

Profiles of 12 companies that have received large contracts for cleanup and reconstruction work related to Hurricanes Katrina and Rita

Prepared for Interfaith Worker Justice

**by
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**(incorporating material on Bechtel, Fluor and Halliburton
contractor misconduct prepared by
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Revised March 2006

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SUMMARY

This report reviews the track record of 12 companies that have received the largest contracts for cleanup and reconstruction work in the wake of Hurricanes Katrina and Rita. It focuses on those contracts that involved work that would be performed in the area affected by the storms and excludes those that involved bringing in goods manufactured elsewhere in the country. The 12 companies are:

AshBritt Inc.
Bechtel Group Inc.
Ceres Environmental
Clearbrook LLC
D&J Enterprises
ECC (Environmental Chemical Corp.)
Fluor Corporation
IAP Worldwide Services Inc.
Kellogg, Brown & Root, a subsidiary of Halliburton Company
LJC Construction (also known as LJC Defense Contracting)
Phillips and Jordan Inc.
The Shaw Group Inc.

The first thing to point out is that these companies vary enormously in size and influence. Some of them (especially Bechtel, Fluor and Kellogg, Brown and Root/Halliburton) are huge engineering and construction firms that take on some of the largest projects in the world and are well-known. Others such as Clearbrook and LJC are tiny companies that are barely known at all. Several others—including AshBritt, D&J and ECC—are larger but may still be considered small businesses. IAP, Phillips and Jordan and the Shaw Group each have annual revenues well in excess of \$100 million but still trail far behind Bechtel, Fluor and Halliburton.

All of the companies, with the apparent exception of Clearbrook, received federal contracts prior to the recent hurricane work. Firms such as Bechtel, Fluor and Kellogg, Brown & Root (KBR) have been doing work for the federal government for many decades. The younger companies on the list have generally been federal contractors for most of their existence.

The fact that these companies have been long-time contractors does not mean that they have unblemished records in their government work. In fact, some of them have continued as contractors despite repeated violations of federal regulations and other legal problems. For example:

- Bechtel and Fluor have each been cited numerous times for safety and other deficiencies in their work at the U.S. Department of Energy's nuclear facilities. They have been hit with fines totaling about \$2.6 million, and Fluor paid out about \$13 million more in related lawsuits.
- KBR has been embroiled in controversies over its billing practices for work done for the Pentagon in Iraq. More than \$1 billion in costs claimed by the company have been questioned by auditors.
- D&J was found guilty of dumping rather than recapturing Freon while demolishing military housing in Florida that was damaged by Hurricane Andrew in 1992. The company was fined \$250,000 and placed on probation for five years.

- D&J was also the target of a whistleblower lawsuit (which the Justice Department joined) charging that it defrauded the federal government by overcharging for debris removal in North Carolina after Hurricane Fran. The case was settled out of court.
- The patriarch of the family that controls ECC pleaded guilty to obstructing a federal audit (after racketeering and fraud charges were dropped) in connection with an investigation of abuses of Small Business Administration programs for minority enterprises. He had previously been involved in a bribery case in North Carolina.
- Phillips and Jordan and two of its top officers pleaded guilty to federal antitrust violations in connection with state highway projects.

Several of the companies on the list have been at the center of controversies over their political connections. Chief among these, of course, is Halliburton, whose former chief executive is now Vice President of the United States. Bechtel has had strong political influence for decades. At one time, former executives of the company were serving as Secretary of State and Secretary of Defense. The Shaw Group is close to leading politicians in Louisiana, and it hired a lobbyist who used to be the head of FEMA. Tiny AshBritt is said to have improved its standing as a contender for hurricane contracts after it retained a lobbying firm that had been founded by the man who is now Governor of Mississippi. Complete data on federal campaign contributions (since 2000) are included for each firm.

Along with contracting performance and cronyism issues, the report looks at the 12 companies in terms of their past treatment of workers. Some of the firms are too small to have any significant track record in this area, but others have had significant problems.

As for occupational safety & health, records of OSHA inspections since the beginning of 1996 show that the 12 companies and their major subsidiaries were cited for a total of 147 serious violations with initial proposed fines of about \$436,000 (a significant amount given the pitifully small fines imposed by the agency). Many of these were challenged. After the resulting settlements, the number of serious violations dropped to 112, with fines of about \$259,000. Halliburton and KBR have spent billions of dollars settling lawsuits relating to past asbestos exposure. The compliance problems of Bechtel and Fluor at Energy Department facilities often involved safety issues.

As for wage and hour compliance, cases of violations of overtime and prevailing-wage rules were found at six of the companies. The most serious of these were at Halliburton, which had to pay about \$600,000 to settle four different cases.

As for employment discrimination, numerous cases were found to have been filed against the larger companies—especially Fluor and KBR/Halliburton—alleging bias based on age, race, etc. Most of the cases that the companies did not win outright were settled out of court or referred to arbitration. Bechtel and Shaw had smaller numbers of cases, and IAP and Phillips and Jordan had one each.

As for labor relations, the companies on the list are for the most part non-union. Bechtel is the most unionized one, and Shaw's Stone & Webster unit is largely union. KBR has a reputation as one of the most anti-union companies in the construction industry, and Fluor, once a union contractor, later followed KBR's lead to a great extent. KBR and Fluor have each been cited numerous times by the NLRB for anti-union animus.

AshBritt Inc.

480 South Andrews Avenue Suite 103
Pompano Beach, FL 33069
(954) 545-3535
www.ashbritt.com
privately held
revenues: \$29 million (D&B)
employees: 40 (D&B)
President: Saily Perkins
Managing Vice President: Randal R. Perkins
Founded: 1992

Background

AshBritt started receiving federal contracts back in the mid-1990s, when it received a series of awards to carry out demolition work at military bases in various parts of the country. It also took on debris removal projects after tornadoes and hurricanes. In its home state of Florida, it was one of three firms that received contracts in 2000 for the Citrus Canker Eradication Program. The controversial project involved the removal of hundreds of thousands of trees in Broward and Miami-Dade in an effort to prevent the canker disease from spreading to the citrus industry's central Florida heartland.

In 2002 AshBritt received a contract worth about \$4 million for debris removal from Kay County, Oklahoma in the wake of a serious ice storm. The selection of AshBritt, which had submitted the highest bid, generated complaints from competing contractors. County commissioners said they rejected other bids because they did not meet specifications or did not mention the use of local subcontractors, as did AshBritt. The Federal Emergency Management Agency, which was to reimburse the county for 75 percent of the clean-up costs, said it would do so at a rate of \$7.95 a cubic yard (the lowest bid) rather than AshBritt's accepted bid of \$16 per cubic yard.¹

AshBritt was one of three companies that shared a \$30 million contract from Escambia County, Florida for debris removal after Hurricane Ivan in 2004. It also got a \$447,700 contract from Manatee County. According to an article in the Ft. Lauderdale *Sun-Sentinel*, AshBritt's lobbyist was so aggressive in pushing for hurricane clean-up contracts that year that advisers to Gov. Jeb Bush grew annoyed.² The company later got a contract from Broward County and 14 communities from Miami Beach to Port St. Lucie to remove debris left by Hurricane Wilma last year.

AshBritt received a whopping \$500 million contract from the Army Corps of Engineers for debris removal in Mississippi (with an option to increase by another \$500 million) soon after Hurricane Katrina. There were soon news reports questioning whether its selection had something to do with the fact that AshBritt had only months before retained the lobbying firm of Barbour Griffith & Rogers, which had been run by Mississippi Governor Haley Barbour before he ran for office.³ According to Senate records, AshBritt paid the firm \$40,000 in the first half of 2005. It also didn't hurt that another

¹ . See the following articles by Dawn Marks in *The Daily Oklahoman*: "Kay County Defends Choice of High Bidder in Cleanup" (February 20, 2002); "Kay County Fielding Cleanup Complaints," (February 24, 2002); "Full Reimbursement Urged for Kay County Cleanup" (March 7, 2002).

² . Mark Hollis, "Aggressive Lobbying Alarms Bush Adviser," *Sun-Sentinel* (Ft. Lauderdale, Fla.), October 14, 2005.

³ . See, for example: Mark Hollis, "Cleanup Contract Inquiry Draws Focus to Pompano Firm," *Sun-Sentinel* (Ft. Lauderdale, Fla.), October 7, 2005.

of AshBritt's Washington lobbyists was Mike Parker, former head of the Army Corps.⁴ In addition, AshBritt owners Saily and Randal Perkins together gave \$50,000 to the Republican National Committee in 2004.

