

# Bechtel's Taxpayer Abuse



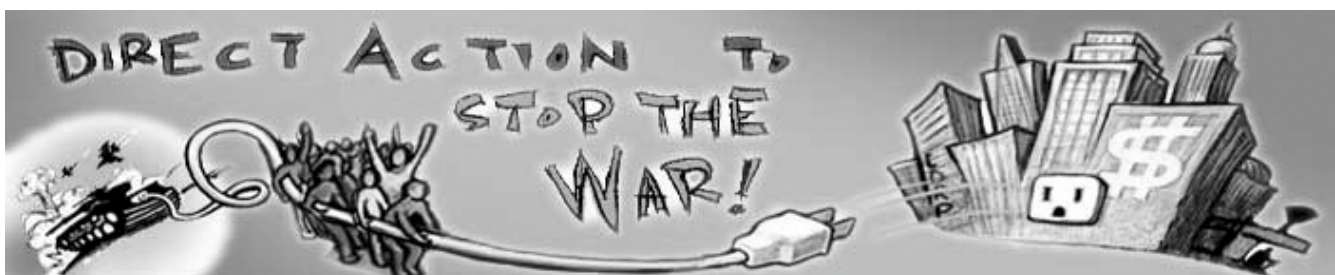
Bechtel Group Inc. is a privately held corporation founded in 1898 that undertakes monolithic construction projects globally, and is responsible for such projects as the San Francisco Bay Bridge, OK Tedi Gold and Copper Mine, and the Channel Tunnel Rail Link in England. Bechtel's projects include petroleum and chemical plants, nuclear power and weapons facilities, oil pipelines, mining and metal projects, water management and a host of other construction works. In 2002, Bechtel booked new work totaling \$12.7 billion with gross revenues of \$11.6 billion, involving some 900 projects in nearly 60 countries. Bechtel consistently uses insider connections at the highest levels of government to obtain its contracts and made \$1,297,465 in contributions to federal campaigns and candidates between 1999 and 2002, 59% of which went to Republicans. Moreover, Bechtel's history of environmental degradation, human rights abuse, cost overruns at taxpayers expense, and privatization of public commodities is notoriously dismal. Here are a few examples of Bechtel's taxpayer abuse.

## The Big Dig

Bechtel is the designer and manager of the Boston Central Artery tunnel project, in which Interstate 93 passes under the city. This federally funded project is the most costly civil engineering undertaking in U.S. history, having been estimated at \$2.5 billion in 1985. Project expenses reached \$14.6 billion in 2003. Watchdogs argue that it is extremely rare for a company to design, receive several construction contracts, and manage a project as huge as the Big Dig. Bechtel's gross errors include the complete absence of the planned Fleet Center (a 19,600 seat arena) from the company's designs, an active 9-foot wide pipe carrying sewage and storm runoff where planners had drawn a support wall, and fill not stable enough to support tunnel walls. These oversights required additional work to correct at taxpayers expense as Bechtel has not paid for any of its errors. Bechtel also ignored warnings of design flaws, even from its own engineers. Sadly, the administrator of USAID, Andrew Natsios, awarded the Iraqi reconstruction contract behind closed doors and without bidding. Natsios' confidence in Bechtel's abilities is puzzling, given the fact that he oversaw the Boston Central Artery project just two years ago as the chairman of the Massachusetts Turnpike Authority.

## San Francisco, California

Bechtel is also mismanaging projects in its own home of San Francisco, California. Just over a year ago, the San Francisco Board of Supervisors phased out a contract with Bechtel for the management of the upgrade of the city's water systems before its completion date. In public reports, Bechtel was charged with doing unnecessary and overpriced work and charging the city for tens of thousands of dollars' worth of personal expenses, including travel. Local unions complained that Bechtel was receiving taxpayer money to take over work already being done by more experienced and qualified city employees. Local citizens and their elected officials were also deeply concerned that the management contract was just the first step towards a privatization of the water system by Bechtel. The intense local opposition eventually culminated in Bechtel being forced out of water system.



