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LOU DOBBS TONIGHT

Pentagon Gives Grim Report on Iraq; More Carnage Today in Iraq; Deadly Plane Crash in Iran; Regulations For Electronic Voting Messy; Piceance Basin in Northwest Colorado Contains Oil Shale; Doctor Who Saved Lives In Iraq Honored

Aired September 1, 2006 - 18:00 ET

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KITTY PILGRIM, CNN ANCHOR: Tonight, a grim warning from the Pentagon after one of the worst sectarian attacks in Baghdad in months. The Pentagon says conditions exist in Iraq that could lead to civil war. And four people have been killed as Tropical Depression Ernesto moves up the East Coast. Hundreds of thousands of people have lost power.

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ANNOUNCER: This is LOU DOBBS TONIGHT, news, debate and opinion for Friday, September 1st.

Sitting in for Lou Dobbs, who's on vacation, Kitty Pilgrim.

PILGRIM: Good evening, everybody.

The Pentagon today said that sectarian violence in Iraq is spreading and the number of attacks is rising. The Pentagon admitted the increasing levels of violence are a setback.

At the same time, President Bush is stepping up efforts to defend his conduct of the war. Next Tuesday, the president will deliver the second in a series of major speeches about the war.

Jamie McIntyre reports from the Pentagon on the military's grim warnings about the progress of the war.

Michael Holmes reports from Baghdad on the increase in violence in Iraq. And

Ed Henry reports from the White House on the president's new campaign to defend his war strategy.

We turn first to Jamie McIntyre -- Jamie.

JAMIE MCINTYRE, CNN SR. PENTAGON CORRESPONDENT: Well, Kitty, whether you think the violence is due to a civil war, sectarian fighting, or criminal death squads, one thing this Pentagon report makes clear is that things in Iraq are getting worse, not better.

(BEGIN VIDEOTAPE)

MCINTYRE (voice-over): The report to Congress on how things in Iraq went in June, July and August does cite progress in building up Iraqi forces, as well as turning over one southern province to Iraqi control. But the good news is tempered with grim statistics.

Attacks up 15 percent over the summer and Iraqi casualties up an alarming 51 percent, compared to the spring. The report says civilian casualties increase by about 1,000 per month over the three-month period and says 90 percent of the bodies brought to the central morgue in Baghdad appear to have been executed in Iraqi-on-Iraqi attacks, which the U.S. still insists does not constitute a civil war.

COL. TOM VAIL, COMMANDER, 101ST AIRBORNE DIVISION: I've got an optimistic view that civil war would not

occur, but I can't predict the future. My optimism comes from the amount of forces and the amount of capability available in Baghdad right now, as we intervene and we protect the people.

MCINTYRE : The report echoes that hopeful assessment but also warns ominously, "Conditions that could lead to civil war exist in Iraq," even as it concludes, "The current violence is not a civil war, and movement towards civil war can be prevented."

(END VIDEOTAPE)

MCINTYRE: The report refers to the level and intensity of the violence as a setback that is affecting the stability, the reconstruction and transition plans for Iraq. It's also, this report, given some ammunition to administration critics.

Senate Democratic leader Harry Reid fired off a statement today saying that the report shows that the speeches of President Bush, Vice President Cheney, Defense Secretary Rumsfeld are increasingly divorced, he said, from the facts on the ground in Iraq -- Kitty.

PILGRIM: Thanks, Jamie.

Jamie McIntyre at the Pentagon.

In Iraq today, three people were killed in a mortar attack south of Baghdad.

Meanwhile, rescuers in the Iraqi capital are still searching for victims of coordinated attacks last night. It was one of the worst attacks in months. More than 60 people were killed.

Michael Holmes reports from Baghdad -- Michael.

MICHAEL HOLMES, CNN INTERNATIONAL CORRESPONDENT: Kitty, the numbers in the Pentagon report come as no surprise to people here on the ground, especially in Baghdad. They have been seeing their own people, their neighbors, their family being killed in huge numbers in the last few months.

Just let's remember, the rocket attack on that residential area just 24 hours ago which killed 62 people, 237 wounded, explosions, rockets, mortar attack, that sort of thing is becoming far too commonplace here, especially in Baghdad. What people are saying, though, is that in areas where Operation Together Forward has gone on, where U.S. and Iraqi troops move into the more dangerous suburbs and clear out the insurgents, get caches of weapons, they say that's terrific.

Acts of violence are down 50 percent in those areas. But what they're worried about is that the insurgents merely left and that they will come back with their weapons and carry on where they left off. They want to see something that is more permanent, something more sustainable when it comes to trying to improve the security, the ever-worsening security for ordinary Iraqis -- Kitty.

PILGRIM: Michael Holmes reporting from Baghdad.

Well, former secretary of state James Baker today visited Baghdad to assess U.S. strategy in Iraq. Baker and former Democratic congressman Lee Hamilton are leading the bipartisan Iraq Study Group. Now, the group will produce a report on Iraq for Congress and the White House.

Baker served as secretary of state under the first President Bush.

President George Bush will deliver another major speech on the war next Tuesday, and the president is trying to blunt voter skepticism about the war ahead of the midterm elections.

Ed Henry reports from the White House -- Ed.

