

## Cheney's Ex-Firm In Stealth Mode

WASHINGTON, April 1, 2003

Vice President Dick Cheney's former company has decided not to enter a controversial bidding process open only to a few experienced and well-connected firms for major Iraq reconstruction projects. Instead, Halliburton Co. will focus on becoming a secondary contractor.

Halliburton, where Cheney was chief executive officer from 1995-2000, said this week its KBR subsidiary "remains a potential subcontractor for this important work."

Officials of the Houston-based company would not say whether the decision was related to questions of favoritism and cronyism concerning the firm.

Meanwhile, the head of the State Department's Agency for International Development has defended the expedited procedure that invited only a small group of well-experienced - and politically active - companies to apply for prime reconstruction contracts.

Whether or not Halliburton receives work as a subcontractor, the KBR subsidiary (Kellogg, Brown & Root) already has business in Iraq under a previous Defense Department contract to extinguish oil well fires. The firm hired subcontractors Boots & Coots International Well Control Inc. and Wild Well Control Inc., both also from Houston, to handle the firefighting work.

Contract controversy began before the fighting in Iraq started, when USAID sent a detailed "request for proposals" to a handful of companies for construction work that that could total up to \$600 million over 21 months. The construction contract is one of eight solicitations for work in postwar Iraq.

Agency officials said they were prohibited by law from identifying the invited firms, but The Wall Street Journal said they included KBR, the Halliburton subsidiary; Bechtel Group Inc.; Parsons Corp.; Louis Berger Group and Fluor Corp., two companies that have joined together for this effort, and Washington Group International.

The Center for Responsive Politics, an organization that tracks political donations, said the companies and individuals associated with them have made \$3.5 million in contributions from 1999 to 2000, with two-thirds going to Republicans.

Rep. Henry Waxman of California, ranking Democrat on the House Government Reform Committee, has asked the U.S. Army Corps of Engineers to explain the selection of KBR for the oil fires contract.

"The only rationale offered ... is that the contract work involves the implementation of a contingency plan for extinguishing oil well fires," Waxman wrote the Corps. "It is not clear, however, whether any other companies were asked to submit similar plans."

Bathsheba Crocker, who works on Iraq reconstruction at the Center for Strategic and International Studies, said, "If you separate out the Cheney issue, it makes a lot of sense" to choose a firm with postwar reconstruction experience. "But at the same time, you can't separate out the Cheney issue as a political matter," she said. "It's obviously why they're in political hot water."

Andrew Natsios, the USAID administrator, has defended the fast-track contracting system that is designed to circumvent a normal bidding process that takes six months. He said speed was essential to rebuild deteriorated schools, water systems, hospitals and other buildings, and the invited bidders already possessed the necessary security clearances.

In a column Monday in USA Today, Natsios denied any cronyism or favoritism.

"If you need a surgeon, a lawn service, a real estate agent or a college, you seek out the names with the reputation for quality and the ability to get the job done," he wrote.

The multinational firms have handled reconstruction projects after conflicts in Bosnia and Haiti, Natsios said, contending the expedited system not only was legal but showed common sense for the United States' image abroad.

"We want to quickly show the world, especially Muslim countries, that we care about the Iraqi people and are ready to use our tax dollars to improve their lives," Natsios said.

He also addressed a budding controversy over whether the United States would hog the reconstruction work.

"Up to 50 percent of the work may be subcontracted to U.S. and foreign firms," he said. USAID signs primary contractors, who in turn choose the subcontractors.

The role of non-U.S. firms in rebuilding Iraq has generated its own controversy.

President Bush and others in his administration believe there should be a U.S.-run military and administrative transition toward democracy.

France and Russia are championing a U.N. role, and the French - worried they could be shut out of postwar business deals - are drawing up plans to win their firms some of the reconstruction business.