a processing plant built in the buffer zone of the Paracas Marine Reserve – an internationally important wetland area recognized by the RAMSAR Convention.<sup>75</sup>

Communities are already bearing much of the burden of the project, with particular impact on nutrition and health, brought about by a decrease in fishing and hunting yields, an increase in communicable diseases, and contamination of water sources from repeated oil spills. Peru's own national ombudsman office reports that the Camisea project has altered the traditions, production, and identity of indigenous peoples living in the project area of influence. It also identifies the introduction of syphilis, respiratory illnesses, and influenza, which have led to death in some native communities.<sup>76</sup>

Compounding impacts on native communities, there have been five pipeline ruptures and spills in only the first 18 months of project operation, which started in August 2004. The spills have resulted in the evacuation of settlers. The most recent spill in March 2006 caused an explosion that charred up to 35 acres and injured several settlers who suffered severe burns and respiratory problems.

In fact, a recent independent report by the environmental consultancy E-Tech International, confirming many of the same conclusions reached by an earlier environmental consultancy, concludes that the Camisea pipeline was hastily built by unqualified welders using corroded surplus piping from other projects. The report states that in order to avoid onerous late-completion fines that could have totaled \$90 million, the pipeline was laid precipitously on difficult terrain. The report also concludes that nearly 185 kilometers of the pipeline remains at high risk of rupturing.<sup>77</sup>

Despite this egregious track record, project consortia are now actively pursuing \$800 million in U.S. and international funds for the second phase of the Camisea project, which would enable Halliburton to begin construction of the gas liquefaction plant. The consortia seek a \$400 million dollar loan from the Inter-American Development Bank (IDB) and additional funding from the U.S. Export-Import Bank (ExIm).<sup>78</sup>

The first phase of the project has already received \$135 million in financing from the IDB amid a flurry of public controversy.<sup>79</sup> On the other hand, ExIm, Overseas Private Investment Corporation (another U.S. government agency that sells political risk insurance) and Citigroup have refused to finance Camisea amidst concerns about environmental and social impacts.

Pressure is also mounting in Peru. During initial project negotiations in 2000, government officials had insisted on favoring domestic use over export, as one of the primary justifications for the project had been to decrease the country's reliance on oil by extending domestic accessibility of liquid natural gas.<sup>80</sup> The revised 2005 contract, however, reversed this, favoring export over domestic use, and potentially undermining the role of the Camisea reserves in Peru's national development. Gas prices in Peru have actually gone up since Camisea came online.

## NIGERIA

Halliburton and its subsidiaries in Nigeria have been enmeshed in a chain of controversies relating to allegedly unscrupulous business ethics and practices in Nigeria.

Halliburton was part of a consortium that won a bid for the construction of the Liquefied Natural Gas plant on Bonny Island in the eastern Niger delta during the regime of the late dictator Sani Abacha in mid-1990s. The TSKJ consortium was made up of Technip of France, Snamprogetti of Italy, Halliburton's subsidiary Kellogg Brown and Roots (KBR), and Japan Gas Corporation.

The TSKJ consortium created a subsidiary, the Liquefied Natural Gas Services based in the Portuguese tax haven of Madeira, which paid \$180 million dollars for unspecified services to an entity called Tristar based in Gibraltar, a British tax haven.<sup>81</sup>

Soon after the \$180 million was delivered to Nigerian government officials as a bribe, TSKJ was awarded the contract for the construction of six liquefied natural gas plants (called "trains") worth more than \$12 billion.<sup>82</sup>

When the payments were discovered, the Parliament in Nigeria set up an investigative committee whose report concluded that "all companies linked with TSKJ and Halliburton in Nigeria should be excluded from new contracts to be awarded by the government. This recommendation was then adopted by the Nigerian parliament."<sup>83</sup>

This scandal had hardly died down when it was reported that Halliburton illegally removed radioactive materials from the country without the knowledge and permission of the relevant government agency. Halliburton was forced to retrieve these radioactive materials from Germany where they had been sent.<sup>84</sup>

