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Opening Statement of Rep. Henry A. Waxman, Ranking Minority Member, Committee on Government Reform Hearing on “Acquisition Under Duress: Reconstruction Contracting in Iraq” September 28, 2006

Thank you, Mr. Chairman, for holding this hearing. It is critical, as part of our constitutional oversight responsibilities, to have the government agencies and private contractors involved in Iraq reconstruction work come before our committee to explain how U.S. taxpayer dollars are being spent.

This is the first full committee hearing on Iraq during this Congress. I wish we didn't have to wait until the last week of the session for it, but I am glad the Chairman has called it.

I think most Americans understand that the reconstruction effort is failing.

Today, we have a new symbol of the Bush Administration's failure: the dilapidated and disgusting facilities at the Baghdad Police College, which the Army and the Parsons Company spent \$75 million to build.

A report today from Stuart Bowen, the Special Inspector General for Iraq Reconstruction, describes how the contractor's work and the Administration's oversight were so grossly deficient that urine and fecal matter were literally raining down on Iraqi police recruits.

Let me read some of the direct quotes from the report:

“Toilets are continually draining through the reinforced concrete floors, from the top floor to the second floor to the ground floor, permeating and filing light fixtures, showers, and toilet areas, with liquids, including diluted urine and fecal matter.”

“The urine was so pervasive that it had permanently stained the ceiling tiles.”

Auditors “witnessed a light fixture so full of diluted urine and feces that it would not operate.”

“The amount of material was so pervasive that it has soaked through the reinforced concrete floors causing deterioration of the reinforced steel.”

This debacle is not just a waste of taxpayer funds, and it doesn't just impact the reconstruction. It impedes the entire effort in Iraq. Not only will the number of basic recruits graduating through the facility be impacted, but more than that, this is the lens through which the Iraqis will now see America. Incompetence. Profiteering. Arrogance. And human waste oozing out of ceilings as a result.

A new and disturbing poll found that 60% of Iraqis actually approve of attacks against U.S. forces and want us out of their country. Can there be any more obvious indication of failure?

By no means, however, is this the only example. The Administration has spent over \$30 billion in taxpayer funds and another \$20 billion in Iraqi funds under its control. Yet it has produced little of lasting value.

In the oil sector, the Administration has spent over \$2 billion. As of July, however, they were producing only 2.5 million barrels per day, still below prewar levels.

In the electricity sector, the Administration has spent \$4 billion. Yet electricity generation in August was just 4,900 megawatts, well below the Administration's goal of 6,000 megawatts.

In the health sector, Bechtel was removed from the contract to rebuild the Basrah Children's Hospital because of massive cost overruns and schedule delays. And the Parsons Company — the same company in charge of the horrible Baghdad Police College — was terminated after it finished only six of the 142 health clinics it was scheduled to build.

At the same time, the American taxpayer is facing record overcharges. Just this week, the nonpartisan Government Accountability Office, which is also here today, issued a report documenting that the Pentagon's own auditors have now identified an enormous sum — \$3.5 billion — in questioned and unsupported charges under Iraq reconstruction contracts.

That amount — \$3.5 billion — is what we spent on the entire reconstruction of Afghanistan. When we break down this amount, it averages \$2.7 million in overcharges each day we've been in Iraq. That's amazing.

While there may be many reasons for this failure, there is no sense mincing words about the primary reason: the utter incompetence of this Administration and its stubborn refusal to heed the warnings and advice of experts.

Last week, the Baghdad bureau chief for *The Washington Post* published a book documenting overt cronyism in hiring for key positions at the Coalition Provisional Authority, which is the governing body the Bush Administration created to run Iraq. The claims in this book were not made by anonymous, disgruntled employees. They were made on-the-record, for attribution, by some of the highest ranking officials at the CPA.

One of the most noteworthy is Frederick Smith. He was the deputy director of the CPA in Washington. He revealed that the criterion for sending people to Iraq was that they had the right political credentials, not their substantive expertise. He said the “ideal candidate,” from the Administration’s perspective, was not someone who spoke Arabic or had a development background, but someone who worked on the Republican side of the Florida recount in 2000. According to Mr. Smith: We “just didn’t tap the right people to do this job. ... I just don’t think we sent our A-team.”

But the fact remains that incompetence results in failure. And in this case, incompetent decision-making at the highest levels of the CPA undermined the reconstruction, squandered billions of taxpayer dollars, endangered our troops, and contributed to the massive discontent and violence occurring in Iraq.

The recent revelations in the declassified National Intelligence Estimate underscore this assessment. The intelligence estimate says the jihadists “are increasing in both number and geographic dispersion,” and that “if this trend continues, threats to US interests at home and abroad will become more diverse, leading to increasing attacks worldwide.”

Those are sobering words, and they are not used by accident. The intelligence community explicitly warns that there is a “trend,” and this trend is getting worse. The President is wrong when he says his strategy is winning the war on terror.

We have to face reality. Staying the course is strengthening our enemies and putting our security in jeopardy. The Administration’s entire Iraq policy is a failure.

For the safety of our troops, for the sake of the taxpayer, and for our own security, the nation urgently needs a fundamentally new direction.