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Blowing the Whistle on Big Oil

By Edmund L. Andres The New York Times December 03 2006

Honolulu - During a 22-year career, Bobby L. Maxwell routinely won accolades and awards as one of the Interior Department's best auditors in the nation's oil patch, snaring promotions that eventually had him supervising a staff of 120 people.

He and his team scrutinized the books of major oil producers that collectively pumped billions of dollars worth of oil and gas every year from land and coastal waters owned by the public. Along the way, the auditors recovered hundreds of millions of dollars from companies that shortchanged the government on royalties.

"Mr. Maxwell's career has been characterized by exceptional performance and significant contributions," wrote Gale A. Norton, then the secretary of the interior, in a 2003 citation. Ms. Norton praised Mr. Maxwell's "perseverance and leadership" while cataloguing his "many outstanding achievements."

Less than two years later, the Interior Department eliminated his job in what it called a "reorganization." That came exactly one week after a federal judge in Denver unsealed a lawsuit in which Mr. Maxwell contended that a major oil company had spent years cheating on royalty payments.

"When I got this citation, they told me this would be very good for my career," said Mr. Maxwell, smiling during an interview here. "Next thing I knew, they fired me." Today, at 53, Mr. Maxwell lives on a $44,000 annual pension in a two-bedroom bungalow in the hills outside the Hawaiian capital.

But Mr. Maxwell has hardly disappeared. Instead, he is at the center of an escalating battle with both the oil industry and the Bush administration over how the federal government oversees about $60 billion worth of oil and gas produced every year on federal property. In the process, he has become one of the most nettlesome whistle-blowers Big Oil has ever encountered, a face-off that offers an inside look at how the industry and the government do business together.

Invoking a law that rewards private citizens who expose fraud against the government, Mr Maxwell has filed a suit in federal court in Denver against the Kerr-McGee Corporation. The suit accuses the company, which was recently acquired by Anadarko Petroleum, of bilking the government out of royalty payments. It also contends that the Interior Department ignored audits indicating that Kerr-McGee was cheating. Three other federal auditors, who once worked for Mr. Maxwell and still work at the Interior Department, have since filed similar suits of their own against other energy companies.

Several of the nation's biggest oil producers, including Exxon Mobil, Chevron, Shell and ConocoPhillips, failed in an effort to block Mr. Maxwell's suit, arguing before an appellate judge that his case would "open the flood-gates" to suits by other federal auditors. But the court rejected their pleas, and a trial is set to start on Jan. 16.

Mr. Maxwell's self-interest is as much in play in the suit as is the public interest. If he wins, Kerr-McGee could be forced to pay more than $50 million in unpaid royalties and penalties, Mr. Maxwell said. Mr. Maxwell and his lawyers could be entitled to keep as much as 30 percent of any funds the government recovers - enough to make him a wealthy man.

Anadarko says that the government's rules were followed and that it owes no money because the Interior Department never asked it to pay more. But it is now trying to negotiate a settlement before the trial begins. "We believe the case is without merit," said John Christiansen, an Anadarko spokesman. "However, as is a fairly common practice, both sides have agreed to meet with a mediator prior to trial."

The actions of Mr. Maxwell and the other auditors have coincided with broader investigations by Congress and the Interior Department's own inspector general into whether the agency properly collects the money for oil and gas pumped from public land. Investigators say they have found evidence of myriad problems at the department: cronyism and cover-ups of management blunders; capitulation to oil companies in disputes about payments; plunging morale among auditors; and unreliable data-gathering that often makes it impossible to determine how much money companies actually owe. In February, the Interior Department admitted that energy companies might escape more than $7 billion in royalty payments over the next five years because of

errors in leases signed in the 1990s that officials are now scrambling to renegotiate. The errors were discovered in 2000, but were ignored for the next six years and have yet to be fixed.

Congressional investigators are worried about other problems, as well. The Interior Department's inspector general told a House subcommittee in September that senior officials at the agency had repeatedly glossed over ethical lapses and bungling. "Short of crime, anything goes at the highest levels of the Department of the Interior," declared Earl E. Devaney, the inspector general.

The Interior Department, which has described Mr. Maxwell as a renegade former employee motivated by the riches his lawsuit might bring, said its auditing efforts received a clean bill of health from an outside accounting firm in 2005. "The results are clear and irrefutable," the agency said in a statement, adding that it was "accomplishing its job on behalf of the American public."

But Republican leaders on the House Government Reform Committee, which has been reviewing the flawed leases, recently accused Interior officials of perpetuating a "culture of irresponsibility and lack of accountability" at the agency. The committee ordered the Government Accountability Office, the investigative arm of Congress, to begin a broad examination of issues ranging from the agency's rules and enforcement practices to the accuracy of its most rudimentary data.