Finally, in 2000 a Gas to Liquid project was awarded to Halliburton in Nigeria for \$2.2 billion. This price raised an uproar in Nigeria when it was discovered that a remarkably similar project had been built in Qatar for \$950 million. The Senate Committee on Petroleum asked Chevron-Texaco and the Nigerian National Petroleum Corporation to "submit evidence that would show that due process was followed and also any other information to prove that the process was transparent."<sup>85</sup>

## NIGERIAN STATEMENT ON HALLIBURTON

- Recognizing that the various and continuing allegations of unethical business practices and corruption of government officials made against Halliburton and its subsidiaries and the leading role the firm played in the bribe scandal that occurred during, before and after the award of the initial contract for trains one and two of the Liquefied Natural Gas project to the TSKJ consortium,
- Considering also that Halliburton and its partners in the TSKJ consortium had planned a decade in advance to corrupt the bidding process for the LNG contract,
- That Halliburton had in 1999 insisted on the re-appointment of Jeffrey Tesler a U.K lawyer through whose firm \$180 million dollars was funneled as bribe to Nigerian government officials by the LNG Services set up by the TSKJ Consortium so as to be awarded the contract for the construction of the plant,
- That more than half of the \$180 million bribe was paid after 1999 when Halliburton had bought over KBR,
- Taking also into consideration the ongoing investigation into the Escravos Gas to Liquid project awarded at the outrageous sum of \$2.2 billion while a comparative plant in Qatar was built for \$950 million,



Women protest at Shell installation, Amukpe, Niger Delta, Nigeria, AP Photo: George Osodi

We call on the National Assembly to continue their investigations with determination and patriotism and to conclude it with dispatch.

We call on the federal government of Nigeria to fully comply with the recommendations of both Houses of the National Assembly by barring Halliburton and its subsidiaries from doing business in Nigeria.

We call for support to civil society groups in Nigeria in our fight to enthrone transparency and accountability at all levels of governance including ensuring best practices in corporate governance especially in the extractive sector.

Environmental Rights Action, Nigeria

## IRAN

The new hard-line Iranian government terminated a natural gas sub-contract because of concerns that nuclear secrets could be leaked to Halliburton and its former chief executive, Vice President Dick Cheney.<sup>86</sup>

One of Iran's largest private oil companies, Oriental Oil Kish, based in Dubai, awarded the sub-contract to Halliburton in January 2005 for the purpose of developing natural gas off Iran's coast.<sup>87</sup>

But the new Iranian government became alarmed that a senior member of the country's nuclear negotiations team, Sirus Nasser, also serves as the vice chairman of the board of directors of Oriental Oil Kish. Government officials feared Nasser might compromise the nation's nuclear secrets while working with Halliburton on the natural gas project. So, the contract was terminated in August 2005.

The *Financial Times* reported that Nasser is "a senior Iranian diplomat negotiating with Europe over Iran's controversial nuclear program" and is "at the heart of deals with U.S. energy companies to develop the country's oil industry."<sup>88</sup>

After terminating Halliburton's business in Iran, the government awarded the natural gas contract to the National Iranian Drilling Company, and accused Oriental Oil Kish of engaging in corrupt practices, including bribery. Top company officials were arrested amid allegations that bribes were paid to win the natural gas contract. Nasser himself was interrogated, but not arrested.

South Pars project, Iran, Photo: *Iran Daily*



Critics say the arrests were nothing more than a witch hunt by Iran's new hard-line leader Mahmoud Ahmadinejad against his political rival Hashemi Rafsanjani whose family owns part of Oriental Oil Kish. Rafsanjani is a former president and presidential candidate.