In November 2005 AshBritt won a tree-removal contract in San Bernardino, California a few months after the company made a \$10,000 contribution to the San Bernardino County Republican Central Committee.⁵

Workplace safety and health record

According to OSHA records, there has never been a safety inspection at an AshBritt worksite.

Wage and hour compliance record

We could find no records of federal wage and hour laws violations brought against AshBritt.

Employment Discrimination

We could find no records of federal employment discrimination cases against AshBritt.

Labor relations record

It appears that AshBritt is completely non-union. There are no records of NLRB elections being held at the company or unfair labor practice charges being filed against it.

Federal campaign contributions to parties and candidates since 2000

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	5,000	0
Political action committee	0	0
Individual contributions by top officer	30,000	0
<i>TOTAL:</i>	<i>\$35,000</i>	<i>0</i>

⁴. Eamon Javers, "Anatomy of a Cleanup Contract," Business Week Online, October 27, 2005.

⁵. Megan Blaney, "County Cuts Tree-Removal Competition," *San Bernardino Sun*, November 5, 2005.

Bechtel Group Inc.

50 Beale Street

San Francisco, CA 94105

(415) 768-1234

www.bechtel.com

privately held

revenues: \$17.4 billion (2004)

employees: approx. 40,000

Chairman and CEO: Riley Bechtel

Founded: 1898

Background

This family-controlled construction and engineering giant dates back to 1898, when 25-year-old Warren Bechtel left his farm in Kansas to work on the grading of railroad lines. He settled in Oakland, California, and built what within about two decades became the largest construction company in the West. The firm worked on major infrastructure projects such as the Hoover Dam (as part of a consortium) and the San Francisco-Oakland Bay Bridge. After the Second World War, Bechtel expanded abroad with projects such as the construction of the 11,000-mile Trans-Arabian Pipeline. At home it built the first electricity-generating nuclear power plant and later the subway systems of the San Francisco Bay Area and Washington, DC. Beginning in 1976 it led the massive Jubail Project on Saudi Arabia's Gulf coast, which involved the creation of an entire city.

During the 1970s, the company was involved in a series of controversies, including major errors in the construction of a nuclear power plant and charges that the company participated in the Arab boycott of Israel. There were later accusations that Bechtel bribed officials in South Korea to obtain nuclear power plant construction contracts.⁶

The company, nonetheless, maintained close ties to the federal government. In fact, some of its top executives have passed through the revolving door into positions of power. Ronald Reagan chose as his Defense Secretary Caspar Weinberger, who had been working at Bechtel after a prior career in the public sector. Later, Bechtel president George Schulz became Reagan's Secretary of State after the resignation of Alexander Haig. The company also supplied a Deputy Secretary of Energy, W. Kenneth Davis. At least two former CIA directors worked as executives or consultants to the company.

Bechtel made large cuts in its workforce during the slump of the 1980s, but the company bounced back in the 1990s. It was the first U.S. firm to win a construction license to work in China, and it was part of the consortium contracted in 1996 to build a high-speed passenger rail line between London and the Channel. Bechtel later was chosen to work on a 30-year modernization of London's subway system. In 2000 residents of Cochabamba, Bolivia staged a revolt against a privatized water system managed by a Bechtel subsidiary, forcing the Bolivian government to cancel the contract (for which the company has sought compensation).

Bechtel has been the co-manager of the Big Dig construction project in downtown Boston that has been plagued by cost overruns and quality problems. In 2003 Bechtel received the first large contract for postwar reconstruction work in Iraq. A June 2003 report by Global Exchange, CorpWatch and

⁶. Mark Dowie et al., "Bechtel: A Tale of Corruption," *Multinational Monitor*, May 1984.

Public Citizen described Bechtel's "legacy of unsustainable and destructive practices that have reaped permanent human, environmental and community devastation around the globe."⁷

Bechtel has been cited a number of times for deficiencies in connection with its major projects for the U.S. Department of Energy:

- In May 2000 the Department of Energy fined the company \$82,500 for violations of nuclear safety regulations associated with the unplanned exposure of workers at Bechtel's operation at the Hanford plutonium plant in Washington State.⁸
- In June 2002 the Department of Energy fined the company \$41,250 for nuclear safety violations at the Idaho National Engineering and Environmental Laboratory (INEEL).⁹
- In November 2003 the Department of Energy fined the company \$192,500 for nuclear safety violations at the Oak Ridge and Paducah facilities.¹⁰
- In January 2004 the Department of Energy fined the company \$41,250 for nuclear safety violations at INEEL.¹¹
- In August 2005 the Department of Energy fined the company \$247,500 for nuclear safety violations at the Oak Ridge facility.¹²
- In September 2005 The Energy Department's Office of Inspector General issued a report finding that the Department paid a Bechtel subsidiary about \$4 million in performance bonuses for work that failed to meet DOE's specifications and deadlines.¹³

In 2003 a Bechtel subsidiary was fined \$10,000 by the Environmental Protection Agency for "importation of uncertified nonroad engine."

Workplace safety and health record

According to OSHA records, since the beginning of 1996 inspections at workplaces operated by Bechtel and its main subsidiaries resulted initially in 18 serious violations with a combined total of \$76,699 in fines. Many of these were challenged. After formal and informal settlement, there were 11 serious violations remaining with a combined total of \$136,128 in fines.

⁷. *Bechtel: Profiting from Destruction*, June 2003; available at <http://www.citizen.org/publications/release.cfm?ID=7249>

⁸. See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/ea200006R01.pdf>

⁹. See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/EA-2002-02ws.pdf>

¹⁰. See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/EA-2003-09WS.pdf>

¹¹. See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/EA-2004-01WS.pdf>

¹². See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/EA-2005-04.pdf>

¹³. U.S. Department of Energy, Office of Inspector General, *Audit Report: Use of Performance Based Incentives by the Office of Civilian Radioactive Waste Management*, DOE/IG-0702, September 2005; available online at <http://www.ig.doe.gov/pdf/ig-0702.pdf>

Wage and hour compliance record

A database of federal wage & hour violations since January 2000 showed one listing for Bechtel, in which it paid \$2,552 for failing to pay proper overtime to workers in Las Vegas.

Employment Discrimination

Back in 1979 Bechtel paid \$1.4 million to settle two sex discrimination lawsuits brought by female employees who charged the company with bias in job assignments and promotion.¹⁴ In 1997 a state court jury in San Francisco awarded \$1.3 million to a former employee who charged that his termination had been the result of age discrimination.¹⁵

Bechtel was one of the targets of a series of lawsuits charging racial discrimination brought by African-American workers in the late 1990s against the operators of the federal government’s Savannah River nuclear complex in South Carolina. A federal judge denied class-action status to the suits, which reached about 100. Most of the cases were settled out of court.

In December 2004 Bechtel and the Equal Employment Opportunity Commission settled a complaint that had been brought against the company in connection with discriminatory treatment experienced by an employee of Iraqi origin after the 9/11 attacks.¹⁶

Labor relations record

Bechtel generally operates as a union contractor, though it tends to use non-union subcontractors. A database of unfair labor practice charges filed since the beginning of 1994 has about 60 entries for cases brought against Bechtel and its main subsidiaries.

Federal campaign contributions to parties and candidates since 2000

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	520,000	406,000
Political action committee	345,000	220,000
Individual contributions by top officer	9,000	0
TOTAL:	\$874,000	\$626,000

¹⁴. “Sex Bias: \$1.4 Million,” *Business Week*, August 6, 1979.

¹⁵. “SF Jury Awards \$1.3 Million Verdict in Age Discrimination Case,” *California Employment Law Monitor*, April 28, 1997.

¹⁶. EEOC v. Bechtel Corp, No. 03-CV-4616 (D.N.J. December 8, 2004); see summary at <http://www.eeoc.gov/litigation/settlements/settlement12-04.html>

Ceres Environmental

3825 85th Ave North
Brooklyn Park, MN 55443
(800) 218-4424
www.ceresenvironmental.com
privately held
revenues: \$61 million (D&B)
employees: 100 (D&B)
President: David McIntyre
Founded: 1976

Background

Ceres is a long-time contractor to the federal government for debris removal, most often in the aftermath of storms. For example, in 1999 it was given a contract worth about \$1 million by the Army Corps of Engineers after tornadoes hit Oklahoma. The following year it got a \$7.6 million contract from the Corps in connection with the creation of a recreation area in Puerto Rico.