The Interior Department "clearly doesn't view their responsibility as maximizing revenue to the American people for resources that belong to the American people," said Representative Darrell E. Issa, a California Republican who oversaw hearings on the flawed leases. "We don't have a system that accurately tells us how much oil is being taken out of the ground." No one, says Mr. Maxwell, knows that better than he does.

Born "Bobby," not "Robert," Mr. Maxwell is bald, burly and speaks with a back-country drawl that is occasionally punctuated by a cackling laugh. He said he thrived in the world of wells, pipelines and offshore rigs and meshed comfortably with the oil cultures of Texas and Oklahoma. Genial and unflappable, he describes his politics as "very conservative" and cringes at being labeled a rebel. "I like the oil and gas industry," he said, as he reminisced about his years as a federal auditor. "We are neither for nor against the profits they make. Our job is to make sure the American public gets a fair return on its assets."

Mr. Maxwell grew up in a poor family in rural Tennessee. After serving in the Army in Hawaii, he earned a bachelor's degree in business at Chaminade University here. He later became a certified public accountant and earned a master's degree in business from Texas A&M. In 1983, after stints as an auditor with the Air Force and the Department of Energy, he joined the Minerals Management Service of the Interior Department. The M.M.S. is responsible for collecting and overseeing the royalties for all the oil, gas, timber and coal that is produced on federal property. Last year, companies paid nearly $10 billion in royalties on oil and gas alone.

"I loved going to the oil companies," Mr. Maxwell recalled, saying he spent about half of his time on the road - some of it at offshore drilling rigs. "Sometimes, there would be nothing more than a room and a helicopter pad to land on. But it was an education, and it was highly practical."

Despite Mr. Maxwell's placid demeanor, friends and former colleagues say he was a dogged auditor who sometimes rankled his own bosses. In 1988, he visited a coal mine on federal land in Montana even though, he says, his supervisors scoffed at the trip because they thought that the mine was too small to scrutinize. When Mr. Maxwell arrived, he found that the mine only looked small because it had been underpaying royalties for years. Within months, the company agreed to pay $43 million in back royalties, and it eventually paid more than $100 million. In 1993, during the Clinton administration, officials in Washington told him to drop a complex dispute with ARCO because they thought his reasoning was dubious. But just as he was about to back down, ARCO executives volunteered to pay $20 million.

The Interior Department gave Mr. Maxwell an award that year, noting that he had "vehemently pressed his position" even though "support seemed lacking." It attributed his success to both his "measured combatant style" and his personal rapport with ARCO executives. "If he thought there was a case, he had a reason," said Barbara Rothway, a retired Interior Department auditor. But, she added, "I could see how he might sometimes bother the people he worked for."

Patient and stubborn, Mr. Maxwell spent years poring over the accounts of the Jicarilla Apache Tribe in New Mexico, which had long complained that companies were underpaying them for natural gas extracted on their tribal lands. Tribal officials said Interior Department officials had paid little heed until Mr. Maxwell came along. He collected and organized data going back 30 years and found pervasive errors by both oil companies and the government. The tribe eventually recovered more than $20 million in back royalties.

"Anyone knowledgeable about the way Interior processes payments knows there are all sorts of ways for companies to underpay," said Alan R. Taradash, a lawyer in Albuquerque who has represented the tribe for years. "Bobby was one of the few who stood up with us and demanded that the auditing be done properly."

Mr. Maxwell says his first serious doubts about the Interior Department originated in 1998, when the agency reluctantly began to investigate accusations of systematic cheating on royalties for oil. Several of the nation's biggest oil companies eventually settled that investigation by paying nearly $440 million. The investigation occurred only after outside whistle-blowers argued for years that the government was losing billions. The cases had been sparked in part by a former oil trader at ARCO named J. Benjamin Johnson Jr., known as Benji, who contended that oil companies had used elaborate swapping schemes to cheat on royalties owed to private and state landowners, as well as the federal government. Mr. Johnson and another former ARCO trader quit their jobs and became expert witnesses for landowners and state governments who wanted to sue oil companies for back payments. The two traders soon realized that the biggest case by far belonged to the federal government. But no federal officials were interested.