In January, 2006, 20 days after accepting the subcontract from Oriental Oil Kish, Halliburton abruptly announced it would withdraw from Iran after existing contracts are completed. CEO Dave Lesar cited poor business conditions for the decision.<sup>89</sup>

U.S. companies are forbidden by law from doing business with Iran, but their foreign subsidiaries are exempt. This exemption allows Halliburton's Cayman Islands subsidiary, Halliburton Products and Services, to operate legally in Iran. Nonetheless, Halliburton is under criminal investigation by the U.S. Justice Department over its long-standing ties with the country.<sup>92</sup> Investigators believe the subsidiary is actually controlled by officials at the company's Houston headquarters and is therefore not a true "foreign" subsidiary as required by law.

Vice President Dick Cheney, while CEO of Halliburton, expressed his opposition to laws against doing business in Iran. "I think we'd be better off if we, in fact, backed off those sanctions [on Iran], didn't try to impose secondary boycotts on companies ... trying to do business there," Cheney told an Australian television interviewer in April 1998.<sup>91</sup>

Halliburton did more than \$40 million in business with Iran in 2003<sup>92</sup> even though President George Bush has accused the Iranian government of financing terrorism.

## UNITED STATES

The passage of the Energy Policy Act of 2005 by the U.S. Congress produced two big wins for Halliburton, and two huge losses for protection of drinking water and for accountability at the Environmental Protection Agency (EPA). Among many other paybacks packed into the legislation for big oil companies, this federal energy bill exempted the practice of hydraulic fracturing from the Safe Drinking Water Act (SDWA).<sup>93</sup>

Hydraulic fracturing (also known as "fracking") is a stimulation technique that enhances the recovery of gas and oil from producing wells. "Fracking" introduces carcinogenic, toxic, and hazardous materials such as acids, benzene, toluene, ethyl benzene, formaldehyde, polyacrylamides and chromates into



the well. According to watch dog groups such as the Oil & Gas Accountability Project, the practice threatens underground water sources that many communities rely on for their drinking water.<sup>94</sup>

Nevertheless, after nearly six years of lobbying, Halliburton and other Big Oil companies finally won their fight to persuade Congress not to require the composition of the fracking mixture to be disclosed or regulated under the SDWA. Section 322 of the Energy Policy Act decreed that only the use of diesel fuel in hydraulic fracturing could be regulated by the EPA.

This act was passed despite the fact that the EPA was investigating whistleblower Wes Wilson's allegations that the EPA's 2004 hydraulic fracturing study was scientifically unsound, the findings were premature, and that hydraulic fracturing may endanger public health.<sup>95</sup>

Indeed, the investigation itself was canceled by the EPA's Inspector General because of "the enactment of ... (the) Energy Policy Act of 2005".<sup>96</sup> Specifically, the letter cites the exemption language contained in Section 322 as limiting "EPA's ability to implement any recommendations we may have made regarding the need for EPA to regulate hydraulic fracturing".

Representative Mark Udall, a Democratic congressman from Colorado, criticized the decision to drop the review, saying that the decision did not "get to the heart of our question" as to whether political influence by Halliburton and other oil companies played a role in the agency's conclusions.<sup>97</sup>

Yet at the same time, workers and communities continue to report major problems from fracking. For example in western Pennsylvania, two workers recently suffered severe burns and three others suffered lesser injuries when a Halliburton hydraulic fracturing operation exploded.<sup>98</sup>

In western Colorado, where communities are facing a booming gas industry, Halliburton is actively fracking wells that are as close as 150 feet to homes. Citizens are reporting respiratory, neurological, and other ailments, and local governments including Garfield County have commissioned studies on the public health effects of the drilling activity.

Regional inventories of chemicals used by Halliburton and other companies include a host of chemicals that are known to cause cancer, disrupt hormones, decrease immunity, and affect the respiratory, endocrine, cardiovascular, gastrointestinal and

central nervous systems, as well as organs such as the liver, kidneys and skin.<sup>99</sup>



Halliburton fracturing job, Clark, Wyoming. Photo: Oil & Gas Accountability Project

## GUNNISON ENERGY

Gunnison Energy is a western Colorado-based oil and gas company that uses Halliburton products such as the fracking fluid AQF-2. This product contains two toxic chemicals: diethylene glycol, and ethylene glycol monobutyl ether, or "2-BE". Exposure to 2-BE can cause cancer, and it can also have a detrimental effect on almost every organ and system in the body.