Ceres has also gotten contracts from local governments in various states. In 2002 there were complaints from other contractors after officials in Kansas City awarded the company a contract for post-storm removal of fallen trees even though it was not the low bidder. City officials told the *Kansas City Star* that Ceres was chosen because it agreed to pay prevailing wages and to include minorities and women in the work.¹⁷ In 2003 Ceres got a contract from York County, SC for processing wood and yard waste. That same year it was chosen by officials in Pierce City, MO for the demolition of 30 tornado-damaged buildings and the removal of debris; the value of the contract was \$353,000. After Hurricane Isabel, Ceres was one of the companies brought in by Isle of Wight County, VA for debris removal.

In 2002 Ceres filed suit in the U.S. Court of Federal Claims, arguing that an Agriculture Department solicitation for contractors to do debris removal after an ice storm in Oklahoma improperly reclassified the work with a service code rather than a construction code, which made Ceres ineligible to bid. The company's motion for declaratory relief was granted.¹⁸

The \$500 million contract Ceres got for Katrina debris removal in Louisiana seems to dwarf its previous projects.

Workplace safety and health record

OSHA has conducted 5 inspections at Ceres workplaces in the past ten years, two of which resulted in serious violations. In 1998 the firm was fined \$2,400 for a serious violation at a worksite in East Grand Forks, MN. The amount was contested and was reduced to \$1,800 in a formal settlement. In 2003 an inspection in Brooklyn Park, MN resulted in 2 serious inspections and an initial fine of \$300. That amount was reduced to \$210 in an informal settlement.

¹⁷. Michael Mansur, "Minnesota Firm Takes Over Debris Cleanup," *Kansas City Star*, March 1, 2002, p.B1.

¹⁸. *Ceres Environmental services v. United States*, U.S. Court of Federal Claims, 52 Fed. Cl. 23; 2002 U.S. Claims LEXIS 61, March 156, 2002.

Wage and hour compliance record

We could find no records of federal wage and hour laws violations brought against Ceres.

Employment Discrimination

We could find no records of federal employment discrimination cases against Ceres in the past ten years.

Labor relations record

It appears that Ceres is completely non-union. There are no records of NLRB elections being held at the company since 1990. In 1999 an employee filed an unfair labor practice charge against the company for interfering with his rights under the National Labor Relations Act, but the NLRB did not issue a written decision in the case.

Federal campaign contributions to parties and candidates since 2000

None.

Clearbrook LLC

P.O. Box 191238
Mobile, AL 36619

or

1525 Azalea Road
Mobile, AL 36693

No phone listing
No website found

Privately held

Revenues: \$3.5 million (D&B)

Employees: 35 (D&B)

Principal: Bruce Wagner

Founded: 1998

Background

There is little in the public record about this company, which is apparently in the water treatment and purification business, before it received an \$80 million Katrina contract to provide housing for first responders. In November payment on the contract was halted after Department of Homeland Security auditors found irregularities, including more than \$3 million in apparent overcharges.¹⁹

¹⁹. Charles R. Babcock, "Payments on Katrina Contract Halted After Billing Questions," *Washington Post*, November 17, 2005, p.D2.

Workplace safety and health record

According to OSHA records, there has never been a safety inspection at a Clearbrook worksite.

Wage and hour compliance record

We could find no records of federal wage and hour laws violations brought against Clearbrook.

Employment Discrimination

We could find no records of federal employment discrimination cases against Clearbrook.

Labor relations record

It appears that Clearbrook is completely non-union. There are no records of NLRB elections being held at the company or unfair labor practice charges being filed against it.

Federal campaign contributions to parties and candidates since 2000

None.

D&J Enterprises Inc.

3495 Lee Road 10

Auburn, AL 36832

(334) 821-8205

www.dandjenterprises.net

privately held

Revenues: \$15.5 million (D&B)

Employees: 135 (D&B)

President: Richard Starr

Founded: 1984

Background

D&J has been doing post-storm debris removal work for more than a decade. In 1995 the company and two of its employees were charged with conspiring to release 700 pounds of ozone-depleting chemicals into the atmosphere (rather than recapturing the Freon) in the course of helping to demolish military housing at Homestead Air Force Base in Florida that had been severely damaged by Hurricane Andrew in 1992. They were the first parties in the nation to be charged with criminal offenses under special provisions of the Clean Air Act. In 1996 a federal jury found D&J and its employees guilty but the judge in the case overturned the verdict, saying that the jury did not have enough evidence to reach that

conclusion.²⁰ The government appealed, and the court of appeals reinstated the jury verdicts. The company was fined \$250,000 and placed on probation for five years.²¹

In 1996 a truck driver named James Hennis filed a whistle-blower lawsuit against D&J, charging that the company was defrauding the federal government by overcharging for debris removal in North Carolina after Hurricane Fran. The Justice Department joined the suit, which alleged that D&J counted truckloads more than once, that it included debris that was not related to the storm and that it otherwise falsely inflated the amount of debris it had collected.²² The case was originally filed in federal court in Alabama, but in 1998 it was transferred to federal court in North Carolina. The case was settled out of court in February 2000.²³

In 2001 D&J brought suit against the city of Pine Bluff, Arkansas for awarding a debris removal contract to a company that had submitted a bid with a price higher than that proposed by D&J. The rival company was also named in the suit. That company agreed to settle with D&J for \$250,000. A judge later ordered the city to pay \$109,000 of that amount.²⁴

In 2002 D&J brought a similar suit against the city of Overland Park, Kansas in connection with debris removal work after an ice storm, but the case was dropped. D&J has also done debris removal in places such as Omaha, Nebraska; Gwinnett County, Georgia; and Pensacola, Florida.

Workplace safety and health record

According to OSHA records, there have been four safety inspections at D&J worksites, but no serious violations were found.

Wage and hour compliance record

In 2005 the company paid \$1,117 to settle charges of overtime violations involving two workers.

Employment Discrimination

We could find no records of federal employment discrimination cases against D&J in the past ten years.

²⁰. "Judge Reverses Freon-Venting Conviction," Ft. Lauderdale *Sun-Sentinel*, August 20, 1996.

²¹. See docket for Case 95-CR-756-ALL in U.S. District Court for the Southern District of Florida (Miami) available through the PACER database.

²². Cory Reiss, "Hurricane Fran: Contractor is Accused of Fraud," *Wilmington Star*, November 13, 1998. See also the complaint dated December 6, 1996 in the case of Hennis v. D&J Enterprises (Eastern District of North Carolina Civil Docket No. 7:98-CV-173-F) available via the PACER federal court database.

²³. See Stipulation of Settlement dated February 16, 2000 in the case of Hennis v. D&J Enterprises (Eastern District of North Carolina Civil Docket No. 7:98-CV-173-F) available via the PACER federal court database.

²⁴. "Pine Bluff Ordered to Pay in Cleanup Suit," *Arkansas Democrat-Gazette*, May 20, 2001.

Labor relations record

It appears that D&J is completely non-union. There are no records of NLRB elections being held at the company or unfair labor practice charges being filed against it.

Federal campaign contributions to parties and candidates since 2000

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	0	0
Political action committee	0	0
Individual contributions by top officer	2,000	0
TOTAL:	\$2,000	0

ECC (Environmental Chemical Corp.)

1240 Bayshore Highway
Burlingame, CA 94010
(650) 347-1555
www.ecc.net
privately held
revenues: \$35 million (D&B)
employees: 350 (D&B)
President: Manjiv Vohra
Founded: 1985

Background

ECC has been doing environmental cleanup work, mostly for the federal government, for more than 15 years. In 1990 it was hired by the Army Corps of Engineers to remove World War II ordnance from a former Marine Corps gunnery range near San Diego. The company got a contract from the Kuwaiti government to remove land mines following the Persian Gulf War. In 1992 the company was fined \$8,000 by the EPA for violation of the Federal Insecticide, Fungicide & Rodenticide Act.

ECC's contract from the EPA to clean up toxic chemicals at the Summitville gold mine superfund site in southern Colorado turned out to be a matter of controversy and legal trouble for the company. In 1995 Congressman Scott McInnis raised questions about ECC's performance, telling a reporter that an employee of the company had complained to him that ECC was billing the EPA for snow removal in the summer.²⁵ An audit of the project later found \$5 million in overpayments to ECC, prompting McInnis to say that the company's contract—which ballooned from an initial \$500,000 to some \$70 million—was a “sweetheart deal.”²⁶ In 2000 lawyers for the former owner of the mine, who was suing

²⁵. Deborah Frazier, “EPA Defends Cleanup Costs at Toxic Mine, Despite Probe,” *Rocky Mountain News*, September 14, 1995.