"It was unbelievably difficult," Mr. Johnson recalled in a recent interview. "They brought me to Denver, to the M.M.S. office, in a room with about 30 auditors and managers from the solicitor's office. Their reaction was that I was crazy, that it was impossible, that there was no way they could have actually missed this." But Mr. Johnson found a way to recover the federal royalties on his own. In 1995, he filed suit under the False Claims Act, a longstanding law intended to encourage whistle-blowers. Under the act, best known for its use against over billing by military contractors, a private citizen can sue a company, contending that it defrauded the federal government. Companies found guilty have to pay as much as three times the amount of their fraudulent gains, and any person who files a suit is entitled to keep up to 30 percent of the money recovered.

The Justice Department initially refused to join Mr. Johnson's suit, but it eventually did so, in 1998 after concluding that he and other whistle-blowers - including a nonprofit group called the Project on Government Oversight - were on to something. That was when Mr. Maxwell became involved. Working for the Interior Department, he collected data on a number of oil companies, pooling his material with that of Mr. Johnson. "Bobby was with us," Mr. Johnson recalled. "He was a straight-shooter, and he saw it." Mobil was the first to settle and paid more than $40 million in 1998. Chevron paid $95 million. Shell paid $110 million. By 2002, 15 oil companies had paid a total of almost $440 million.

The Johnson lawsuit taught Mr. Maxwell three lessons. One was that Mr. Johnson became a wealthy man. (The oil trader and his lawyers received more than $30 million, while two other groups of whistle-blowers received more than $40 million.) The second was that top Interior officials had been obstinately blind to the oil industry's practices. The third was about the power of the False Claims Act. Until Mr. Johnson came along, no one had used it to go after royalty underpayments. Created in 1849 to manage the nation's publicly owned natural resources, from national forests to parks and waterways, the Interior Department oversees timber, grazing, mining and oil drilling operations over many tens of millions of acres. And while the agency has often tried to increase drilling and mining under Democrats and Republicans alike, current and former officials say the Bush administration elevated that goal above almost all of the department's other mandates.

Mr. Maxwell says his frustrations with the Interior Department escalated after the Bush administration took office in 2001. The Interior Department's top priorities became increasing domestic oil and gas production, offering more incentives to drillers in the Gulf of Mexico and pushing to open the Arctic National Wildlife Refuge and other wilderness areas to drilling. The department trimmed spending on enforcement and cut back on auditors, and sped up approvals for drilling applications. The agency's senior ranks also became more heavily populated with officials friendly to the energy industry. For example, its new deputy secretary, J. Steven Griles, worked as an oil industry lobbyist before joining the department, and Chevron and Shell had paid him as an expert witness on their behalf in the Benji Johnson case. Mr. Griles declined to comment. Auditors, according to Mr. Maxwell and many others, were told to devote less energy to time-consuming audits and rely more on a computerized monitoring system called "compliance review." Auditors complained

that the new system was superficial and riddled with technical problems. Even when the new system flagged potential underpayments, Mr. Maxwell said, it often failed to supply conclusive information. "We were getting shut down on all kinds of cases," he said. "We started to wish that someone would come along and file a False Claims suit, so we could jump onboard."

Auditing and compliance review had generated an average of about $176 million annually in the 1990s, with an extraordinary peak of $331 million in 2000, according to data from the Congressional Budget Office and the Interior Department. But from 2001 through 2005, a period when energy prices soared to new highs, enforcement revenue averaged about $46 million a year. In 2004, the Interior Department's inspector general issued a blistering report about the auditing system, saying that many auditors were unqualified, that essential documents were being lost and that the internal review process was "ineffective."

BY 2002, Mr. Maxwell was fed up. He and a team of auditors had worked for months to dissect a complicated marketing deal by Kerr-McGee that they believed was cheating the government. He concluded that Kerr-McGee was selling all its oil at below-market prices to another company that compensated Kerr-McGee by assuming many of its marketing and administrative costs. Simply put, Kerr-McGee seemed to be getting paid in both cash and services, but it was calculating its royalties only on the cash it received. Mr. Maxwell calculated that the company had underpaid the government by as much as $12 million between 1997 and 2002. State auditors in Louisiana had been investigating exactly the same issue in 2001, and ordered Kerr-McGee to pay an extra $2 million in royalties on oil from state lands.

According to Mr. Maxwell and Interior Department officials, when Mr. Maxwell presented his findings to his superiors, agency lawyers told him to drop the case. When he continued to argue, he recounts in his lawsuit, the agency's chief of enforcement warned him that the director of the M.M.S., Johnnie M. Burton, would be "very upset" if he persisted. "The word came down from the top, not to issue this order," Mr. Maxwell said in an interview, speaking about the Interior Department. "There have always been people who don't want to pursue things. But now it's grown into a major illness. It's dysfunctional." In a written response to questions from The New York Times, the Minerals Management Service said it was "rare" to overrule an auditor but that Mr. Maxwell's contentions involved a "questionable application of M.M.S. regulations."

