

**Opening Statement
Rep. Henry A. Waxman**

**Subcommittee on National Security, Emerging Threats,
and International Relations**

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Thank you, Mr. Chairman, for calling this important hearing.

In March 2003, the Bush Administration took the United States to war against Iraq. Today, more than three years later, Iraq is actually worse off in key reconstruction sectors than before we arrived. And the Bush Administration is nowhere near fulfilling the rosy promises it made before the war.

In October, I released a report called *The Bush Administration Record: The Reconstruction of Iraq*. The report compared the Administration's rhetoric with the reality on the ground. And it found that the Administration had failed to deliver on its promises in three of the most important reconstruction sectors: oil, electricity, and water. I would like to make this report part of today's hearing record.

The report found that in the oil sector, the Administration promised to restore Iraq to pre-war oil production levels. This was important so Iraq could "finance its own reconstruction." But today, Iraq's oil production and export levels are still well below pre-war levels. We've spent over \$2 billion, and the situation is worse than before we started.

In the electricity sector, the Administration promised to increase Iraq's peak electricity output to 6,000 megawatts. After spending more than \$4 billion, peak output in October was 4,600 megawatts. Today, it has dropped to 4,100 megawatts, which is below pre-war levels. In fact, embassy officials in Baghdad told our staffs: "we'll never meet demand."

In the water sector, the Administration promised that 90% of Iraqis would have access to clean, drinkable water. But despite spending over a billion dollars, we're nowhere near this goal. Before the war, 50% of Iraqis had access to drinkable water. By late 2005, only 32% did.

The Special Inspector General for Iraq Reconstruction, Stuart Bowen, confirmed these findings. In testimony before this Subcommittee, he concluded that there is a great chasm between what the Administration has promised and what it has delivered. Mr. Bowen called this the "Reconstruction Gap."

In January, Mr. Bowen's office issued its own report, concluding that reconstruction efforts in these three key sectors of the Iraqi economy are failing.

And these aren't the only areas in which progress has been poor. A *Washington Post* article just this month described how the Parsons Company will complete only 20 health centers

out of a planned 142. Despite spending \$200 million over two years, this reconstruction project will suffer an 86% shortfall, which is just shocking.

And just this morning, the *New York Times* ran a front-page article describing Halliburton's atrocious work -- and the Bush Administration's atrocious oversight -- on a key project to build oil pipelines under the Tigris River at a crossing called Al Fatah. The article describes how Halliburton was specifically and repeatedly warned by geologists and other experts that its approach was flawed and wouldn't work. But the company ignored these warnings, pushing forward with the project and wasting over \$75 million.

The article, which I would like included in the record, is astounding. Halliburton received \$100,000 a day just for waiting around and doing nothing. Halliburton cut a deal with a subcontractor that required them to attempt to drill holes, not to actually succeed. In essence, the taxpayer was paying Halliburton to drill holes to nowhere! But Halliburton still received its percentage of profits on the deal.

We know that large government contractors like Halliburton have repeatedly overcharged the taxpayer. Auditors at the Defense Contract Audit Agency have identified over \$1.4 billion in unreasonable and unsupported charges by Halliburton in Iraq. Yet the Defense Department keeps awarding Halliburton millions in reimbursements, profits, and bonuses that the auditors recommend against paying.

The problem is that the Administration's management of the reconstruction has been fundamentally incompetent. Billion-dollar contracts were awarded with little or no competition to favored contractors. Competition for discrete projects was suppressed by dividing the country into a handful of fiefdoms. The Administration shipped nearly \$12 billion in cash to Iraq, but disbursed it with virtually no financial controls. U.S. government officials, contractors, and subcontractors have been charged with kickback and bribery schemes. And dozens of additional criminal corruption cases are now being processed.

Against this backdrop, the Bush Administration continues to ignore reality. Vice President Cheney says that the insurgency is in its "last throes" and that progress on Iraq reconstruction has been "superb." And in a major speech in December, President Bush claimed there had been "quiet, steady progress" in Iraq. Either the President and the Vice President are remarkably out of touch or they are not leveling with the American people.

Today, as we mark more than three years since the invasion, GAO will update the Subcommittee on the status of these key areas. I look forward to the Comptroller General's testimony. Thank you, Mr. Chairman.