Halliburton transports and stores between 18 and 140 million tons of oilfield substances in Garfield and Mesa counties every year. These substances range from the benign (sand, clay) to the highly toxic (e.g., 2-BE, hydrochloric acid, sodium persulphate, nonylphenol ethoxylates, aromatic naphtha, etc.).<sup>100</sup> Over the course of a year, most of these substances are either injected into the ground during well drilling, fracking or maintenance, or they are used at compressor stations and gas processing facilities. By-products or wastes from these activities are buried on-site, released into the air, or transferred to disposal sites.

Not all of the chemicals make it to their intended locations. In 2004, more than 70 gallons of diesel fuel leaked out of a "fist-sized hole" in a Halliburton tanker, and a portion of the fuel flowed into the Colorado River.<sup>101</sup> Then, in October 2005, Halliburton lost two containers of acid product off of a truck traveling through Clifton, Colorado.<sup>102</sup> The Clifton assistant fire chief estimated that 300 gallons of the product went into a storm drain that feeds into the Colorado River. Halliburton officials later said the chemical was not acid, as first reported, but "an organic salt additive."

## CONCLUSIONS & RECOMMENDATIONS

The news from Halliburton's operations around the world in 2005 are alarming : ranging from contaminating water in the western United States to providing contaminated water to soldiers in Iraq. The indictment of no fewer than six individuals for bribery and over-charging in Iraq and Kuwait proves that the company management was, at the very least, asleep at the wheel, and possibly complicit in corruption. Federal investigators say more indictments are to be issued, raising the prospect that the company will be in further trouble.

Today, communities from Nigeria, Peru, and the United States are speaking out - representatives plan to attend the company's annual meeting in Duncan, Oklohama, to tell the shareholders about their troubles. Whistleblowers within the

company and inside regulatory agencies are also taking on the company's malpractices.

It is heartening to see that two members of the United States Congress, Representative Henry Waxman of California, and Senator Byron Dorgan of South Dakota, are taking these charges seriously by holding hearings into Halliburton's misconduct. But these hearings aren't official proceedings of Congress because the Republicans, who control both houses, have failed to support them.

We know that there are honest Republicans out there who are also outraged and we urge them to come forward. It is time for all legislators as well as shareholders to take action – we offer some suggestions below.

### RECOMMENDATIONS FOR HALLIBURTON

■ **Bring your employees home from Iraq.** Halliburton's presence in Iraq is angering qualified Iraqis -- who are being denied contracts to do the work themselves -- and endangering Halliburton's own employees. It's also clear -- from the confirmed case of bribery to the allegations of

overcharging --that Halliburton is unable to properly oversee its work in Iraq. It's time to bring the company home and end support for the occupation.

■ **End of the veil of secrecy.** Release to the public the details of all the Iraq, Katrina, and Immigration and Customs

Enforcement contracts--and the bidding process by which they were awarded. Americans deserve to know how our tax dollars are spent. And certainly we want our legislators, who are charged with oversight of public contracts, to have access to these records. Disclose all subcontracting arrangements and require all sub-contractors to do the same.

- **Stop doing business with dictators.** By doing business with dictators and corrupt regimes around the world, Halliburton not only supports and provides credibility to those regimes, but also profits from the suffering of people in those countries. Being a patriotic company means supporting human rights. Halliburton should end its business dealings with countries that violate the human rights of their citizens.
- **Be a good corporate citizen – pay your taxes.** Doing business in the United States means paying taxes to support the infrastructure that makes it possible for U.S. businesses to operate. Halliburton must disclose the purpose of "brass plate" subsidiaries incorporated in tax havens and stop using overseas subsidiaries to dodge its U.S. tax obligations.
- **End payments to Vice President Dick Cheney.** It is an unbelievable conflict of interest for Halliburton, the number one beneficiary of Iraq "reconstruction" contracts, to have

paid Vice President Dick Cheney more than \$211,000 last year.<sup>103</sup> Cheney pushed for and promotes the very war from which Halliburton profits. At the very least, Halliburton shareholders should demand a halt to payment of Cheney's deferred compensation until all federal investigations concerning accounting fraud and bribery that occurred during his tenure as chief executive officer are resolved.