The matter might have ended there, except that Mr. Maxwell decided to retire in June 2003. As soon as he left the agency, he began researching the possibility of emulating Benji Johnson and filing his own suit under the False Claims Act. As it happened, Mr. Maxwell's "retirement" was brief. In October, the Interior Department rehired him to fill a management gap in its Denver office, and it put him in charge of a 120-person auditing team monitoring the Gulf of Mexico.

Despite rejoining the government, Mr. Maxwell filed his suit against Kerr-McGee in June 2004. The case was unsealed on Jan. 20, 2005; a week later, Mr. Maxwell lost his job. Arriving at his office shortly before 8 a.m. on Jan. 27, Mr. Maxwell said he was summoned to a meeting with a senior M.M.S. official, who had flown in from Washington. The official handed him a memo, explaining that his job responsibilities were being moved to Houston and that his position would be eliminated. To this day, Interior officials say they never fired Mr. Maxwell. They say, according to court papers, that he was merely a "re-employed annuitant" who was no longer needed. "The position disappeared," said Ms. Burton, the M.M.S. director, in a meeting with energy reporters in September.

Mr. Maxwell protested. He said he would have relocated or taken a different job. He added that he was a certified public accountant and had a master's degree in business administration; his successor lacked those degrees. But the fight did not last long. When Interior officials offered Mr. Maxwell a confidential financial settlement to leave without a fight, he took the deal and moved to Hawaii. And he continued to press his case against Kerr-McGee. The company tried and failed to have the suit dismissed, arguing that a federal auditor should not be allowed to take information from work and file a lawsuit under the False Claims Act. In October, eight major oil companies including Chevron and Exxon Mobil weighed in on Kerr-McGee's side.

"Government employees who uncover suspected fraud in the course of carrying out their jobs will receive a tacit invitation" to sue as private citizens, the companies argued in their brief. After the appellate court rejected the industry's plea, Mr. Maxwell's trial was rescheduled for January. Settlement talks are scheduled to begin in Denver this week. Interior officials contend that Mr. Maxwell and other auditors have a conflict of interest when they stand to gain personally from their enforcement work. "These people could be entitled to

collect 30 percent of the money that is owed to the government, for work they were already being paid to do," Ms. Burton told reporters in September.

If Mr. Maxwell had not acted, of course, the government would have had no chance of recovering any money at all. James W. Moorman, president of Taxpayers Against Fraud, a nonprofit organization that specializes in the False Claims Act, acknowledged that it was less than ideal for federal investigators to have a financial stake in rebelling against their bosses. But he said the alternatives might be worse. "You're talking about a situation where there seems to be complete breakdown in the system," Mr. Moorman said. "If they've got evidence of fraud, why shouldn't a court hear it?"

Standing in his garage recently, Mr. Maxwell pointed to six big cartons stacked along the wall. They contained 60,000 pages of documents that Kerr-McGee and the Interior Department had provided as part of the discovery process in his lawsuit. Mr. Maxwell, true to form, has gone through every page, and distilled his case into seven modestly sized binders he keeps in his living room. He says he is ready for trial, and even for the possibility of losing. If he does lose, his lawyers will not charge for their work but he will have to pay about $125,000 to expert witnesses he has hired. "I can manage it," he said. He has saved money all his life, he said, and can live on his savings and his pension. "He's thought about all the options, and none of them seem life-threatening to him," said his daughter, Angela Maxwell Horn. "What can they do him? They've already fired him."

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As Bechtel Goes

By Paul Krugman The New York Times 03 November 2006

Bechtel, the giant engineering company, is leaving Iraq. Its mission - to rebuild power, water and sewage plants - wasn't accomplished: Baghdad received less than six hours a day of electricity last month, and much of Iraq's population lives with untreated sewage and without clean water. But Bechtel, having received $23 billion of taxpayers' money and having lost the lives of 52 employees, has come to the end of its last government contract.

As Bechtel goes, so goes the whole reconstruction effort. Whatever our leaders may say about their determination to stay the course complete the mission, when it comes to rebuilding Iraq they've already cut and run. The $21 billion allocated for reconstruction over the last three years has been spent, much of it on security rather than its intended purpose, and there's no more money in the pipeline.

The failure of reconstruction in Iraq raises three questions. First, how much did that failure contribute to the overall failure of the war? Second, how was it that America, the great can-do nation, in this case couldn't and didn't? Finally, if we've given up on rebuilding Iraq, what are our troops dying for?