ED HENRY, CNN WHITE HOUSE CORRESPONDENT: Kitty, this new Pentagon report steps a bit on the president's latest series of speeches on the war on terror. Part two comes Tuesday.

Here in Washington, White House spokeswoman Dana Perino saying that the president will focus on the state of the enemy, how it's been weakened, how the Bush administration believes it is pouring all the resources necessary to keep the enemy on the run. The White House feeling good about the president's speech yesterday.

But perhaps a more important audience, the congressional Republicans, will be on the ballot in November. They may be concerned about Iraq and Defense Secretary Donald Rumsfeld dragging them down. Congressman Pat Tiberi, a Republican from Ohio, today told the "Columbus Dispatch," "I can't defend how the president laid out the need for going to war in Iraq. I don't support Rumsfeld."

Asked whether the president has operated above the law in terms of government surveillance, Tiberi said, "He might have."

Clearly trying to separate himself from the White House. And what's significant is that even Democrats tell me they don't think Tiberi is in that tough of a race, unlike, say, Congressman -- Republican Chris Shays of Connecticut, who last week suggested perhaps there should be a timetable to start withdrawing troops from Iraq.

He is in a tight race. And that may explain why he made that call. You have to be careful about not taking the comments of one Republican and extrapolating it out too far, but this does perhaps shows one of the reasons why the president is launching this new series of speeches. The White House concerned about more Republicans between now

and November running away from the White House.

Finally, I called Congressman Tiberi today. He would not get on the phone with me, but his office put out a prepared statement and made two points.

Number one, they say the congressman still supports the mission in Iraq. And secondly, the congressman claims he's calling on Secretary Rumsfeld to resign. He just wants new leadership at the Pentagon.

Obviously, though, the top leader at the Pentagon is Secretary Rumsfeld. If you want new leadership, he might be one of the people you could be referring to -- Kitty.

PILGRIM: Thanks very much.

Ed Henry.

Well, the United States has begun consulting Europe about possible sanctions against Iran. Iran has refused to meet a U.N. deadline to stop enriching uranium. The United States says Iran should now face international sanctions, but Europe believes it's still possible to negotiate a deal.

An Iranian airliner today crashed in the northeast of the country. Twenty-eight people were killed, but incredibly, 120 others survived.

Aneesh Raman reports from the Iranian capital of Tehran -- Aneesh.

ANEESH RAMAN, CNN CORRESPONDENT: Kitty, a tragic air accident in Iran today, but one that Iranian officials may not just blame on the cause of the crash, but on the international community.

(BEGIN VIDEOTAPE)

RAMAN (voice-over): As emergency officials arrived on the scene and survivors were rushed to the hospital, the bodies of those burned to death lay covered on the tarmac. This is the wreckage of a plane investigators believe was engulfed in flames after a tire burst as it landed in the Iranian city of Mashhad.

Such accidents are all too frequent in Iran, where air crashes kill scores of people every year. And Iranian officials consistently lay the blame with countries that have imposed sanctions on the Islamic republic.

They say the U.S. trade embargo has prevented Iran from updating its domestic fleet. Instead, forcing Iranian airlines to rely on Russian-made planes with spotty safety records. The one that crashed on Friday was a Russian Tupolev.

And under President Ahmadinejad, Iran now faces the prospect of even more sanctions. On a tour of provinces, he continued to sound defiant, a day after rejecting a U.N. deadline to stop enriching uranium.

MAHMOUD AHMADINEJAD, IRANIAN PRESIDENT (through translator): The Iranian nation is peace-seeking and after negotiations. It does not commit oppression and aggression, but the world should know that it will not give in to pressure and the violation of its rights.

RAMAN: But the shell of this burnt-out plane in Mashhad makes a somber counterpoint to that declaration of independence. An offer reportedly made by European countries to Iran to suspend its nuclear program included making airplane parts available, but it came to nothing as this nuclear row rumbles on.

(END VIDEOTAPE)

RAMAN: Iranians shrug off any talk of sanctions. They've got them already, and many here feel that more sanctions can make things much worse. But it is they who are enduring a life of increasing isolation as their government continues to pursue its nuclear goals -- Kitty.

PILGRIM: Aneesh Raman in Tehran.

Well, the U.S. military has carried out a successful test of this country's ballistic missile defenses. An interceptor missile destroyed a mock warhead in space over the Pacific Ocean. The military said it was the most realistic test so far. The system is designed to destroy missiles from rogue states such as Iran and North Korea.

Still to come, Ernesto strikes the Mid-Atlantic states, leaving a trail of flooding and power outages.

We'll have a live report.

Plus, a setback for communities trying to stop illegal immigration and a victory for the ACLU.

We'll have a special report on that.

And there's outrage tonight over a new film that shows President Bush being assassinated.

(COMMERCIAL BREAK)

PILGRIM: Hazleton, Pennsylvania's ground-breaking local ordinance against illegal immigration is on hold tonight. Hazleton is delaying the start of this illegal alien crackdown amid intense national opposition. Now, it is a setback not only for Hazleton, but for communities nationwide attempting to fight illegal immigration.

Christine Romans is here with the story -- Christine. CHRISTINE ROMANS, CNN CORRESPONDENT: Kitty, the American Civil Liberties Union is claiming it has scored a victory today. The city of Hazleton, Pennsylvania, will not enforce its tough anti-illegal immigration ordinance, instead choosing to amend it.

