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Halliburton's Unfair Burden

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DOHA, Qatar - Let's give our own a break here. Operation Iraqi Freedom got off to a great start. Then, instead of applauding the American armed forces for sound planning and courageous efforts, some critics second-guessed them because they believed it was taking too long to secure Baghdad. Never mind that this war had a much tougher objective, more constraints on the military's options and greater international scrutiny than the Gulf War-yet still came to a timely conclusion compared to the 1991 conflict.



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Now that we've successfully liberated Iraq, some are griping about rebuilding efforts and how American companies that may participate in that process are somehow absolutely the wrong choices for the job. Engineering firms Bechtel Group and Fluor Corporation have both taken some flak, being accused of using political ties to make the short list on bids. But these "ties" are feeble at best, limited to a decade-removed former Secretary of State sitting on the board of Bechtel and a retired former CEO of Fluor being *considered* as a possible post-war Iraqi energy official. All of which means that of the potential American contractors, energy services company Halliburton was the perfect choice to be condemned.

After all, Vice President Dick Cheney worked as CEO of Halliburton from 1995 to 2000, as conspiracy theorists are quick to point out. They are equally eager to highlight that Halliburton's contract with the U.S. Army Corps of Engineers to fight Iraqi oil fires is a multi-year deal, awarded with no-bids, and potentially worth \$7 billion.

What the critics choose to ignore is that the Vice President dumped all of his Halliburton shares prior to taking office, so he's clearly not profiting from Halliburton's contract. Nor do they note Halliburton's stellar qualifications-it's the world's second largest oilfield services company in addition to having built a distinguished history of providing logistical support for the U.S. military. And as much as critics love to throw around the enormous \$7 billion number, the Army Corps of Engineers explains that this figure was used as a "worst-case scenario," based on the 750 oil wells that burned during the first Gulf War.

Instead of the worst case, however, the U.S. military quickly controlled all of the Iraqi oilfields in this war, and according to the U.S. Central Command, of the nine oil well fires, all except one has now been extinguished. This thanks to the Army and Halliburton's quick reaction (their firefighters were already in place as part of an Army contingency plan dating back to late 2001), which enabled them to put out the fires in less than one month. Public bidding on an emergency situation like this would likely have taken a minimum of 45 days, says the Army Corps of Engineers, and would have led to the fires burning longer and potentially more hazardously.

What is the bill so far for this expedient work by Halliburton (subcontracted out to two different firms, I might add)? A mere \$50.3 million-a fraction of the \$7 billion we keep hearing about.

Thanks to the unfounded cries of impropriety over this oil fires contract, however, Halliburton and the Bush administration chose to take the high road, and the company withdrew from the bidding for the much more lucrative U.S. government contract to reconstruct Iraq's infrastructure.

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- A larger threat
- About the same
- Not as big a threat

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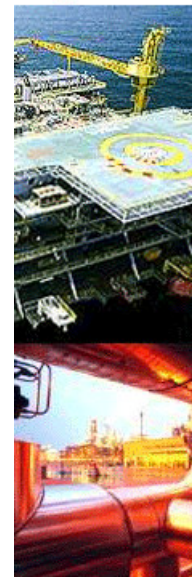
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Bechtel has just been announced as the winner of this 18 month, \$680 million contract - the largest Iraq rebuilding contract thus far - covering work ranging from restoring utilities and sanitation systems to repairing buildings and transportation systems. This contract is viewed as merely the first of many Iraq reconstruction contracts that is ultimately expected to reach billions of dollars over several years.

The immediate consequence of the negative press against Halliburton was the elimination of an exceedingly qualified company from the competitive bidding process for this important contract. The ongoing impact could well be the exclusion of Halliburton and other equally proficient firms from bidding on future contracts to rebuild Iraq. And I was under the impression that we Americans always believed that competition was a *good* thing for economic efficiency.

So why don't we just give these American companies a break here. Despite baseless accusations to the contrary, the U.S. government sure didn't give them one.

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