There's no definitive way to answer the first question. You can make a good case that the invasion of Iraq was doomed no matter what, because we never had enough military manpower to provide security. But the lack of electricity and clean water did a lot to dissipate any initial good will the Iraqis may have felt toward the occupation. And Iraqis are well aware that the billions squandered by American contractors included a lot of Iraqi oil revenue as well as U.S. taxpayers' dollars.

Consider the symbolism of Iraq's new police academy, which Stuart Bowen, the special inspector general for Iraq reconstruction, has called "the most essential civil security project in the country." It was built at a cost of $75 million by Parsons Corporation, which received a total of about $1 billion for Iraq reconstruction projects. But the academy was so badly built that feces and urine leak from the ceilings in the student barracks. Think about it. We want the Iraqis to stand up so we can stand down. But if they do stand up, we'll dump excrement on their heads.

As for how this could have happened, that's easy: major contractors believed, correctly, that their political connections insulated them from accountability. Halliburton and other companies with huge Iraq contracts were basically in the same position as Donald Rumsfeld: they were so closely identified with President Bush and, especially, Vice President Cheney that firing or even disciplining them would have been seen as an admission of personal failure on the part of top elected officials.

As a result, the administration and its allies in Congress fought accountability all the way. Administration officials have made repeated backdoor efforts to close the office of Mr. Bowen, whose job is to oversee the use of reconstruction money. Just this past May, with the failed reconstruction already winding down, the White House arranged for the last $1.5 billion of reconstruction money to be placed outside Mr. Bowen's jurisdiction. And now, finally, Congress has passed a bill whose provisions include the complete elimination of his agency next October. The bottom line is that those charged with rebuilding Iraq had no incentive to do the job right, so they didn't.

You can see, by the way, why a Democratic takeover of the House, if it happens next week, would be such a pivotal event: suddenly, committee chairmen with subpoena power would be in a position to investigate where all the Iraq money went. But that's all in the past. What about the future? Back in June, after a photo-op trip to Iraq, Mr. Bush said something I agree with. "You can measure progress in megawatts of electricity delivered," he declared. "You can measure progress in terms of oil sold on the market on behalf of the Iraqi people." But what those measures actually show is the absence of progress. By any material measure, Iraqis are worse off than they were under Saddam. And we're not planning to do anything about it: the U.S.-led reconstruction effort in Iraq is basically over.

I don't know whether the administration is afraid to ask U.S. voters for more money, or simply considers the situation hopeless. Either way, the United States has accepted defeat on reconstruction. Yet Americans are still fighting and dying in Iraq. For what?

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For One California Profiteer, Iraq is Going Great

By Sarah Anderson AlterNet 02 November 2006

"War is hell," Gen. William Tecumseh Sherman once stated. This Civil War giant clearly did not hold stock in a major defense contractor... For soldiers on the frontlines in Iraq, Sherman's words might still resonate. But for defense executives and their shareholders, the open-ended "War on Terror" has been anything but hell for the bottom line. A look at the San Francisco-based URS Corp., a major provider of Pentagon engineering and equipment repair services, can help illustrate this hell-only-for-some reality. URS recently ran a help-wanted ad for experienced mechanics to work in Iraq. The ad made the job sound only slightly less brutal than Sherman's March.

"Extreme danger, stress, physical hardships, and possible field living conditions are associated with this position," the ad read. "You should expect to work 12 hour days, seven days a week." For mechanics who agree to these terms, URS offers $80,000 a year. Meanwhile, company CEO Martin Koffel made 180 times that amount last year in his somewhat less hazardous office environs on San Francisco's Montgomery Street. The pay gap stretches even wider between Koffel and soldiers on the battlefield. Army privates made about $25,000 last year, extra combat pay and housing allowances included.

Koffel and URS are booming. One big reason: Equipment under war-time stress, as URS officials happily report, wears out five times as fast as equipment in peacetime. In all, the defense contracts that URS has snared have brought in over $1 billion in each of the three years since the Iraq invasion, compared to only a few hundred million in 2002. URS stock, not surprisingly, is worth nearly five times what it was before the war started.

These stock gains have bloated CEO Koffel's personal bottom line. Last year, he cashed in more than $10 million worth of stock options, bringing his total compensation to $14.4 million. In his good fortune, Koffel hardly stands alone, according to a study from the Institute for Policy Studies and United for a Fair Economy (PDF). According to the report, CEOs at the top 34 publicly held defense contractors have doubled their averaged pay during the four years since the "War on Terror" began.