The ACLU and Hispanic groups have sued to stop the crackdown, calling it discriminatory and unconstitutional. Today the city agreed to hold off enforcement.

Witold Walczak of the Pennsylvania ACLU says, "It raises the question whether any municipality can pass any immigration ordinance that is lawful."

Hazleton's tough ordinance would fine landlords \$1,000 a day for renting to people in the country illegally, deny business permits to the companies that hire them. It also makes English the city's official language.

Said Walczak of the ACLU, "All these communities that have passed copycat ordinances should take note that Hazleton's ordinance is no more."

Now, that may be an overstatement. The mayor of Hazleton, Lou Barletta, says, "I won't back down. He says his city is amending the ordinance to be stronger and more defensible. He says he is "committed to halting the illegal influx" into his small town. And even though his population, 31,000, he's up against some big guns, some very well-funded legal eagles, he says he has put together a very great defense team and he's going to keep fighting.

PILGRIM: And this is a very critical test case.

Thanks very much.

Christine Romans.

And Christine will be back later with important new developments in the 2004 presidential vote count debate. So we'll have that a bit later.

Tonight, illegal aliens and their supporters have begun a series of Labor Day Weekend marches in their fight for illegal alien amnesty. The first of these marches were held today in Chicago. Demonstrators demanded that federal lawmakers pass illegal alien amnesty legislation when they return to Capitol Hill next week.

Other marches for illegal alien amnesty are set to take place this weekend in Washington, D.C., Phoenix, New York City, and across California.

Two U.S. Border Patrol agents are due to be sentenced later this month for pursuing and shooting a Mexican drug smuggler. They could receive 20 years in prison. The agents continue their fight to clear their names in a case being called a gross mishandling of justice.

Casey Wian reports. (BEGIN VIDEOTAPE)

UNIDENTIFIED MALE: I don't know. I don't know what she's thinking, but...

CASEY WIAN, CNN CORRESPONDENT (voice-over): Texas Border Patrol agent Ignacio Ramos is in southern California with his wife and three sons. It's the last family vacation before Ramos is scheduled to be sent to prison for up to 20 years.

As we've reported, Ramos and fellow agent Jose Compean were prosecuted and convicted for shooting a Mexican drug smuggler in the buttocks. The smuggler was transporting 750 pounds of marijuana. The agents testified they acted in self-defense, but prosecutors gave the drug smuggler immunity and threw the book at the Border Patrol agents.

But now that the agents are receiving support from the public and members of Congress, Ramos is hopeful.

IGNACIO RAMOS, BORDER PATROL AGENT: For the longest time we felt so alone. But now knowing that so many people from across the United States are supporting us, it just feels so good, and it's just raised our spirits so much.

WIAN: Several members of the Senate and House are demanding hearings on why the Justice Department prosecuted the two agents and not the drug smuggler. There is an online petition drive asking President Bush and Attorney General Alberto Gonzales to reopen the case. And viewers of LOU DOBBS TONIGHT have helped raise \$90,000 for two legal defense funds for the agents, whose families have been financially devastated.

MONICA RAMOS, WIFE: This fight isn't just for us, it's for all those agents out there, everybody in law enforcement. And it's great to see our family talk about, you know, what the future holds for everybody, you know, if the outcome's what we want it to be.

WIAN: Though bolstered by the support the Compean and Ramos families are preparing for the possibility that their children may be adults by the time their fathers are out of prison. Established Latino advocacy groups such as MALDEF, LULAC and La Raza have been silent on the case, but a rival group called You Don't Speak for Me is speaking out.

AL RODRIGUEZ, CHAIRMAN, YOU DON'T SPEAK FOR ME: If the president doesn't pardon both of these guys, or their trial -- they aren't retried again, something's wrong with the whole process as far as America and the Constitution is concerned.

WIAN: Agent Compean is scheduled to be sentenced Thursday and Ramos 11 days later.

(END VIDEOTAPE)

WIAN: Now, there's a stunning contrast in the case of another Border Patrol agent in San Diego who in July pleaded guilty to helping smuggle more than 100 illegal aliens into the United States. Federal prosecutors in that case recommended he receive a three-year sentence. But agents Compean and Ramos face more than 20 years in prison for basically trying to do their jobs -- Kitty.

PILGRIM: Unbelievable story.

Thanks very much.

Casey Wian.

Still ahead, have they finally gone too far in a new movie about President Bush? Well, you be the judge on whether producers have a license to kill.

Our special report is ahead.

Plus, it is shocking that there are no mandatory federal standards on electronic voting machines. A special report ahead on the move to fix a potential national crisis.

Also, Ernesto is moving into Virginia tonight. As it races up the coast, flooding is severe, and we'll tell you where Ernesto is heading next.

Stay with us.

(COMMERCIAL BREAK)

PILGRIM: Tonight, a major free speech debate is under way over a new film called "Death of a President." Now, this mock documentary envisions the assassination of President Bush. Critics say it's outrageous that the producers of this film believe they have an artistic license to kill.

Louise Schiavone reports.

(BEGIN VIDEOTAPE)

LOUISE SCHIAVONE, CNN CORRESPONDENT (voice-over): The shocking image of President George W. Bush taking a bullet is portrayed fictionally in a British film due to premier in less than two weeks. The one-and-a-half-hour-long film from the nation presumed to be America's closest ally is called "Death of a President."