- **Respect your workers.** Pay your workers a fair, living wage, provide decent working conditions to foreign contract workers whether in Iraq or in Louisiana, and allow your workers to form unions as well as to access courts and dispute resolution mechanisms in the United States.
- **Do not poison our drinking water.** The public deserves concrete scientific proof of the fact that chemicals injected into or close to drinking water are not going to poison them. Otherwise, these practices should be banned. Shareholders should also seriously contemplate the potential long-term liabilities of lawsuits demanding compensation for damage to the environment and public health.

## RECOMMENDATIONS FOR U.S. POLICY MAKERS

- **Cancel Halliburton's Iraq contracts.** Enough evidence has been accumulated about Halliburton's shoddy work and possible criminal wrongdoing in Iraq, to merit the cancellation of Halliburton's Iraq contracts. It is time for the U.S. government to take action to protect Iraqis and U.S. citizens from Halliburton's unethical practices. The company should also be suspended from new contracts until all outstanding criminal investigations are resolved.
- **Improved investigation and oversight.** The U.S. Congress should also establish a select committee to provide effective Congressional oversight over war- and reconstruction-related government contracts in Iraq, Afghanistan, and other countries associated with the ongoing war on terror. In particular, Congress should act on a bipartisan resolution first introduced in the Senate in 2004 to establish a committee to provide wartime contract oversight modeled after the successful Truman Committee of World War II. This committee could also examine similar large contingency contracts such as those awarded after Hurricane Katrina.
- **Ensure transparency and accountability in government contracting.** U.S. government agencies should prevent the type of cronyism that has allowed companies such as Halliburton to parlay their political connections into lucrative contracts. The bidding process for U.S. government contracts in Iraq and elsewhere should be open and transparent, including such safeguards as posting contracts on the Internet together with the compliance history of winning bidders. Companies such as Halliburton that have repeatedly violated federal laws should be banned from receiving government contracts.
- **Penalize war profiteering.** The U.S. Congress should strengthen the penalties for corporations and individuals convicted of contract-related crimes, including fraud and bribery. Federal acquisition regulations should be strengthened to debar companies from any contracts for no less than three years after conviction for contract-related crimes; companies that are under criminal investigation for contract-related abuses should also be automatically suspended from additional federal contracts or task orders until such investigations are concluded.
- **Overtake Executive Order 13303.** In May 2003, President Bush quietly passed Executive Order 13303, entitled "Protecting the Development Fund and Certain Other Property in Which Iraq Has an Interest." Even when the actions violate U.S. law, the order prohibits any lawsuits or criminal prosecution of the oil industry in Iraq, including that of individuals who sell and market the oil and of officials who control oil revenue.<sup>104</sup>
- **No more corporate welfare.** The World Bank, ExIm and other international lending institutions should stop subsidizing Halliburton's fossil fuel development projects that have perpetuated climate change, wars, corruption, and a widening gap between rich and poor. The World Bank should expand its corruption policy to include the companies financed by the International Finance Corporation and its contractors. Any company that has committed a contract-related crime (e.g. bribery) should be suspended from any new business for as long as they are being investigated and for a period of no less than 3 years after admitting that they or their agents committed such a crime.
- **Take the money out of politics.** Attempts by companies such as Halliburton to manipulate the political process with millions of dollars in campaign contributions will only be thwarted when the corrupting influence of money is taken out of our political system. Companies should also stop spending any corporate funds on political campaigns and facilitating the bundling of employee contributions.

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<http://www.halliburtonwatch.org> and <http://www.warprofiteers.com>

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*“The problem is that the good Lord didn’t see fit to put oil and gas reserves where there are democratically elected regimes friendly to the interests of the United States.”*

Dick Cheney

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