The highest-paid defense executive - George David, the CEO of helicopter maker United Technologies - has hauled in more than $200 million total over the past four years. The CEO of another company laden with Pentagon contracts, Health Net's Jay Gellert, has seen his pay leap over 1,000 percent during the post-9/11 period. Health Net, thanks to Pentagon outsourcing, provides lucrative managed care services for military

personnel and their families. The company is currently crowing about particularly strong demand for its mental health counseling services.

Some would argue that as long as defense executives keep their shareholders happy we shouldn't begrudge them their millions in compensation. But such excessive pay levels during wartime actually imperil our nation. War requires shared sacrifice, not personal aggrandizement. What kind of message do those on the front lines get when they see defense industry executives strike it fabulously rich year after year? Massive payoffs for defense executives also muddy our nation's policymaking waters. We are creating, with these incredibly excessive rewards, an incentive for powerful, often politically connected corporate leaders to want to continue the war in Iraq - or to start new ones.

So what should we do? For starters, we can overhaul government procurement standards. Current U.S. laws already deny government contracts to companies that discriminate against women and people of color. Why should we let our tax dollars subsidize war profiteering? Congress could put an end to this by requiring that all defense contractors restrain executive pay to reasonable levels during wartime. This restraint wouldn't need to be a fixed dollar cap. Procurement rules could instead deny defense contracts to companies that pay their top executives more than 20 times what their lowest-paid worker receives.

Today, unlike in William Tecumseh Sherman's day, we are fighting battles far from home, in Baghdad and Fallujah, not Atlanta and Gettysburg. But we shouldn't let these great distances from the hell of war blind us to this most basic of democratic truths: In times of war, no one ought to get rich off someone else's sacrifice.
Sarah Anderson is a Fellow of the Institute for Policy Studies and a coauthor of the report "Executive Excess 2006: Defense and Oil Executives Cash in on Conflict," published by IPS and United for a Fair Economy.

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WP: Army battles to save gear

Gear piles up at depots, awaiting repair By Ann Scott Tyson The Washington Post Dec 5, 06

ANNISTON, Ala. - Field upon field of more than 1,000 battered M1 tanks, howitzers and other armored vehicles sit amid weeds here at the 15,000-acre Anniston Army Depot -- the idle, hulking formations symbolic of an Army that is wearing out faster than it is being rebuilt.

The Army and Marine Corps have sunk more than 40 percent of their ground combat equipment into the wars in Iraq and Afghanistan, according to government data. An estimated $17 billion-plus worth of military equipment is destroyed or worn out each year, blasted by bombs, ground down by desert sand and used up to nine times the rate in times of peace. The gear is piling up at depots such as Anniston, waiting to be repaired.

The depletion of major equipment such as tanks, Bradley Fighting Vehicles, and especially helicopters and armored Humvees has left many military units in the United States without adequate training gear, officials say. Partly as a result of the shortages, many U.S. units are rated "unready" to deploy, officials say, raising alarm in Congress and concern among military leaders at a time when Iraq strategy is under review by the White House and the bipartisan Iraq Study Group.

Gen. Peter J. Schoomaker, the Army's chief of staff, is lobbying hard for more money to repair what he calls the "holes" in his force, saying current war funding is inadequate to make the Army "well." Asked in a congressional hearing this past summer whether he was comfortable with the readiness levels of non-deployed Army units, Schoomaker replied: "No."

Lt. Col. Mike Johnson, a senior Army planner, said: "Before, if a unit was less than C-1," or fully ready, "someone would get fired." Now, he said, that is accepted as combat-zone rotations are sapping all units of gear and manpower. "It's a cost of continuous operations. You can't be ready all the time," he said.

Across the military, scarce equipment is being shifted from unit to unit for training. For example, a brigade of 3,800 soldiers from the 3rd Infantry Division that will deploy to Iraq next month has been passing around a single training set of 44 Humvees, none of which has the added armor of the Humvees they will drive in Iraq.

Huge backlog in broken-down gear

The military's ground forces are only beginning the vast and costly job of replacing, repairing and upgrading combat equipment -- work that will cost an estimated $17 billion to $19 billion annually for several more years, regardless of any shift in Iraq strategy. The Army alone has 280,000 major pieces of equipment in combat zones that will eventually have to be fixed or replaced. Before the war, the Army spent $2.5 billion to $3 billion a year on wear and tear.

At Anniston, the sprawling lots of tanks and other armored vehicles are just the start of a huge backlog in broken-down gear.

"There's stuff, stuff everywhere," Joan Gustafson, a depot official, said as she wheeled her brown Chevrolet van through a landscape of rolling hills lined with armadas of mobile guns

"There's another field of M1s," she said, motioning toward a swath of M1A1 Abrams tanks next to the winding road. "We're just waiting for someone to tell us what to do with them."