PETER DALE, BRITISH DIGITAL CHANNEL 'MORE4': It's a very intelligent and thought-provoking film about what's happening inside America as a result of American foreign policy.

SCHIAVONE: The filmmaker digitally superimposes the face of President Bush on an actor as an assassin in the story guns him down in a Chicago hotel basement. Scenes from archival footage are mixed into the piece, all of which, given the world today, make it an alarmingly realistic real-time docudrama.

U.S. reaction? In a word, appalling. HOWARD KURTZ, HOST, "RELIABLE SOURCES": It is so irresponsible on its face, it is so really hateful on its face, especially to do it this way, with archival footage that makes it seem like it really is happening to President Bush.

SCHIAVONE: The dry insistence of the British filmmaker that he's seeking a foreign policy discussion rings hollow in a nation that has suffered several wrenching assassinations, seeing for itself in recent decades the killings of President Kennedy and his brother Robert, the attempts on the lives of presidents Ford and Reagan, not to mention the frightening and massive toll of 9/11.

REP. PETER KING (R), NEW YORK: If you have a film depicting the assassination of a sitting president, that just brings out the worst instincts in the homicidal people in society, our country, the nation. The world is divided anyway.

SCHIAVONE: Critics say that while the U.S. thrills to fictional assassination plots like the one in "Manchurian Candidate" and never tires of Kennedy assassination theories, the digitally mastered purported killing of a sitting president simply goes beyond the pale.

(END VIDEOTAPE)

SCHIAVONE: Kitty, on September 10th, death of a president premiers at the Toronto Film Festival. Once on this side of the Atlantic, it is almost a certainty that some U.S. distributors somewhere will see the opportunity to make a buck no matter how galling the content -- Kitty.

PILGRIM: Louise, the fact that they haven't recreated a movie set but they've digitally altered real footage, that seems to be the line that everyone thinks should not have been crossed over, correct?

SCHIAVONE: Right. That's just astonishing, and you might argue that's the downside of the digital age.

And even people who are not big Bush supporters are horrified by this, and the argument is made, well, they haven't done it to their British prime minister, Tony Blair. We don't expect them to do it to our president.

PILGRIM: Thanks very much.

Louis Schiavone.

Well, time now for some of your thoughts.

Ralph in New York writes, "Anybody who believes Iran can be scared by economic threats lives in a dream world."

Charlotte in Texas writes, "How well have sanctions worked in Cuba? How well did they work in Iraq before the war started? Negotiations? You can't talk to people who have no respect for you, people who don't even think you have a right to exist."

"I know it's not PC to make statements like this, but what's wrong with 'first strike?'"

And Charlie in North Carolina writes, "Oh, sure, Russia and China will impose significant sanctions on Iran. Hold on a while, while I put this tooth lost under my pillow for the tooth fairy."

Do e-mail us, LouDobbs.com. We'll have more of your thoughts a little bit later in the broadcast.

Coming up, election advocates have stopped the clock in Ohio. They say the 2004 vote was rigged and they're winning new time to prove that.

Plus, massive flooding as Ernesto strikes the East Coast. We'll tell you where Ernesto is heading next.

And the Pentagon admits the threat of civil war in Iraq is rising. And three of the nation's most distinguished political commentators will be here.

(COMMERCIAL BREAK)

ANNOUNCER: LOU DOBBS TONIGHT continues.

Sitting in for Lou Dobbs, Kitty Pilgrim.

PILGRIM: Almost two years after the 2004 presidential election, important questions remain over the integrity of the vote count in Ohio. Activists who insist the Ohio ballots were sabotaged and favor President Bush have won an important victory in this dispute.

Christine Romans reports.

(BEGIN VIDEOTAPE)

ROMANS (voice-over): Those now-famous paper ballots from the 2004 presidential election will be preserved a little longer. Ohio Secretary of State Ken Blackwell instructing county election boards to hold onto those ballots.

Ohio election rights activists demanding as much in a federal lawsuit filed this week. They continue to question the outcome of the 2004 presidential election and say they are still uncovering irregularities in the ballots.

CLIFF ARNEBACK, VOTING RIGHTS ATTORNEY: Because there have been so many issues raised and we are finding evidence of tampering, both sides in this court proceeding need to have the opportunity to look at the real evidence.

ROMANS: Federal law requires ballots from a presidential election be saved for 22 months, and these could have been destroyed starting next week.

The press secretary for Ohio's secretary of state said, "To the extent that the conspiracy theorists out there are wanting to continue to suggest that there was some sort of coordinated or concentrated effort to have an unfair election in Ohio, it doesn't match up with the facts."

(END VIDEOTAPE)

ROMANS: But this sweeping federal lawsuit filed by voter rights advocates disagrees. They want a judge to appoint someone other than Blackwell to oversee this November's election since he himself is running for governor -- Kitty.

PILGRIM: Thanks very much.

Christine Romans.

Well, we have covered the threat that electronic voting poses to our democracy extensively in this broadcast. With the November elections just a few months away, activists are pushing for reliable and auditable elections. And now proposed legislation is calling for federal standards on all electronic voting machines.

(BEGIN VIDEOTAPE)

PILGRIM (voice-over): Regulations for electronic voting are a mess. Each state has its own rules, and there are no

nationally mandated standards. Congressman Rush Holt is sponsoring a bill to change that.