²⁶. “Government Paid \$5 Million Too Much for Summitville Cleanup, IG Reports Says,” *BNA State Environment Daily*, February 14, 1996 and Gary Gerhardt, “McInnis Blasts Audit of Gold Mine Cleanup,” *Rocky Mountain News*, February 3, 1996.

the EPA, charged that ECC ran up the cost of the cleanup, and they released documents suggesting that ECC had been under investigation by the FBI and other federal agencies for its billing practices on the project.²⁷ ECC denied the accusations, saying that the former owner, Robert Friedland, “offers bald accusations and makes conclusory statements without a scintilla of evidence or fact in support.”²⁸

Yet the EPA soon announced that it would suspend its efforts to collect the portion of its claim against Friedland that represented payments made to ECC. This was because ECC had come under investigation by a U.S. Attorney in Kentucky. That probe concerned members of the Sabharwal family, who were said to control ECC as well as another company called Environmental Health Research & Training Inc. (EHRT), which had been barred from government contracting after being convicted of bribing an EPA official at another location.²⁹ In May 2000 Pritam Sabharwal, his sons Paul and Shawn, and several other relatives and associates were charged with racketeering activities ranging from bribing public officials to mail fraud.³⁰ Among the charges were that the Sabharwals fraudulently obtained Small Business Administration minority status for businesses that were set up after EHRT graduated from the SBA program and was supposed to compete on a level playing field. Family members were accused of shifting assets from EHRT to these other businesses, which included ECC, then headed by Paul Sabharwal.³¹ In September 2000 some of the charges in the case were thrown out by the judge, including the racketeering count against Paul Sabharwal.³²

Nonetheless, the criticism of ECC’s role in the Summitville cleanup continued. Rep. McInnis accused the contractor of treating the U.S. Treasury “like a virtual ATM, bilking the federal government and the American people with alarming ease and remarkable success.”³³

In March 2001 the racketeering and fraud charges against the Sabharwals were dropped, and Pritam Sabharwal pleaded guilty to the less serious charge of obstructing a federal audit. The dismissal of the charges was made contingent on the payment of fines totaling about \$3 million, including \$950,000 owed in connection with a 1993 North Carolina bribery case.³⁴ He was later sentenced to six months of home confinement and three years of probation.

The Kentucky case and the problems in Colorado did not interfere with the ability of ECC to continue with its existing federal contracts and to win new ones. In 1999 ECC had been awarded a \$50 million contract by the Army Corps of Engineers to clean up the Wayne superfund site in New Jersey, which contained low-level radioactive waste. In 2000 it got a contract from the Army Corps to clean PCB-contaminated soil at a cemetery on the island of Saipan; in 2002 it got a 10-year, \$100 million contract for the remediation of various hazardous-waste sites in the Corps North Atlantic Division. Numerous other contracts have followed in the years since. In fiscal year 2004 ECC was the 84th largest contractor to the Defense Department, with \$272.5 million in awards. In February 2005, ECC hired former Rear Admiral Charles R. Kubic—who had served as Commander of the 1st Naval Construction

²⁷. Deborah Frazier, “Superfund Cleanup Fraud Charged,” *Denver Rocky Mountain News*, February 18, 2000.

²⁸. Deborah Frazier, “Firm Denies Fraud in Summitville Mine Cleanup,” *Denver Rocky Mountain News*, March 2, 2000.

²⁹. Al Knight, “EPA Stumbles Again,” *Denver Post*, March 30, 2000.

³⁰. Tom Lasseter and Andy Mead, “Prominent Names on Indictment: Lexington Family Members Charged with Federal Fraud in Millions,” *Lexington Herald Leader*, May 31, 2000.

³¹. Tom Lasseter, “Indictment Doesn’t Fit Family’s Image; Sabharwal Businesses Looked Prosperous, Profitable,” *Lexington Herald Leader*, June 1, 2000.

³². Louise Taylor, “Some Sabharwal Charges Dropped,” *Lexington Herald Leader*, September 9, 2000.

³³. Erin Smith, “Lawmaker Calls for Probe into Summitville, Colo., Mine Cleanup Bilking,” *The Pueblo Chieftain*, September 21, 2000.

³⁴. Louise Taylor, “Sabharwal Agrees to Pay \$2 Million Federal Fine; Fraud, Racketeering Charges to be Dropped,” *Lexington Herald Leader*, March 10, 2001.

Division and the 1st Marine Expeditionary Force Engineer Group in Iraq— as president of ECC International and made him a member of ECC’s board of directors. ECC International has received contracts for school repair in Iraq.

Workplace safety and health record

According to OSHA records, there have been six safety inspections at ECC worksites, two of which resulted in serious violations. A 1998 inspection at a site in American Samoa resulted in five serious violations with an initial total fine of \$5,850; that amount was reduced to \$2,925 in an informal settlement. A 2002 inspection at a site in Saipan resulted in two serious violations and a penalty of \$9,000.

Wage and hour compliance record

We found one case of a wage and hour violation against ECC. In 2004 the Labor Department found the company in violation of the Davis Bacon prevailing wage law and imposed an initial fine of \$18,274.

Employment Discrimination

We could find no records of federal employment discrimination cases against ECC in the past ten years.

Labor relations record

It appears that ECC is all or nearly all non-union. A database of NLRB elections show two instances. In 1994 the Teamsters lost a representation vote covering 77 workers, but the following year the Teamsters won an election involving 30 workers. No unfair labor practice charges against the company could be found.

Federal campaign contributions to parties and candidates since 2000

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	0	0
Political action committee	3,000	41,000
Individual contributions by top officer	0	2,000
<i>TOTAL:</i>	<i>\$3,000</i>	<i>\$43,000</i>

Fluor Corporation

1 Enterprise Drive
Aliso Viejo, CA 92656
(949) 349-2000
www.fluor.com

publicly traded with ticker symbol FLR on the New York Stock Exchange

revenues: about \$12 billion

employees: approx. 35,000

Chairman and CEO: Alan L. Boeckmann

Founded: 1890

Background

The company's origins date back to 1890, when three brothers who had emigrated from Switzerland opened a lumber mill in Wisconsin under the name Rudolph Fluor & Brothers. In 1912 one of the brothers, J. Simon Fluor, traveled to California and started a general construction business in Santa Ana. That company developed a strong relationship with Southern California Gas. In the following years it became a leading contractor for the emerging California petroleum industry. In the 1930s, the company, by then called Fluor Corporation, began doing projects such as pipeline construction for oil & gas firms outside California as well. After World War II it started doing similar work abroad, both for industrial clients and the U.S. government.

Fluor made its most significant acquisition in 1977, when it bought Daniel International Corp., a large engineering and construction firm based in South Carolina. This deal worked out well, but that was not the case with the 1981 purchase of St. Joe Minerals Corporation, which was followed by a plunge in metals prices. Fluor ended up selling off many of St. Joe's operations (but not its A.T. Massey coal business) as part of a wide-ranging restructuring in the 1980s that also included the integration of its main construction operations with those of Daniel International to form Fluor Daniel Inc. With a more diversified clientele, Fluor bounced back and enjoyed strong growth in the late 1980s and early 1990s. It was the recipient of substantial reconstruction contracts after the Gulf War. At home it got a \$4 billion contract from the Department of Energy to manage the cleanup and dismantling of a plutonium plant in Fernald, Ohio (it was later chosen for similar work at an Energy Department plant in Hanford, Washington). A.T. Massey was spun off in 2000. In 2003 Fluor acquired Del-Jen, a provider of outsourced services to U.S. military bases and the U.S. Department of Labor.

In 1996 Fluor agreed to pay \$3.2 million to settle a suit initiated by two whistleblowers who charged that a subsidiary of the company overcharged the federal government for cleanup work at military bases in South Carolina after Hurricane Hugo in 1989.³⁵ Fluor has also been involved in a series of controversies regarding its work at Fernald and Hanford. These include allegations of sloppy and wasteful work, overbilling, insufficient attention to safety, and mistreatment of workers:

³⁵. See docket in Case 2:91-cv-00704-DCN in U.S. District Court for the District of South Carolina (Charleston) and Tony Bartelme, "\$3.2 Million Paid in Fluor's Hugo Suit," *Charleston Post and Courier*, April 27, 1996.