The Army's five depots carry out the highest level of maintenance for Army gear ranging from rifles and other small arms to tanks, helicopters and missile systems. Since the U.S.-led invasion of Iraq in 2003, the Army has left behind hundreds of thousands of pieces of equipment in Iraq and has relied heavily on field maintenance facilities in Kuwait.

But as the war has continued, Army leaders have recognized that they cannot afford to wait for a drawdown of troops before they begin overhauling equipment -- some of it 20 years old -- that is being used at extraordinary rates. Helicopters are flying two or three times their planned usage rates. Tank crews are driving more than 4,000 miles a year -- five times the normal rate. Truck fleets that convoy supplies down Iraq's bomb-laden roads are running at six times the planned mileage, according to Army data.

Equipment shipped back from Iraq is stacking up at all the Army depots: More than 530 M1 tanks, 220 M88 wreckers and 160 M113 armored personnel carriers are sitting at Anniston. The Red River Army Depot in Texas has 700 Bradley Fighting Vehicles and 450 heavy and medium-weight trucks, while more than 1,000 Humvees are awaiting repair at the Letterkenny Army Depot in Pennsylvania.

Lack of funding

Despite the work piling up, the Army's depots have been operating at about half their capacity because of a lack of funding for repairs. In the spring, a funding gap caused Anniston and other depots to lose about a month's worth of work, said Brig. Gen. Robert Radin, deputy chief of staff for operations at the Army Materiel Command at Fort Belvoir.

"Last year we spent as much time trying to find available money as managing our program," he said. "We don't want to go into the next rotation . . . with equipment that's at the far end of its expected life."

Responding to urgent requests from the Army and Marine Corps, Congress approved an extra $23.8 billion in October to replace worn-out equipment in fiscal 2007. With the money, the Army plans to double the workload at its depots, which will repair and upgrade 130,000 pieces in 2007, up from 63,000 last year. This will include a quadrupling of the number of tanks, Bradleys and other tracked vehicles overhauled, from 1,000 to 4,000.

At Anniston, which will handle 1,800 combat vehicles in fiscal 2007, a cavernous 250,000-square-foot repair shop is humming as damaged tanks are rolled in one by one and disassembled with the help of giant cranes. Removing an M1 tank's turret alone takes a day and a half, and the entire overhaul requires 54 days and costs about $1 million, said Ted A. Law, the depot's vehicle manager.

Earnest Linn, 58, a heavy-mobile-equipment mechanic who as of January will have worked at Anniston for 30 years, said that "it's never been like this" since the end of the Vietnam War.

In October, Anniston became the official repair facility for the Army's newest armored vehicle, the Stryker. Repairs for those vehicles will soar from eight in fiscal 2006 to 75 this fiscal year -- including 58 that received some level of battle damage, said Gregory McMath, program manager for Stryker repair.

"This one hit a triple-stacked land mine," he said, peering up into the underbelly of a Stryker ripped open by the blast. Some of the Strykers are coming in with 40,000 miles on their odometers, he said.

'Supply system can't keep up with us'

Workers at Anniston take pride in patching, rebuilding and testing the broken-down gear and returning it to like-new condition. Often, they must innovate by taking parts from wrecked vehicles if new parts do not exist or have not been ordered in time.

"The supply system can't keep up with us," said Rodney Brodeur, division chief for turbine engines, speaking over the clang and whir of his workshop. It is projected that in 2007, Anniston will rebuild 1,400 turbine engines for M1 tanks, compared with 800 this year.

Fine sand and heavy use erode the blades on the tank engine rotors, eventually leading the blades to snap off and stall the engines. Such erosion, which is invisible to the Army's field mechanics, can lead to catastrophic failure without timely maintenance.

"If your Cadillac stops by the side of the road, that's an inconvenience," Brodeur said. "If the tank quits in the middle of the fight, that's a hard target."
URL: http://www.msnbc.msn.com/id/16047588/from/ET/

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Weldon Case Recalls Ike's Warning: Corrupting Power of Military-Industrial Complex

By Jeffrey Klein and Paolo Pontoniere New America Media 31 October 2006

When President Eisenhower warned in his Farewell Address of the dangers of growing, unchecked power in America, he originally described a "military-congressional-industrial complex," but dropped "congressional" in later drafts of the speech. He was right the first time, the writers say. Jeffrey Klein, a founding editor of Mother Jones, this summer received a Loeb, journalism's top award for business reporting. Paolo Pontoniere is a New America Media European commentator.