REP. RUSH HOLT (D), NEW JERSEY: In this day and age on federal elections, with our mobile society, with people moving from place to place, I think it's not at all inappropriate that there be federal standards. You know, under the Constitution, the states will administer the elections. That's the way it works, but the standards can easily be established across the states that will allow for reliability, accessibility, and auditability.

PILGRIM: H.R. 550 calls for a voter-verified paper trail for every vote, \$150 million in federal funding to pay for it, audits for two percent of precincts, no wireless or Internet connections for voting machines, with full implementation of the new rules this year in 2006. But many election watchdog groups say the mere introduction of the new machines into this fall's election is problematic.

TRACY WARREN, ELECTION SCIENCE INSTITUTE: You want to be able to implement these new systems in smaller elections, and I know some jurisdictions are going to be having the first run of these new systems in a general election, which is a very perilous enterprise. I think you're going to see a lot of meltdowns.

PILGRIM: H.R. 550 has bipartisan support, 159 co-sponsors. Activists held a lobby day for the bill earlier this summer, organized by Common Cause, verifiedvoting.org, and VoteTrustUSA.

(END VIDEOTAPE)

PILGRIM: The main concern about Congressman Holt's bill is the November mid-term election deadline. However, nearly everyone involved believes federal standards for electronic voting should be implemented as soon as possible. Well, turning to Tropical depression Ernesto, the storm today moved north across the Carolinas and Virginia. It caused extensive flooding. Two people were killed in traffic accidents blamed on the storm. Two other people were killed in Florida earlier this week, and hundreds of thousands of people are without power tonight.

Rob Marciano reports from the Virginia coast on the huge impact of Ernesto, and Harris Whitbeck reports from Cabo San Lucas in Mexico on another major storm, Hurricane John.

So we turn to Rob Marciano first -- Rob.

ROB MARCIANO, CNN METEOROLOGIST: Well, Kitty, unlike John, the main impact with this storm has been the inundating rains that have come through eastern Virginia, and couple that with winds gusting 30 miles an hour. That's enough to take down trees and that's why we have powerline issues.

Here in Poquoson, right along the coast near the Chesapeake Bay, the main issue has been rains and flooding. At one point today, this water almost up to my waist, obviously, receding quite a bit, but it's in the middle of a neighborhood and a road that feeds into where fishermen come in and out of docks to make their living.

This road at one point, again, up and over knees. When we drove in here, they told us, hey, watch your wake. Never heard that while driving in a car, but obviously the waters are quickly receding into Chesapeake Bay.

As you mentioned, a couple hundred thousand people without power due to all the wind and the rain. They had so much rain earlier in the week, the soil was saturated. It didn't take much rain to knock this stuff down.

Sixty roads, at one point, in Norfolk were closed, but I suspect by now some of those roads have reopened. But at one point, nine portions of the interstates were closed due to fallen -- trees that fell into the interstates as well.

In Richmond, Virginia, there was a concern earlier today about a section of Richmond called Battery Park that had sewer problems, and then on top of that, all the rain, they had to evacuate over 200 homes now.

The center of this storm now heading towards Washington, D.C. with the bulk of the heavier rain across the northern Delmarva and heading up and through New Jersey. And no doubt, there will be some flooding issues there. The good news here tonight, Kitty, is that even though it will be dark, still without power here, but most of the water has pushed back out into the bay. Back to you.

PILGRIM: Thanks very much, Rob Marciano.

Well, Hurricane John tonight is charging towards the Baja Peninsula in Mexico. This storm is likely to make landfall in just a few hours as a Category 2 hurricane, and Harris Whitbeck reports from Cabo San Lucas in Mexico -- Harris.

HARRIS WHITBECK, CNN CORRESPONDENT: Hello, Kitty.

This storm is still about 50 miles south of our location right on the tip of the Baja, California Peninsula. However, throughout the day we have been experiencing winds, and at times, intense rains, and the concern here is that because this is a desert, the ground is not really capable of absorbing much water, and the fear is that if a lot more rain falls, that could cause mudslides and flash floods in low-lying areas.

For that reason, local authorities have ordered the evacuation of about 15,000 people from those low-lying areas to public schools that have been taken by the Mexican army. The Mexican army is in charge of running those shelters, and are forcing people to evacuate to those shelters if they refuse to do so.

Meanwhile, a lot of tourists here, about 7,000 tourists, a lot of them from the United States, are holed up in hotels that dot the Pacific coastline of Baja, California. They've been basically sitting in ballrooms that serve as temporary shelters all day now, not really facing any danger, but actually according to some, the biggest danger they might face at this point is that of going a bit stir crazy because they haven't been allowed back into their rooms.

However, the storm itself hasn't really gotten to shore yet, so the conditions might intensify as the evening wears on -- Kitty.

PILGRIM: Thanks very much, Harris Whitbeck.

Well, Ernesto is disrupting travel up and down the East Coast tonight, as the Labor Day weekend begins. Air travel is being severely disrupted. Philadelphia International Airport is experiencing delays of over two hours tonight and one-hour delays are reported at many other East Coast airports.

But there is good news if you're hitting the road this weekend. Gas prices are dropping across the country. The average price of a gallon of gas has fallen more than 20 cents over the past month. Experts say the average price of a gallon of gas could drop to \$2.65 a gallon as early as next week.