Fernald

- A 1997 report by the GAO raised questions both about Fluor’s performance and the Energy Department’s oversight of the project.³⁶
- Several months later, the company, while denying culpability, paid \$8.4 million to settle allegations by a former employee at Fernald that it had violated the False Claims Act in its billing practices.³⁷
- In July 1997 the Department of Energy fined the company \$10,000 in connections with deficiencies relating to the maintenance of inspection records on radioactive waste and nuclear materials.³⁸
- In January 2002 the Department of Energy fined the company \$55,000 in connection with a “long-standing deficiency [that] resulted in a significant number of workers receiving unplanned and unmonitored radiation exposures.”³⁹
- In August 2003 Fluor agreed to pay \$40,000 in connection with a consent order resolving charges brought by the Department of Energy after the company discovered an “unposted High Radiation Area.”⁴⁰
- In August 2005 the Department of Energy fined the company \$33,000 in connection with deficiencies concerning radiological work permits.⁴¹

Hanford

- In May 1998 the Department of Energy fined the company \$140,625 in connection with “multiple criticality safety infractions,” which were related to an explosion at the facility.⁴²
- In May 1999 the Department of Energy fined the company \$330,000 in connection with “deficiencies [that] involved repetitive failures to adhere to established operational controls.”⁴³
- In July 2000 the company agreed to pay \$100,000 to the Department of Energy as part of the settlement of an enforcement action brought in connection with deficiencies found in the company’s procurement of safety-class piping.⁴⁴

³⁶ U.S. General Accounting Office, *Department of Energy: Management and Oversight of Cleanup Activities at Fernald*, GAO/RCED-97-63, March 1997.

³⁷ Fluor’s press release can be found at <http://investor.fluor.com/news/19970619-31395.cfm>

³⁸ See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/ea9705R1.pdf>

³⁹ See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/EA-2001-06r01.pdf>

⁴⁰ See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/ea200305.pdf>

⁴¹ See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/EA-2005-05.pdf>

⁴² See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/ea9802R1.pdf>

⁴³ See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/ea1999-04R01.pdf>

⁴⁴ The consent decree can be found at <http://www.eh.doe.gov/enforce/eas/ea-2000-10R01.pdf>

- In August 2002 the Department of Energy fined the company \$137,500 for deficiencies relating to the calibration of monitoring equipment.⁴⁵
- In July 2004 the Department of Energy fined the company \$935,000 in connection with numerous violations of nuclear safety requirements that occurred during the design and construction of the sludge and water system.⁴⁶
- In September 2005 a jury in a Washington State court awarded more than \$4.7 million in damages to 11 pipefitters who had sued Fluor in 1999, charging that they were fired for refusing to carry out what they regarded a dangerous procedure—installing a valve in a line that would carry high-level nuclear waste.⁴⁷
- In December 2005 the Department of Energy fined the company \$206,250 for “continued poor performance with regard to compliance with criticality safety requirements over the past several years and a series of eight Technical Safety Requirement (TSR) violations.”⁴⁸

In addition, in May 2001 Fluor agreed to pay \$8.2 million to settle a whistleblower lawsuit that accused the company of submitting millions of dollars in false invoices to the federal government in 1995 and 1996.⁴⁹ In November 2005 Fluor agreed to pay \$12.5 million to settle a suit that had been initiated in 2000 by a former employee about the company’s billing practices for government contracts.⁵⁰

Despite these problems, Fluor received contracts from the federal government for reconstruction work in Iraq that eventually reached about \$2 billion (some of which was awarded to a joint venture Fluor set up with the UK company AMEC PLC). In 2004 a Fluor executive told Reuters that it hoped to “maintain a presence in Iraq” for the long-term.⁵¹ The \$100 million contract Fluor got to provide temporary housing for victims of Hurricane Katrina is one of those criticized for having been awarded with little or no competition to companies considered to be well connected politically.⁵² A Fluor executive told the *Orange County Business Journal* that the company could end up getting “a couple billion dollars worth of work” related to Katrina.⁵³

Workplace safety and health record

According to OSHA records, since the beginning of 1996 inspections at workplaces operated by Fluor and its main subsidiaries resulted initially in 62 serious violations with a combined total of \$193,550 in fines. Many of these were challenged. After formal and informal settlement, there were 43 serious violations remaining with a combined total of \$117,485 in fines. In 1997 the Occupational Safety and

⁴⁵. See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/EA-2002-03ws.pdf>

⁴⁶. See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/EA-2004-06.pdf>

⁴⁷. See Ellen Byerrum, “Whistleblower Protection: Jury Awards Energy Workers \$4.76 Million: Hanford Contractor Liable for Retaliation,” *BNA Occupational Safety & Health Daily*, September 20, 2005 and “\$4.7M Award for Nuclear Reservation Pipefitters,” *National Law Journal*, September 12, 2005. Fluor told BNA it was considering an appeal.

⁴⁸. See the Department of Energy notice at <http://www.eh.doe.gov/enforce/eas/EA-2005-07.pdf>

⁴⁹. Press release issued by the U.S. Attorney for the Central District of California, May 7, 2001.

⁵⁰. See the press release issued by Fluor at <http://investor.fluor.com/news/20051101-178953.cfm>

⁵¹. “Fluor Seeking a Long-Term Presence in Iraq,” Reuters story printed in the *Los Angeles Times*, May 17, 2004.

⁵². See, for example, Hope Yen, “Katrina Contracts go to Companies in Loop,” Associated Press, October 19, 2005.

⁵³. Pat Maio, “Fluor: \$100M Gulf Pact May be Part of Billions,” *Orange County Business Journal*, September 26, 2005.

Health Review Commission found that Fluor violated the general duty clause of the Occupational Safety and Health Act when it failed to ground scaffolds to a boiler structure when doing work at a Tennessee Valley Authority site.⁵⁴ In 2001 the same Commission found that Fluor willfully violated the federal respiratory protection standard by not providing emergency respirators to employees exposed to phosgene gas.⁵⁵

Wage and hour compliance record

A database of federal fair labor standards cases since January 2000 show one small cases involving failure to pay the minimum wage at a site in Sugar Land, Texas.

Employment Discrimination

The PACER database of federal court dockets has dozens of federal employment discrimination cases (involving age, race, etc.) that have been brought against Fluor and its subsidiaries. Many of them were settled out of court, including a series of age discrimination cases brought in South Carolina in the 1990s.⁵⁶ In one case that went to trial, a jury in Ohio awarded \$3.6 million to four former workers at Fernald who had brought an age discrimination case against Fluor. The company appealed to the U.S. Court of Appeals, which partly affirmed and party reversed the district court outcome. The parties later settled out of court.⁵⁷

Labor relations record

Thirty-five years ago, Fluor was generally known as a union builder.⁵⁸ During the 1970s, it was among the major contractors that responded to the rise of non-union Brown & Root by engaging in double-breasting—i.e., setting up an open-shop subsidiary. In the case of Fluor, this was accomplished through the 1977 purchase of non-union Daniel International Corp., which had grown by building textile mills for Northern companies running away to the South for cheap labor. Daniel itself took was cited by the NLRB for pervasive unfair labor practices. As a result of the integration of its operations with those of Daniel, Fluor soon became a largely non-union contractor.

The company's anti-union tendencies have continued. A 1995 report by the GAO on the receipt of federal contractors by labor-law violators listed Fluor Daniel as one of 15 "more serious violators."⁵⁹ A database of unfair labor practice charges since the beginning of 1994 has more than 50 listings of cases brought against Fluor and its main subsidiaries (Fluor Constructors International is the union

⁵⁴. "Failure to Ground Scaffold to Boiler Violates ANSI Standard, Commission Rules," *BNA Occupational Safety & Health Daily*, May 5, 1997.

⁵⁵. See "\$30,000 Fine Upheld for Failure to Protect Employees During Phosgene Gas Exposure," *BNA Occupational Safety & Health Daily*, October 9, 2001 and OSHRC Docket Nos. 96-1729 & 96-1730 (consolidated), September 21, 2001.

⁵⁶. See, for example, the docket for Case 6:94-cv-00042-HMH in U.S. District Court for the District of South Carolina.

⁵⁷. See "Jury Awards \$3.6 Million to 4 Ex-Workers at Fernald," *Columbus Dispatch*, August 10, 1996 and the docket for Case 1:94-cv-00568-HJW in U.S. District Court for the Southern District of Ohio (Cincinnati) available via PACER.

⁵⁸. This paragraph is based on the section about Fluor in *Big Business Day Special Report: Corporate Shadow Boards*, published by Americans Concerned About Corporate Power, April 17, 1980.

⁵⁹. U.S. General Accounting Office, *Worker Protection: Federal Contractors and Violations of Labor Law*, GAO/HEHS-96-8, October 1995.

operation). The National Labor Relations Board has handed down a series of decisions finding that Fluor Daniel demonstrated an anti-union posture in its hiring practices.⁶⁰ In January 2005 the U.S. Supreme Court declined to review an appeals court decision that Fluor Daniel violated federal labor law by refusing to hire 119 union members for two large projects because of anti-union animus.⁶¹

Federal campaign contributions to parties and candidates since 2000

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	94,000	15,000
Political action committee	369,000	108,000
Individual contributions by top officer	6,000	0
TOTAL:	\$469,000	\$123,000

IAP Worldwide Services Inc.

