

Big Bucks for Bad Actors



Halliburton is under increased scrutiny for allegedly using deceptive accounting practices, avoiding taxes and defrauding the U.S. government. Instead of cracking down on corporate abuse, will Congress reward Halliburton with new tax breaks and subsidies in its final energy legislation?



Corporate Irresponsibility

Cooking the Books: Beginning in late 1998, Halliburton allegedly began counting cost overruns on several large projects as revenue, even though its customers had not agreed to pay those costs.¹

Not Paying Its Fair Share: The White House has railed against the practice of setting up subsidiaries in tax havens such as the Cayman Islands and Bermuda to sidestep disclosure rules and avoid paying U.S. taxes. However, the number of Halliburton subsidiaries incorporated in offshore tax havens rose from 9 to 44 while Vice President Cheney served as chief executive between 1995 and 2000.²

Overcharging the Government: In February 2002, Brown & Root, a Halliburton subsidiary, agreed to pay the government \$2 million to settle charges it inflated contract prices for maintenance and repairs at Fort Ord near Monterey, California.³



Energy Legislation: Throwing Good Money After Bad Actors

Since Halliburton is one of the world's largest providers of products and services to the oil and gas industry, the company stands to benefit from provisions in the House and Senate energy bills that seek to boost domestic oil and gas production.

The House bill offers more than \$23.7 billion in tax breaks and subsidies to the oil and gas industry; the Senate version offers \$5.6 billion in tax incentives for Big Oil. Specific provisions that could benefit Halliburton include:

Weakening Drinking Water Protections.

The Senate energy bill weakens Safe Drinking Water Act requirements in order to expand oil and gas exploration and development using hydraulic fracturing. Hydraulic fracturing involves breaking oil and gas bearing rock with high pressure injection of water, sand, and toxic chemicals including benzene, xylene and toluene, which pollute underground sources of drinking water.

Having Their Cake and Eating It Too. The House bill suspends the payment of royalties for certain offshore oil and gas leases. Royalties are the price that large companies pay the federal government—and taxpayers—for the extraction of public resources. The proceeds go to federal

programs such as the Land and Water Conservation Fund and state level public school education.

Estimated cost to taxpayers: \$7.4 billion

Researching Technology that Already Exists. The House bill establishes a new fund to research ultra-deepwater drilling technology, which the oil and gas industry has already developed and begun to apply in the Gulf of Mexico and around the world.

Estimated cost to taxpayers: \$4 billion

Giving Oil Companies a Discount. Oil and gas companies are required to make royalty payments to the federal government for the oil they obtain under federal leases. The House bill would allow oil and gas companies drilling on public lands to pay for the royalties owed to taxpayers in barrels of oil, rather than cash. A recent study found that a federal royalty-in-kind program is not efficient or feasible.⁴

Estimated cost to taxpayers: \$1.4 billion

Unjustified Handouts to Big Oil. The House bill provides several subsidies and tax incentives for "marginal" wells, which the House bill defines as oil wells producing less than 30 barrels per day. This definition could include up to 85% of all oil wells on public lands.

Estimated cost to taxpayers: \$1 billion



Halliburton's Political Influence

Halliburton won these concessions in the House and Senate energy bills by helping to elect industry-friendly Members of Congress, buying access with campaign contributions and lobbyists, and tapping into its high level of access with the Bush administration.

Access to the Bush Administration

Halliburton has unfettered access to the Bush administration; Vice President Cheney was CEO of Halliburton between 1995 and 2000. Vice President Cheney left Halliburton with a \$34 million retirement package when he became the GOP's vice-presidential candidate.⁵ When Vice President Cheney first

assumed the position of CEO in 1995, then-president and now-CEO David Lesar told *Business Week*: "Dick gives us a level of access that I doubt anyone else in the oil sector can duplicate."⁶

Halliburton's Lobbying Expenses and Contributions to Congressional and Presidential Candidates

	Total
PAC \$ (2000-2002 cycles)	\$266,752
Hard \$ to Energy Bill Conferees* (2000-2002 cycles)	\$43,750
Soft \$ (2000-2002 cycles)	\$206,200
Lobbying Expenses 2001	\$300,000

Data collected from www.opensecrets.org and Senate Office of Public Records at <http://sopr.senate.gov/>.

* Includes PAC money and individual hard money contributions



Company Background

Halliburton is one of the world's largest providers of products and services to the petroleum and energy industries.

Headquarters: Houston, Texas
Revenue (first 6 months of 2002): \$6.24 billion⁷
CEO Salary (2001): \$7.2 million⁸

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¹ David Koenig. "Halliburton Posts \$498M 2Q Loss." *Associated Press*. July 25, 2002.

² Citizen Works analysis, <http://www.citizenworks.org/admin/press/halliburton-pr.php>.

³ David Pace. "Halliburton subsidiary overcame bid protest, fraud investigation to land military contracts." *Associated Press*. August 5, 2002.

⁴ *Federal Oil Valuation: Efforts to Revise Regulations and an Analysis of Royalties in Kind*. (GAO/T-RCED-99-152., May 19, 1999).

⁵ Michael Finnegan. "Cheney Gets \$33.7 Million Retirement Deal, Firm Says." *Los Angeles Times*. August 17, 2000.

⁶ Center for Public Integrity investigative report, *Under the Influence*. http://www.public-i.org/story_16_022800.htm.

⁷ Yahoo Market Guide, <http://biz.yahoo.com/p/h/ha.html>.

⁸ Yahoo Market Guide, <http://biz.yahoo.com/p/h/ha.html>.