One of the largest sources of untapped energy in the world isn't in the Mideast; it's right here in the United States, and the challenge facing oil companies is how to tap into this huge energy reserve and lower this nation's dangerous dependence on foreign oil.

Bill Tucker reports from Colorado.

(BEGIN VIDEOTAPE)

BILL TUCKER, CNN CORRESPONDENT (voice-over): Underneath this land lies potentially the largest oil reserves on earth. This is the Piceance Basin in northwest Colorado. The oil is locked in the ground in the form of oil shale. JAMES BARTIS, RAND CORPORATION: In this very small amount of land, we have about twice the oil that all of Saudi Arabia has in reserves today. So this is a huge, huge asset, and it's enough to take care of this country for hundreds of years.

TUCKER: There are four oil shale basins in the western United States. The Piceance is the richest, but the total estimated reserves of all four is astounding: one trillion barrels of oil. That is the official estimate of the Department of Energy. That's equal to all of the known oil reserves in the world.

(on camera): The Piceance Basin doesn't look like your traditional oil field, and this doesn't look like your traditional oil, but it is. It's oil shale. Getting it from this into your car is the challenge.

(voice-over): The last time a large-scale attempt at oil shale production was made, there was a big boom and bust in the mid-'80s, but now Shell is pioneering new technology. Oil and gas would be extracted from the rock by inserting heaters 2,000 feet deep and then heating the area, causing the oil and natural gas to be released from the shale.

TERRY O'CONNOR, SHELL EXPLORATION & PRODUCTION: We've demonstrated that we can produce very clean fuels, both liquid and gas, in small quantities, but on a commercial basis we still have a lot to learn.

TUCKER: Shell has shown that the new process yields twice as much energy as it takes to produce it. It's learned that the oil product it produces is semi-refined, which means that it can be easily refined into jet fuel, diesel, and gasoline.

The biggest challenge now is protecting the ground water. To do that, Shell has 40 workers and up to 100 contractors on site working on a method to ensure that the process is environmentally-responsible.

O'CONNOR: This is absolutely critical to our future because if we cannot make this work, we will not be proceeding forward. We'll have to stand down and come up with another alternative. It will be another 18 to 24 months before we have fully tested this in the commercial type of situation where we now are standing.

TUCKER: Shell has set a target date of 2010 as a decision date on whether this effort is commercially viable. If it is, it would not be until 2018 that oil and gas from these fields would be on the market.

Bill Tucker, CNN, the Piceance Basin, Colorado.

(END VIDEOTAPE)

PILGRIM: Coming up, a new Pentagon report says conditions exist in Iraq that could lead to civil war. Some critics say the sectarian violence already is civil war. I'll be joined by three of the country's best political analysts, next. And "Heroes," our weekly salute to our men and women in uniform all around the world. Tonight, a military surgeon who saved lives on the frontlines of the war in Iraq.

(COMMERCIAL BREAK)

PILGRIM: Joining me now are three of the sharpest political minds in the country, Republican strategist and former White House political director under President Reagan, Ed Rollins; Michael Goodwin of the "New York Daily News" and Democratic strategist Robert Zimmerman. Thanks for being with us.

Let's start with Iraq. A very tough week in Iraq, and the Pentagon report on Iraq was actually admitted a setback, a 15 percent jump in the number of attacks, a 51 percent increase in the number of Iraqi casualties. Let's take a quote from the report to start. And it says, conditions that could lead to civil war exist in Iraq. Nevertheless, the current violence is not a civil war and movement toward civil war can be prevented.

Now, how significant is it that we're using language like this, even talking about it openly at this point?

ROBERT ZIMMERMAN, DEMOCRATIC STRATEGIST: Well, I think it's very significant, and a very important step

towards recognizing the reality of the situation there. You know, the National Intelligence Estimate back in 2003 pointed out the potential for civil war.

Our generals have raised this issue. The former interim Prime Minister Allawi of Iraq raised this point himself. So clearly, this has been one of the great problems we've faced in terms of addressing the war in Iraq, is the fact that this administration has refused to accept these facts.

Donald Rumsfeld back in March of 2006 said to Senator Byrd in the Senate hearing that the Iraqi security forces could handle a civil war unrest.

MICHAEL GOODWIN, "NEW YORK DAILY NEWS": I mean, I agree. I think it is a big step forward for the Pentagon to say that, although I'm not sure whether it isn't just a semantics issue. Whether it's a civil war or not, it's a terrible situation. So I don't think we have to worry about what it's called.

I think the number of deaths, the number of attacks, including those on Americans, is clearly on the rise. It's not getting better. It probably is getting worse. And I thought President Bush gave a very good speech the other day in Salt Lake City, laying out sort of the arguments for his case.

The problem is, when a report like that comes out with the numbers, it really gives credence to what we're seeing on the television, reading in the newspapers every day, and it's pictures of mayhem and the death toll. So the president, I think, has the right ideas, but he's got to fix it. I mean, we've got to be able to do better at tamping down the violence or the whole game is going to be lost.

PILGRIM: You know, one of the numbers that struck me is the executions, 1,800 in July, 90 percent were executions by the Baghdad morgue.