7315 North Atlantic Avenue

Cape Canaveral, FL 32920

(321) 784-7100

www.iapws.com

privately held

revenues: \$249.6 million (D&B), but news reports put it at about \$1 billion

employees: 5,200 (D&B)

Chief Executive Officer: Al Neffgen; President: David Swindle

Founded: 1989

Note: The company is controlled by the large hedge fund Cerberus, which has assets of \$16 billion

Also note: Former U.S. Vice President Dan Quayle is on the board of directors

IAP calls itself “a premier government contractor providing a broad spectrum of services focused on global mission support for the federal market. We specialize in three top-tier lines of business: contingency, logistics and procurement support; facility maintenance/base operations; and technical services.” Its federal contractors have varied from supplying ice and electric generators (especially in disaster relief) to designing and building small military power plants in Iraq and Afghanistan.

In 2005 IAP acquired Johnson Controls World Services, another varied federal contractor, and moved its headquarters into Johnson’s offices in Cape Canaveral, Florida. Soon after it won a \$225 million contract from the U.S. Army for hauling heavy equipment in Iraq and Kuwait. IAP subsidiary Readiness Management Support (acquired as part of the Johnson Controls deal) played a lead role in the development of the new air traffic control system in Afghanistan. In November 2005 Readiness Management was chosen by the Air Force to be one of six contractors involved in a 10-year contract worth up to \$10 billion for worldwide contingency support. In January 2006 IAP won a \$120 million contract from the Army to provide administrative, managerial and operational support services at the Walter Reed Army Medical Center in Washington.

⁶⁰. See 333 NLRB No. 57 (March 2, 2001), which contains a summary of previous cases.

⁶¹. “Supreme Court Declines to Review Sixth Circuit Ruling Against Fluor Daniel,” *BNA Labor Relations Week*, January 27, 2005.

Workplace safety and health record

According to OSHA records, there has never been a safety inspection at an IAP worksite.

Wage and hour compliance record

We could find no records of federal wage and hour laws violations brought against IAP.

Employment Discrimination

We found records of one federal employment discrimination case against the company brought in the Virgin Islands. The company sought to force the employee to submit her claim to arbitration. The District Court denied their motion, but that ruling was reversed by the Third Circuit Court of Appeals.

Labor relations record

According to records of the Federal Mediation and Conciliation Service, a bargaining unit of about 28 workers in Columbia, SC has been represented by the Machinists. The same database showed a Teamsters-represented bargaining unit of about 25 workers in Fallon, NV. In 2002 an unfair labor practice charge was brought against the company the Steelworkers union in Irmo, SC. In August 2005 the Operating Engineers won an election at a bargaining unit of about 90 workers in New Jersey.

Federal campaign contributions to parties and candidates since 2000

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	0	0
Political action committee	0	0
Individual contributions by top officer	1,000	0
TOTAL:	\$1,000	0

Kellogg, Brown & Root, a division of:

Halliburton Company

5 Houston Center

1401 McKinney Suite 2400

Houston, TX 77010

(713) 759-2600

www.halliburton.com

publicly traded with ticker symbol HAL on New York Stock Exchange

Halliburton total revenues: \$20.5 billion (of which KBR accounts for about \$12.5 billion)

Halliburton total employees: 97,000 (2004)

Chairman, President & CEO: Dave Lesar

Founded: 1919

Background

Kellogg, Brown & Root had its origins in 1919 when Herman Brown started a road building company with backing from his brother-in-law Dan Root. Brown's first break came a few years later when he got a contract to rebuild four bridges that had been washed out by a flood in central Texas. Brown's brother George joined the business to help in the bridge work and ended up staying permanently. The company struggled during the Depression but managed to get a roadbuilding contract from the Humble Oil Company (one of the owners of the company that would become Halliburton) as well as a major contract to build the Marshall Ford Dam (later renamed the Mansfield Dam) west of Austin. This was followed by a federal award to build a \$90 million naval air station in Corpus Christi. During the Second World War, the company took on federal contracts to build various vessels for the Navy, even though it had no experience in shipbuilding. The company's rise was greatly assisted by its close relationship with Lyndon Johnson during his time as a Congressman and then a Senator from Texas.

After the war, Brown & Root was chosen to oversee the rebuilding of Guam, and it began to get construction contracts for major industrial facilities. During the 1950s, the company developed a large presence outside the United States.

In 1962 Brown & Root agreed to be acquired by Halliburton Company, which began as an oil-well cementing company shortly after World War I. Erle Halliburton spent years promoting his new cementing techniques to the industry before it finally caught on. To finance growth, Halliburton offered shares in the firm to seven major oil companies in the 1920s. Over the following decades, Halliburton became a leader in the provision of oilfield services.

Brown & Root prospered under Halliburton's control, taking a strong position in the construction of power plants. But in the late 1970s the company was investigated for antitrust violations. During that time its chief executive Foster Parker was found dead of an apparently self-inflicted gunshot wound. In 1978 Brown & Root pleaded no contest to antitrust charges and paid \$90 million to settle related civil suits.

These problems did not impede the company's ability to win large contracts, including a \$475 million joint venture project to build a military base for the U.S. Navy and Air Force on the island of Diego Garcia in the Indian Ocean and work relating to the reconstruction of Kuwait after the Persian Gulf War. During the mid-1990s Halliburton chief executive Dick Cheney oversaw a series of acquisitions, including Dresser Industries, parent company of the industrial construction company M.W. Kellogg. The Halliburton-Dresser merger brought together Brown & Root and Kellogg to form Kellogg Brown & Root.

In July 1995 Halliburton agreed to pay a \$1.2 million fine and \$2.61 million in civil penalties to settle criminal and civil charges that it violated a U.S. trade embargo by shipping oilfield equipment to Libya.⁶²

⁶². See Bruce Nichols, "Halliburton to Pay Fine for Shipments to Libya," Dallas Morning News, July 15, 1995 and the docket for Case 4:95-cr-00157-1 for U.S. District Court for the Southern District of Texas (Houston) available via the PACER database.

Aside from big construction projects, KBR moved decisively into the business of providing outsourced services for the military. After the 9/11 attacks, the company got contracts from the federal government to build prison camps for alleged terrorists in Guantanamo Bay and to build a new embassy in Afghanistan. Before the war in Iraq began, Halliburton got a \$7 billion non-competitive contract to repair Iraq's oilfields, which were expected to be heavily damaged during the conflict.

The extensive contracts the company received for work in postwar Iraq have been the subject of extensive controversy. In December 2003 Defense Department auditors discovered that KBR may have overcharged the government \$61 million on a contract to supply fuel for Iraq. In another contract to operate U.S. military mess halls, Halliburton was about to be overpaid \$67 million when auditors caught the problem. In the wake of the controversy, Halliburton paid the government \$6.3 million in January 2004 to cover potential overcharging by a subcontractor and alleged kickbacks to the company. The following month the Defense Department announced that Halliburton would reimburse the government \$27.4 million for possible overcharges for food services in Iraq and Kuwait. At about the same time, the Pentagon announced that it had opened a criminal investigation of KBR's billing practices.

A Pentagon audit released in March 2004 indicated that KBR could not substantiate various cost estimates passed on to the government. The Defense Department then withheld \$160 million in payments to KBR for food services until billing issues could be resolved. Another audit disclosed in August 2004 said that KBR had not adequately accounted for \$1.8 billion in work performed in Iraq and Kuwait. This prompted the Army to rebid part of KBR's contract for food, housing and other logistical support, but the Army declined to adopt the practice of regularly withholding a portion of KBR's payments until accounting questions were resolved. In fact, in February 2005 the Army announced that bonus payments of \$9.4 million would be given to KBR. All of these actions prompted critics to charge that Halliburton was getting special treatment because of its ties to Vice President Cheney.

An audit of KBR's fuel-delivery contract disclosed in April 2005 found more some \$212 million in questionable costs. In June 2005 a report by Congressional Democrats said the total of questionable charges had risen to more than \$1 billion.

Concerns have also been raised about KBR's billing practices with regard to Iraq reconstruction contracts awarded through a United Nations fund. In November 2005, the International Advisory and Monitoring Board, which oversees the fund, questioned some \$208 million in costs.

In January 2006 there were press reports that Halliburton failed to disclose that troops and civilians at a U.S. military base were exposed to contaminated water provided by KBR. Halliburton announced recently that it would spin off 20 percent of KBR in an initial public offering of stock.

