

**Opening Statement of Chairman Tom Davis  
Government Reform Committee Hearing  
“Unprecedented Challenges: Contracting and the Rebuilding of Iraq”  
June 15, 2004**

Good morning. We meet today to look into the challenges surrounding the complex task of coordinating and executing contracts amid the chaos of rebuilding Iraq.

Even before the conclusion of major military actions, there were plans for a massive effort to rebuild Iraq’s infrastructure and government. Those responsible knew this endeavor would require an enormous amount of contractor support. Anticipating the worst, and recognizing the need for quick and decisive action, agency procurement professionals properly invoked the carefully circumscribed statutory flexibilities designed to quickly provide urgently needed goods and services.

I am referring here to contracts let just prior to, or soon after the conclusion of major military action. The urgency and the difficult circumstances surrounding the anticipated scenarios justified the use of limited competition, or in a few cases, single source awards. Although I am an advocate of full and open competition, Congress, in anticipation of war and other emergency scenarios provided our procurement professionals with these flexibilities to deal with emergencies just like the Iraq war.

The rebuilding of Iraq is a monumental task. Saddam Hussein spent decades frittering away his nation’s vast wealth on himself and his Baath party cronies, while little to nothing was spent to meet the urgent needs of the Iraqi people. Decades of neglect and inaction turned this once great nation into one where the majority of people live in poverty and despair.

However, with Saddam’s ouster, we are witnessing a rebirth of Iraq. Freedom and liberation have brought a new sense of urgency to the Iraqi people; they understand what is at stake and we need to do our part to sustain freedom by rebuilding their nation.

The task at hand is mammoth; it will be years before we are able to truly get Iraq running on its own. Yet as each day passes Iraqis are getting a better life thanks to the dedicated American soldiers and civilians working there. Our reconstruction efforts are well under way, even under life threatening conditions.

Currently, there are many U.S. government agencies working to improve conditions in Iraq. For example, the Department of Defense, the U.S. Army Corps of Engineers and the U.S. Agency for International Development are all working to “rebuild” Iraq. There is no question that each of these entities is working in an extremely challenging environment. Although every day brings progress, we all recognize there are still major obstacles facing our military, government civilians and contractors.

There are serious security concerns, and the simple necessities of life like water and electricity are only sporadically available in many areas. So it is no surprise that our

normal acquisition support and oversight resources are sorely stretched. The Committee is interested in the efforts made to manage, oversee, and coordinate acquisition activities to ensure that taxpayer money is being spent as effectively and efficiently as possible in this difficult wartime atmosphere.

In addition to our ongoing work, the General Accounting Office (GAO) has also been reviewing these efforts. A report on the challenges faced in awarding the contracts has just been issued. Another GAO report on the performance challenges faced by the sustainment efforts is in the works.

Huge amounts of money have already been or are about to be expended in our reconstruction efforts. We need to make sure that acquisition rules and the integrity of the process are being followed. Congress has spent years streamlining complex government rules and regulations to make it easier for businesses to sell to the federal government, but did so in a way that carefully balances affordability, accountability, and accessibility to make sure taxpayer dollars are protected. It's our job to make sure that is happening in Iraq.

We hope to learn today how our acquisition system and the professionals who run it have responded to the challenges raised in Iraq. No one doubts that the circumstances are exceptionally difficult. I've seen the chaos on the ground there. The security situation is tenuous at best. On a daily basis our military, civilians and contractors come under hostile fire. Our service men and woman are being killed and wounded. A great number of contractor employees also have been killed or wounded. It is a major understatement to say that this is a difficult place to conduct business, but we are doing just that and we are slowly accomplishing our goals.

Government contracting is difficult enough under normal circumstances. Add in the urgency and inherent dangers of a war zone, and the challenge of acquiring urgently needed goods and services becomes quite daunting. Through this hearing we hope to continue to separate fact from fiction, truth from rhetoric – and, in turn, help make sure we're coordinating contract processes in Iraq in a way that ensures success and safety.

I recognize that there have been mistakes. That's why we're holding hearings, requesting documents, getting briefed on a daily basis. The contracting process is not always pretty, and decisions made under the pressure of combat are not always as lucid as those made under less threatening conditions. Nevertheless, the vast majority of the new contract awards were done properly. While there were some difficulties, particularly in the issuance of task orders under existing contracts, it is my understanding that while the procedures used may have been flawed, the awards themselves could clearly have been accomplished under other authorities. Not surprisingly, it also seems that the management and oversight of contract performance remains a thorny challenge due to evolving needs on the ground, staffing difficulties, and an intimidating security environment.

Many of the disputes that have been made public show that the contract oversight process is working. We need to let the give and take of contract oversight and management work. Make no mistake, overcharges cannot be tolerated, and contractors need to establish systems and processes that protect the government from waste and maximize the reach of precious taxpayer dollars. But we need to keep in mind the enormity of the effort involved and that it is being executed in a wartime environment where lives are at stake. This hearing is part and parcel of a functioning oversight process.

As Chairman of this Committee, I would like to move beyond the politics, honestly explore the challenges the military and contractors face, and figure out how to overcome them. I'm not new to politics; I understand why my Ranking Member and others feel the need to say the word *Halliburton* as often as humanly possible.

But we have more than just one contractor in Iraq, and lives are on the line. I would hope my friend, the Ranking Member, will agree with me and begin to move this debate in a more constructive direction, away from the blatantly partisan politics that serve the interest of only a few.

For the record, we've spent months working together with the minority on these issues. We've set up joint witness interviews with DOD personnel. We've submitted joint document requests. We've had joint GAO briefings and my staff has participated in joint whistleblower interviews. I was under the impression that we were conducting good, constructive, bi-partisan oversight on this difficult subject.

But my colleagues on the other side have chosen another path. On Sunday, Mr. Waxman sent a letter to the Vice President that included unwarranted insinuations about improper contact between the Vice President's office and DOD contracting officials, allegedly based on a briefing by DOD officials. Just so we're clear, it was my staff that set up and attended the briefing and those who came over from DOD stated clearly that they had not experienced inappropriate influence from the Vice President or anyone in that office. We had no idea the minority contemplated sending such an inflammatory letter. It was not shared with us before it was released to the press, and we do not share their politically charged interpretation of what was said at the briefing. There are witnesses here today who can elaborate on this issue.

Too many Democrats, for political reasons I completely understand but personally find distasteful, have chosen to practice oversight by press release, oversight by leaking draft reports and confidential briefings. This is a strategy being driven top down by House Democrat leadership. It's a component of their shopworn theme that Republicans aren't doing enough oversight. And all you have to do is look back at the wide-ranging, complex, nonpartisan oversight this committee has conducted over the past year and a half to understand why the Democrats have had to make some extremist statements to try to make their point: it just doesn't stand up to scrutiny.

I will not participate in such a circus. I will continue to conduct responsible oversight, and I hope this hearing will serve as another step in that direction. I said this back in March at our last hearing on this issue, and it is worth repeating: I have no patience for fraud or abuse. I expect that any such instances that are proven will result in harsh punishment for the perpetrators. Since our last hearing many of the limited competition contracts have been replaced by ones awarded through full and open competition. Emergency procedures are for emergencies only. When initial decisions were made, time was not our ally, but fortunately we anticipated this and were able to react in such a manner that assisted the war effort rather than hindering it. Our soldiers have benefited from this – lives have been spared because of this -- and we need to keep that in mind as we conduct the oversight we're charged with conducting.