ED ROLLINS, FMR. WHITE HOUSE POLITICAL DIR.: If this was going on in an American state or city, I mean, it would be just a disaster, and I think to a certain extent it shows the casualty figures show that they can not do ordinary law and order type things. These are citizens upon citizens.

To Michael's point, though, I think the most prevalent thing is the president launched his Fall campaign. They always take the Veterans Affairs to go out and get some kind of a speech on military, but it's really, the sad part is they go out and make their speech and then obviously they have got to defend this, starting next week, which really is the traditional start, Labor Day.

I think the more dangerous thing is he rolled Donald Rumsfeld back out again. I don't mean to always be kicking Rumsfeld, but Rumsfeld is so symbolic of what's gone wrong with this war, and then you counter it, as you have this report announced today, the Pentagon announces that they are putting out a \$20 million public relations. You know, we all said, we can give public relations advice for \$20 millions and give you some strategy and tactics too, that they might win the war.

PILGRIM: It's to monitor reports.

ROLLINS: I know what it is, but just it's bad PR to do this, and the critical thing here is obviously the Democrats want to nationalize this election and I think the president has risen to the debate and he's going to nationalize the election on the war. There's a lot of members of Congress who would rather go out and talk about what they do for their districts as opposed to try and nationalize this on the war.

ZIMMERMAN: Well that's a very important point. Let me just say, by the way, if I could recommend to the Pentagon anyone to hire for that contract, it would be Ed Rollins. He could give them good advice.

ROLLINS: They'd send me to Iraq first though.

ZIMMERMAN: You can do the work at home. The point here that is most critical is that the White House and the Bush administration had any commitment to putting out the right message about Iraq, they would tell the truth. And the very fact that the Pentagon report that was issued today highlights the fact that the Iraq, that the whole strategy behind the Iraq war has truly hurt us in fighting the war on terrorism, while we see our soldiers now refereeing a civil war.

We are clearly under funding Homeland Security at home, the Taliban's on the rise in Afghanistan, we're seeing Iran emboldened, in terms of their nuclear enrichment programs, and of course, North Korea has quadrupled their nuclear supply. PILGRIM: Well let's get into a little bit of this. We had a big week with Iran. What's your estimate of where we stand with Iran or are we at an impasse?

GOODWIN: We are clearly at an impasse with Iran, I would say. The question is whether we can hold together, in the Security Council, the coalition, whether Russia and China will come on board and stay on board in terms of severe sanctions. Now I think it is pretty clear there were traces of highly-enriched uranium found in the Atomic Energy report in an Iran facility.

The question is, Iran seems to be moving very slowly at enriching uranium, but we can't discount the fact that they would buy a nuke from someone else, too. So I think that we do have to keep the coalition together, and I think this thing is a long way from being, sort of reaching the end game. I think right now what Bush is trying to do is, you know, play what he didn't on Iraq, which is try to keep everybody together, and that gives more options at the end. But I think we have a ways to go.

ROLLINS: I don't think the United Nations can do it. I said that last week on the show. I think the European Union is trying to make some attempts here. A couple things telling that I think are very important.

Chavez's going off to Syria last week and Chavez making a statement that he wants not to sell anymore oil, in the long-term, to the United States really puts us in a very serious energy long-term crisis, and if there's anything we need to be strategic about, it's our energy needs and how to become energy-independent. As long as we're energy dependent on that Middle East region, Iran and other parts of that world are going to basically have far more input into our lives than they should.

ZIMMERMAN: More to the point, the Bush administration policies are funding the governments that are supporting terrorism around the world, and very much in the same way Iraq has highlighted the Bush administration's incompetence, likewise here, we see the way they don't have the world credibility to bring the parties together, and that's what's most critical. Whether it's the United Nations or the European Union or individual nations that we could bring together, this administration has not shown the competence to do it effectively.

PILGRIM: You know, go ahead.

GOODWIN: I say, I think Robert makes a very strong case against the administration. The problem for Robert's party, though, is going to be what are its answers to these things? I mean, one thing, for example, President Bush said very clearly yesterday, Iran cannot become a nuclear power. Do the Democrats think that?

ZIMMERMAN: Of course not, Mike. That's not even on the table. The problem is the Bush administration's tactics have empowered Iran so that now they have the potential to become a nuclear power.

GOODWIN: There are Democrats who say we may have to live with Iran having nuclear weapons.

ZIMMERMAN: No Democratic leader has ever expressed that point of view.

ROLLINS: But the other point, and I was going to jump on you if he hadn't.

GOODWIN: I was feeling lonely.

ROLLINS: You have this free reign to attack the administration. You know Murtha attacks Hillary yesterday. The problem with the Democrats is A, there's not a consistent message, and equally as important, anyone who wants to be independent and think beyond the box that they're trying to put yourself in, whether it's Hillary or Joe Lieberman, they get slapped aside.

And, you know, Murtha attacking Hillary the other day, I think, is the epitome of that. The Democrats have got to basically have the ability in their own party to have lots of different thought processes, because it's a very complicated issue. War is very complicated.

ZIMMERMAN: There's one critical issue we have, you need a Democratic Congress that is going to perform the checks and balances to hold this White House in check. That's our message.

PILGRIM: While we're talking about political maneuvering, let's get into the whole Dick Armitage actually being the source on the leak on Valerie Plame. I mean, a story that wouldn't go away and then finally when we come to the final chapter.