An "alternative annual report" on Halliburton published last year by CorpWatch described at least 11 ongoing investigations of the company on issues ranging from alleged bribery in Nigeria to possible overbilling for work done for the U.S. government in the Balkans in the late 1990s.⁶³

In 2004 Halliburton Energy Services was fined \$5,000 by the EPA for late filing of its Toxics Release Inventory data. That same year it was fined \$700 for inadequate emergency planning.

⁶³. CorpWatch, *Houston, We Still Have a Problem: An Alternative Annual Report on Halliburton*, May 2005, pp.14-15; available online at http://www.halliburtonwatch.org/about_hal/houston.2005.pdf

Workplace safety and health record

Halliburton has spent billions of dollars settling several hundred thousand asbestos-related lawsuits filed by individuals who had worked for Brown & Root and Dresser. According to the OSHA inspections database, 30 serious violations have been found at workplaces run by Halliburton and its main subsidiaries since the beginning of 1996. Regulators called for initial fines totaling \$69,064. The company challenged some of the violations, and after settlements were reached, the number of serious fines dropped to 25 with total fines of \$31,284.

Wage and hour compliance record

A database of fair labor standards cases filed since the beginning of 2000 show several significant listings for Halliburton and its main subsidiaries. In 2000 Brown & Root had to pay about \$42,000 to settle charges of failing to pay proper overtime and failure to keep accurate records at its operation in Longview, Texas. In 2001 Halliburton Energy Services had to pay about \$506,000 to settle charges that it failed to pay proper overtime and failed to keep accurate records at its operation in Victoria, Texas. In 2002 Brown & Root had to pay a total of about \$50,000 after being cited for multiple instance of failing to pay prevailing wage rates at its operation in Ft. Huachuca, Arizona. In 2004 KBR had to pay about \$17,000 for violations of Service Contract Act requirements relating to wage rates and benefits.

Employment Discrimination

The PACER database of federal court dockets lists dozens of employment discrimination cases against Halliburton and its main subsidiaries filed during the past ten years. While some are listed as having been won by the company, numerous others were settled out of court or submitted to arbitration. The cases involve charges of discrimination based on race, age, etc. In 2001 the federal Equal Employment Opportunity Commission settled out of court with Halliburton Energy in a case that alleged violations of the Americans with Disabilities Act.⁶⁴ Occasionally a case did go to trial, such as one in which Halliburton was found to have engaged in age discrimination.⁶⁵

Labor relations record

Halliburton reports that only about 6 percent of its nearly 100,000 employees are covered by collective bargaining agreements. KBR (and Brown & Root before it) has long had a reputation as one of the most anti-union companies in the construction industry. This has been demonstrated in a number of NLRB rulings. For example, in 2001 the Board found that “antiunion animus” contributed to the decision of Brown & Root not to hire certain workers who were members of the Boilermakers union.⁶⁶

⁶⁴. See the Docket for Case 6:01-cv-00074 for U.S. District Court for the Southern District of Texas.

⁶⁵. Halliburton appealed the case and lost at that level as well. See U.S. Court for Appeals for the Tenth Circuit, 1996 U.S. App. LEXIS 3353.

⁶⁶. Cases 15-CA-12752-R and 15-CA-12875-R, 2001 NLRB LEXIS 328, May 10, 2001.

A database of unfair labor practice charges filed since the beginning of 1994 has about six listings involving cases brought against Halliburton and its main subsidiaries.

Federal campaign contributions to parties and candidates since 2000 (Halliburton & KBR combined)

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	209,000	0
Political action committee	645,000	49,000
Individual contributions by top officer	0	0
TOTAL:	\$854,000	\$49,000

LJC Defense Contracting Inc. (formerly LJC Construction)

110 North Bell Street
 Dothan, AL 36303
 (334) 677-8519
 www.ljcdefense.com
 privately held
 revenues: \$3.4 million (D&B)
 employees: 30 (D&B)
 President: Laura J. Clark
 Founded: 1995

Background

LJC began as a steel erection subcontractors but later moved into government work. For more than five years, LJC has gotten a series of federal contracts, mostly from the Army Corps of Engineers, for construction and maintenance work, including roofing repairs. President Laura Clark received the Small Business Administration’s Small Business Person of the Year award for Alabama in 2005.

In the wake of Hurricane Katrina, it was chosen as one of the federal government’s three prime contractors to install blue tarps as temporary covering for damaged rooftops in Louisiana. The contract to LJC was described as a “best value” contract awarded under the Advanced Contracting Initiatives program. In October 2005 there were press reports that more than 100 men who had been recruited from upstate New York to do Gulf Coast repair work arrived in the region to find that their jobs did not exist. The men had been recruited by Glen Harrington, a former contractor in Ithaca, NY who now lives in Texas.⁶⁷ Some of the contractors sought to blame LJC for the problem, but the company said it had no connection to Harrington and that it was supposed to give preference to local subcontractors.

On November 1, Reps. Bennie Thompson of Mississippi and Bill Pascrell of New Jersey called on the Army Corps Inspector General to investigate reports of inflated prices being charged by contractors for the temporary roofing being installed in the Gulf Coast. A Newhouse News Service story on January 6 said: “The blue-tarp roof, a symbol of hurricane damage in south Louisiana and Mississippi as

⁶⁷. See, for example: Jennifer Kingsley, “Number of Stranded Contractors Hits 130,” *Star-Gazette* (Elmira, NY), October 20, 2005.

recognizable as curbside debris, may wind up as a post-Katrina emblem of government waste reminiscent of the Pentagon's fabled \$435 hammers and \$640 toilet seats."⁶⁸

In December 2005 a lawsuit was filed in federal court in Pensacola, Florida charging that LJC failed to pay a subcontractor called Industrial Technical Services LLC for emergency roof repairs on buildings damaged by Hurricane Ivan. The case, which involves work commissioned by the Army Corps, is pending.⁶⁹

Workplace safety and health record

According to OSHA records, there has never been a safety inspection at an LJC worksite.

Wage and hour compliance record

We could find no records of federal wage and hour laws violations brought against LJC.

Employment Discrimination

We could find no records of federal employment discrimination cases against LJC.

Labor relations record

It appears that LJC is completely non-union. There are no records of NLRB elections being held at the company or unfair labor practice charges being filed against it.

Federal campaign contributions to parties and candidates since 2000

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	0	0
Political action committee	0	0
Individual contributions by top officer	1,000	3,000
<i>TOTAL:</i>	<i>\$1,000</i>	<i>\$3,000</i>

⁶⁸. Gordon Russell and James Varney, "Tiers of Subcontractors Bleed Off Reconstruction Money," Newhouse News Service, January 6, 2006.

⁶⁹. See Complaint in the docket for Case 3:05-cv-00474-MCR-EMT in the U.S. District Court for the Northern District of Florida (Pensacola) available via the PACER federal court docket database.

Phillips and Jordan Inc.

6621 Wilbanks Road
Knoxville, TN 37912
(865) 688-8342
www. pandj.com
privately held
revenues: \$392 million (D&B)
employees: 500 (Hoover's)
Chairman and CEO: William (Ted) Phillips
President: Ben R. Turner
Founded: 1952

Background

Phillips and Jordan has been a significant regional construction contractor for decades, and for much of that time has done substantial work for the federal government. P&J continued to receive contracts even after the company (then a unit of Kaneb Services Inc.) and two of its top officers (Phillips and Turner) pleaded guilty in 1981 to two counts of federal antitrust violations in connection with state highway projects in North Carolina. The charges concerned a conspiracy to submit non-competitive bids. Phillips and Turner were sentenced to 60 days in a federal minimum-security prison, and the company was fined \$250,000.⁷⁰ (These events became a matter of controversy in North Carolina in 2000, when then Democratic gubernatorial candidate Mike Easley used a helicopter owned by P&J.)

In 1982 P&J got a \$48.6 million from the Army Corps to construct a dam near Denton, Texas and (together with two joint venture partners) a \$108 million contract from the Corps for a lock and dam project in Rapides Parish, Louisiana. In the early 1990s P&J was one of the contractors that got cleanup and rebuilding work from the Corps in the wake of Hurricane Andrew. The company also received contracts from city, state and county agencies in Georgia, Tennessee, North Carolina, South Carolina, Florida, West Virginia and other states.