# Bechtel Should be Held Accountable, Not Made More Profitable! Human Needs Not Corporate Greed in Iraq and at Home!

One of the biggest arguments against handing over the management of major public works projects to a private company like Bechtel is its lack of financial accountability, especially in foreign countries. Watchdogs of the nuclear industry say that Bechtel's cost overruns are legendary. To begin with, U.S. taxpayers subsidized the nuclear power industry by covering the costs of research and development, with Bechtel the single largest recipient, ultimately completing more than 40% of the national and 50% of the international nuclear power plants. When John McCone (of Bechtel McCone Corporation) took over the Atomic Energy Commission, he subsidized the industry so that nuclear energy could compete with conventional energy sources. Then McCone ordered a halt to foreign sources of uranium so that U.S. companies alone could sell radioactive material—greatly benefiting a Bechtel McCone subsidiary. This was the beginning of a long history of Bechtel's taxpayer abuse and insider dealing.

## **San Onofre**

California governor Ronald Reagan underwrote much of Bechtel's corporate interests. Nuclear Energy development in California stalled from the Public Utilities Commission refusal to raise electricity rates high enough to make nuclear power appear economical. Reagan-appointed PUC board members hiked the rates by more than US \$2 billion, enabling utility companies to order several new nuclear plants—to be built by Bechtel. More recently, California taxpayer abuse is evident in the San Onofre Power Plant, where the California Public Utilities Commission ruled that poor oversight during the construction caused a US \$344.6 million cost overrun. Key Bechtel employees were so poorly trained that 16 of 18 failed an examination just prior to the start-up of Unit 2, creating a delay of 95 days and adding millions to the cost. Californians are still paying today. More important, San Onofre is an environmental disaster and potential catastrophe, as Bechtel installed a reactor backwards, making it more susceptible to earthquake damage from the nearby fault line.

## **Bay Area Rapid Transit**

Through a series of labyrinthine corporation moves, Bechtel landed the construction contract for the Bay Area Rapid Transit project despite the fact that the Key System rail line was already in place, performed faster, and served the urban community better. The Bay Area Council, with Stephen Bechtel Sr. on the board, hired a research team to detail the benefits of a new rail system which was later used in a massive public relations campaign. The project suffered numerous delays and massive cost overruns as well as several accusations of fraud. In the 1980's, Reagan came to Bechtel's aid again when cost overruns forced Reagan to extend the state-tax surcharge for two additional years to keep the project afloat. In April, 2000, two BART board members said they would block seismic retrofitting if Bechtel won the contract due to their poor record on human rights, minority contracting, and cost overruns. There were US \$4 million in cost overruns and huge delays for the extension of BART to the San Francisco Airport (SFO). The cost continues to mount and we're no closer to SFO via BART.

## **Alaska Pipeline**

In 1974, the Alyeska Pipeline Service Company awarded Bechtel the role of prime management contractor in the US \$8 billion Alaska pipeline. Bechtel proclaimed it a project of major historical implication. Soon, however, Alyeska claimed Bechtel overstaffed senior-level executives to multiply the charges on the cost-plus contract, overfilled for pipeline workers, and that the project was plagued with on-site thievery, featherbedding, low productivity, and conspicuous supply problems. Furthermore, Bechtel stood accused of ordering the quality-control staff to falsify thousands of X-rays of pipeline welds in order to accelerate construction. In May 1975, Alyeska fired Bechtel for overall mismanagement.

Perhaps the worst aspect of Bechtel Group Inc. is that a huge percentage of its projects are overseas, in developing countries where there is little or no financial or quality assurance oversight. Thus, taxpayer abuse is far more difficult to demonstrate. Bechtel frequently uses the Export-Import Bank (on which they have *de facto* permanent board members) to arrange low interest loans to developing nations for projects that Bechtel will complete. Last month, Riley Bechtel (Bechtel's CEO) was sworn in as a member of President Bush's Export Council to perform the same function, and Bechtel received a \$680 million contract to rebuild Iraq's infrastructure. Contact your congressional and senatorial representatives and demand that an honest company get the contract.