When FBI agents raided the home of the daughter of Congressman Curt Weldon, R-Pa., on Oct. 16, he joined a long list of Republican congressmen linked to corruption scandals. Weldon's case is significant because of his vice chairmanship of the Congressional Armed Services Committee, where he oversees $73 billion a year in military spending. All of his power derives from this position. If Weldon is deprived of this power, how much of the corruption around him will go away? The FBI was looking into whether Weldon's daughter Karen's firm got $500,000 from Itera, a Kremlin-connected natural gas enterprise, as a roundabout payoff to her dad. After the Florida-based Itera was blacklisted by the U.S. Trade and Development Agency (and shortly before Karen Weldon got the half-million), Curt Weldon sponsored legislation, co-hosted a dinner in the Library of Congress and traveled to Moscow to clear Itera's good name. Around the same time, Karen Weldon was also hired by business partners of former Yugoslav leader Slobodan Milosevic; her dad and his chief of staff then flew to the U.S. Embassy in Belgrade to lobby personally (and unsuccessfully) for the removal of the Milosevic partners from America's not-welcome list.

Another one of Weldon's daughters, Kim, landed a full-time job at Agusta-Westland, a subsidiary of Italy's defense giant Finmeccanica, after it won a $1.6 billion contract to build a fleet of new Marine One helicopters for President Bush. Finally, Weldon's son Andrew's expensive race car driving hobby is financed by Boeing, his father's top campaign contributor.

Weldon himself was a key promoter of Finmeccanica for the Marine One contract, which has been widely reported as a payoff for Italy's support of Bush's Iraq policy. Italy provided what have now been proved to be forged documents that ostensibly showed Saddam Hussein attempted to acquire uranium ore from Niger - a claim that President Bush leaned upon in his 2003 State of the Union address preparing for pre-emptive war. Italian defense groups have since become partners with the United States in the sale of American warfare technology to sensitive and controversial countries such as Israel, Libya, Iran and republics of the former Eastern Bloc.

During the months leading up to Finmeccanica's surprising capture of the Marine One contract, consulting money flowed to Cecelia "Cece" Grimes, Weldon's real estate agent who calls herself "a longtime family friend." According to disclosure records, Rep. Weldon's chief of staff made a $14,400 trip to Rome, Bari, Genoa and Milan with his wife. This and an $8,200 Italian trip by another Weldon staffer were covered by Fincantieri, an Italian ship maker fully owned by Finmeccanica.

Weldon presents himself as a fierce opponent of unfair foreign competitors who steal American jobs. At the time when Finmeccanica was accused by the European Union of receiving $3.9 billion of interest-free, not-necessary-to-repay loans from the Italian state, Weldon appeared at promotional events for the company. On such occasions, his companions were Giovanni Castellaneta, current Italian ambassador to Washington and at the time also a vice president of Finmeccanica, and Steven Bryen, Finmeccanica USA president who previously served as the Pentagon's top cop preventing foreigners from gaining access to our technologies.

Though Weldon did not return repeated phone calls from New America Media to respond to allegations of impropriety, he has blamed many institutions and individuals for conducting a "smear campaign" against him, including the FBI, the CIA, the Pentagon, Bill Clinton, Sandy Berger (former National Security Adviser) and Mary McCarthy (the discharged CIA officer who exposed the CIA's secret prisons).

Weldon's campaign slogan is "Curt Weldon, Independent Fighter for US." However an analysis of contributions received by the congressman's campaign over the years identifies a number of defense industry contractors, especially foreign ones. For example, employees of companies represented by CeCe Grimes - including Oto Melara, another fully owned Finmeccanica subsidiary - have contributed $27,300 to Weldon's current re-election campaign, while the CEO of Oto Melara contributed $2,700 alone. Agusta-Westland and Agusta Aerospace donated $7,000.

If Weldon is defeated and the Republicans lose their majority in the House, the Congressman most likely to pick up more military-industrial clout is John Murtha, D-Pa., ranking minority member on the House Defense Appropriations Subcommittee. Because of his prominent opposition to the Iraq War, grateful Democrats are likely to approve whatever military appropriations Murtha wants. Is Murtha less corrupt the Weldon? Back in the 1980 Abscam scandal, the FBI captured Murtha on tape saying he wasn't interested "at this point" in taking a $50,000 payment from the FBI agents posing as Arab sheiks, but he was open to further discussions.

Early drafts of President Eisenhower's famous Farewell Address warned that in the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by "the military-congressional-industrial complex." He dropped the word "congressional" because he didn't want his parting words to be seen as partisan, Congress being controlled by the Democrats at the time. But Ike got it right from the start.