In 1996 P&J brought a civil rights case in federal court against the Secretary of the Florida Department of Transportation, challenging the validity of a set-aside program for minority contractors for highway maintenance work. A federal judge agreed with the company that the program violated the equal protection principle of the 14th Amendment.⁷¹

In 2001 and 2002 P&J played a key role in the clean-up of Ground Zero in New York City after the 9/11 attacks on the World Trade Center. This was based on a previous contract the company had with the Corps for disaster recovery work. In 2003 P&J was asked by the FBI to assist in searching a pond in Maryland that was thought to contain evidence relating to the anthrax by-mail attacks in 2001.

In 2002 the North Carolina Division of Air Quality assessed a record penalty of \$78,932 against P&J for violations of open-burning regulations at a land-clearing site near Garner.⁷²

⁷⁰. "Kaneb Services Unit, Officers Admit Antitrust Violations," *Wall Street Journal*, July 27, 1981.

⁷¹. *Phillips & Jordan v. Watts*, Northern District of Florida, Tallahassee Division, 13F.Supp. 2nd 1308; 1998 U.S. Dist. LEXIS 17150.

⁷². "Record Penalty Assessed for Open-Burning Violations," *North Carolina Environmental Law Letter*, August 2002.

P&J was brought in by the Corps to help with removal of debris left by Hurricane Ivan in 2004. After receiving its \$500 million debris removal contract in the Gulf Coast in 2005, P&J's name has been mentioned in articles reporting about payment problems being faced by subcontractors, but no direct accusations against P&J were found.

Workplace safety and health record

According to OSHA records, there have been seven safety inspection at P&J worksites, but no serious violations were found.

Wage and hour compliance record

We could find no records of federal wage and hour laws violations brought against P&J during the past ten years.

Employment Discrimination

We found one example of a federal employment discrimination cases against P&J. In 1996 Robert L. Carpenter filed an age discrimination case against the company in federal court in Knoxville, Tennessee. In 1997 the case was settled out of court.⁷³

Labor relations record

It appears that P&J is completely non-union. There are no records of NLRB elections being held at the company. One unfair labor practice charge was brought by a worker in Knoxville, TN in 2005.

Federal campaign contributions to parties and candidates since 2000

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	0	0
Political action committee	0	0
Individual contributions by top officer	36,000	14,000
TOTAL:	\$36,000	\$14,000

⁷³. Docket for Case 3:96-cv-00498 for U.S. District Court for the Eastern District of Tennessee (Knoxville) available via the PACER database.

The Shaw Group Inc.

4171 Essen Lane
Baton Rouge, LA 70809
(225) 932-2500

www.shawgrp.com

publicly traded with ticker symbol SGR on the New York Stock Exchange

revenues: \$3.3 billion (fiscal year ending 8/31/05)

employees: 19,000

Chairman and Chief Executive: James M. Bernhard Jr.

Founded: 1987

Background

James Bernhard Jr. founded the company, originally called Shaw Industries, in 1987 after working at various pipe fabrication and contracting companies in Baton Rouge and then acquiring Benjamin F. Shaw Co., a century-old maker of power-station piping systems based in South Carolina. The company grew by leasing fabrication plants in Louisiana and Texas before buying its own facilities. By the early 1990s Shaw was operating abroad in countries such as Bahrain and Venezuela.

In 1993 the company changed its name to the Shaw Group and conducted an initial public offering of stock. Through the rest of the 1990s the company acquired a series of pipe fabrication companies in the United States. Beginning in the latter part of the decade, Shaw acquired some construction and maintenance companies with the aim of being able to take on contracts for the planning and building of entire power and process plants. This transition was initially difficult, so in 2000 Shaw acquired Stone & Webster, a well-established engineering and construction company that had filed for Chapter 11 bankruptcy. This deal gave Shaw a portfolio of public infrastructure and environmental remediation projects. It also put Shaw in a position to take on large contracts from industrial and utility companies in the U.S. and abroad. The remediation work was also assisted by the 2002 acquisition of a company called The IT Group.

In 2004 the company disclosed that the Securities and Exchange Commission had begun an informal inquiry into its accounting procedures. This led to the filing of a shareholder class action suit but no action as yet on the part of the SEC.

Shaw, the largest publicly traded company based in Baton Rouge, has close ties to Gov. Kathleen Blanco. A year ago, Blanco's office admitted that the Governor used the company's private jet on several occasions.

Shaw's reach has become quite wide. It has been doing work in Iraq rebuilding power plants, constructing military housing and clearing sites of unexploded ordnance. Its engineering division is designing several nuclear power plants in South Korea. In 2004 its workers did temporary roof repair work in Florida in the wake of Hurricane Frances. Several years ago its environmental arm helped clean anthrax contamination in federal buildings in Washington.

In 2000 Shaw Group was fined \$5,000 by the EPA for reporting violations related to the Emergency Planning & Community Right to Know Act. In 2004 a Shaw subsidiary was fined \$18,590 for a violation related to the Toxics Release Inventory. That same year Shaw's Stone & Webster subsidiary was fined \$13,406 in connection with the release of about 2,000 pounds of sodium hypochlorite at a construction site in Michigan.

There was some controversy over the \$100 million contract received by Shaw for Katrina work. Critics pointed out that the company had hired lobbyist/consultant Joe Allbaugh, former FEMA Director, though Allbaugh claimed he played no role in winning the contract.

In December Shaw joined with KB Homes in a joint venture that will build new homes in Louisiana, especially for people displaced by Katrina. Recently, a developer creating a \$40 million office building and parking garage for Shaw in Baton Rouge sought Gulf Opportunity Zone bond financing for the project. The State Bond Commission tabled the request after several members questioned the propriety of projects that did not involve hurricane recovery.⁷⁴

Workplace safety and health record

According to OSHA records, there have been nine safety inspections at Shaw Group worksites since the beginning of 1996 that have found serious violations. A total of 23 serious violations were initially brought with total proposed fines of \$63,900. After some of the violations were challenged and settlements were reached, there were a total of 19 serious violations and fines of \$45,225 (though the case involving three violations is still open).

The company put out a press release in December 2004 saying that it had eight worksites that had achieved STAR status (the highest rating) in OSHA's Voluntary Protection Program.

Wage and hour compliance record

In 2001 the U.S. Department of Labor found that Shaw Global Energy Services in Delcambre, Louisiana had failed to pay workers properly for overtime. The company paid \$37,003 to settle the case. A similar case at Stone & Webster in 2004 resulted in a payment of \$3,622.

Employment Discrimination

In October 2000 Anthony Gibson, Elijah Blanson Jr. and Raymond L. Reed filed a racial discrimination lawsuit against the Shaw Group and its subsidiary Shaw Process Fabricators Inc. The case was settled out of court in 2001. The plaintiffs had to return to court to get the settlement enforced.⁷⁵ There have been at least three discrimination cases brought against Stone & Webster covering the period following its acquisition by Shaw. In May 2005 Roberto Ortiz, described in the court papers as Mexican-American, brought a charge of national-origin discrimination in connection with his termination. The case is pending.⁷⁶

⁷⁴. Jan Moller, "5 Projects Tabled as Aid Debate Touched Off," New Orleans *Times-Picayune*, February 17, 2006.

⁷⁵. Docket for Case 3:00-cv-02308-RGJ-JDK for U.S. District Court for the Western District of Louisiana (Monroe) available via the PACER database.

⁷⁶. Docket for Case 4:05-cv-01671 for U.S. District Court for the Southern District of Texas (Houston) available via the PACER database.

In September 2005 Delisa Davona Lemay filed a gender discrimination suit against Stone & Webster, charging that she was terminated after bringing her supervisor's discriminatory treatment to the attention of a manager. The case is pending.⁷⁷

Also in September 2005 Ramachandran Seetharaman, described in court papers as a U.S. citizen born in India, filed a discrimination suit against Stone & Webster, charging that race played a role in his termination as an engineer after he expressed safety concerns about a nuclear reactor system he was helping to design. The case is pending.⁷⁸

Labor relations record

Shaw reports that about 1,600 of its 19,000 employees are represented by unions. It appears that the union presence is mainly in the Stone & Webster unit. A database of unfair labor practice charges since the beginning of 1994 has about two dozen listings of cases against Shaw and its subsidiaries.

Federal campaign contributions to parties and candidates since 2000

	<u>REPUBLICANS</u>	<u>DEMOCRATS</u>
Soft money and 527s	0	15,000
Political action committee	150,000	132,000
Individual contributions by top officer	1,000	19,000
TOTAL:	\$151,000	\$166,000

⁷⁷. Docket for Case 5:05-cv-01908-IPJ for U.S. District Court for the Northern District of Alabama (Northeastern) available via the PACER database.

⁷⁸. Docket for Case 1:05-cv-11863-RWZ for U.S. District Court for the District of Massachusetts (Boston) available via the PACER database.