ROLLINS: I think the most important part of this, and I have great respect for Dick, and Dick would be the last guy who would ever go out and try and do anything to further the war, is the story that this was a White House effort to go out and discredit Wilson and make it, sell the war, I think has been proven to be totally foolish.

GOODWIN: Yes, and I think it's also touches upon maybe Mr. Fitzgerald didn't do such a great job after all. So it was a lot, as with Ken Star, these special prosecutors tend to sort of run off the tracks and we don't know that until much later. So this was another failed special prosecutor, as far as I can see.

PILGRIM: Last word?

ZIMMERMAN: Last word? Very simply, the Bush administration's tactics of personal attacks as opposed to defending, speaking to the issues, is really the issue here and whether it was General Shinseki who they maligned for taking them on over their Iraq strategy, or the way they attacked Ambassador Wilson, shows that they're not prepared to defend their record on the merits.

PILGRIM: I love that we have such a range of opinions.

ROLLINS: Terrier Bob gets the last word again.

ZIMMERMAN: Happy Labor Day weekend.

PILGRIM: All right, thanks very much, gentlemen. Ed Rollins, Michael Goodwin, Robert Zimmerman.

And I want to clarify a report we brought to you on Tuesday concerning the California governors race. We reported tuitions in state college systems rose 76 percent over three years, and we stand by that reporting. However, the first year of that period was under the budget of Governor Gray Davis, and Phil Angelides was the state treasurer.

Up next, "Heroes," our weekly salute to our men and women in uniform. And tonight a doctor who treated one of the world's most notorious patients. We'll have that story.

(COMMERCIAL BREAK)

PILGRIM: Time now for "Heroes," our weekly salute to this nation's men and women in uniform. And tonight, the story of former U.S. Army doctor Sudip Bose. He worked tirelessly to save the lives of servicemen and women in Iraq. He also treated an infamous VIP.

Alex Quade reports.

(BEGIN VIDEOTAPE)

DR. SUDIP BOSE, FMR. U.S. ARMY PHYSICIAN: Hello. Nice to meet you. I'm Dr. Bose.

ALEX QUADE, CNN CORRESPONDENT (voice-over): Patients in this Chicago E.R. don't know their doctor is an Iraq war hero, who also treated Saddam Hussein not long after his capture.

BOSE: I was face to face with him and just didn't have time to think of anything. I was just treating him like I would and maybe only after the fact you realize the weight of the moment.

QUADE: In Baghdad, at the combat support hospital where I first met him two years ago ...

BOSE: Where'd you get shot?

UNIDENTIFIED MALE: In the leg.

BOSE: In the leg?

QUADE: ...Sudip Bose had many moments as an army doctor.

BOSE: You know, the blood and the guts, you've kind of trained for that as a doctor and you're ready for it. But what's different here is there's another level of attachment to your patients, which are the soldiers, because you know, they're like all of us.

QUADE: Bose tells me about treating would-be suicide bombers, Iraqi detainees with grenades inside their bodies, and as an infantry doctor on the battlefield, about treating Iraqi civilians. BOSE: Yes, there was three suicide bombers who detonated in a large crowd, and hundreds of casualties lying on the road, and we tried to provide care, but the crowds thought we were responsible for the bombing and they just began attacking us.

We had to try to provide the care, but at the same time, you know, having stones thrown at you, you're getting attacked by mobs. You know, courage isn't that sense of fear, it's just realizing there's something greater than that, going forward and doing your job.

QUADE: For his courage as physician under fire, the army awarded Sudip Bose the Bronze Star.

BOSE: It's always nice to be honored for what you do, but I think whether I'm there or whether here, my main focus is trying taking to care of patients.

QUADE (on camera): Do you think you're a hero?

BOSE: No, no, I don't. Those soldiers lost their lives out there. They're the true heroes and we'll miss that and their sacrifice.

QUADE (voice-over): Alex Quade, CNN, Chicago.

PILGRIM: Dr. Bose is now an emergency physician at Chicago's Advocate Christ Medical Center. It is Chicago's busiest trauma hospital.

Still ahead, some of your thoughts on Iran, Iraq, and our own broken borders.

(COMMERCIAL BREAK)

PILGRIM: Time now for more of your thoughts.

Charles in Arkansas writes, "If we can't succeed in Iraq, and we can't succeed on our own borders, pray tell, how can we succeed in Iran?"

And Bob in Florida writes, "No wonder Iran is defiant when it knows the U.S. is weak on enforcing its own immigration policies, does not secure its own ports or borders, and ignores the economic plight of the middle-class. With a do nothing approach to these issues, wouldn't you think you could defy the U.S. also?"

And Dick in Ontario writes, "I'm positive that a country that cannot or will not secure its own borders will be unable to secure the borders of Iraq or Afghanistan."

We love hearing from you. Send us your thoughts at LouDobbs.com. Each of you whose e-mail is read here will receive a copy of the financial report of the United States with a forward by Congressman Jim Cooper of Tennessee, and a copy of Senator Byron Dorgan's important book, "Take This Job and Ship It." Thanks for being with us tonight. Please join us on Monday. For all of us here, have a very pleasant Labor Day weekend. Good night from New York. "THE SITUATION ROOM" starts right now with John King -- John.

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