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**Bechtel:**

**Profiting from Destruction**

**- Why the Corporate Invasion of Iraq Must be Stopped**

# Bechtel: Profiting from Destruction

- Why the Corporate Invasion of Iraq Must be Stopped



*The Mourning Mothers in front of the Bechtel headquarters in San Francisco. Photographed by Steven Brown.*

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The report details many local struggles that are the backbone of the fight for justice advocates worldwide. A number of struggles are listed at the end of the report. May this report strengthen their effort and bolster their success.



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# Introduction and Executive Summary

On March 20 and 21, 2003, two days after the U.S.-led invasion of Iraq, the people of San Francisco organized a massive protest to shutdown the world headquarters of the Bechtel Corporation. Many Americans may be unaware of the connection between the Bechtel Corporation and the U.S.-led war in Iraq. Bechtel employees like George Shultz not only used their political influence to help bring this war about, but key Bechtel board members and employees with advisory positions to the Bush Administration helped ensure that Bechtel would receive one of the most lucrative contracts for rebuilding what they had helped to destroy.

On April 17, Bechtel received one of the first and largest of the rebuilding contracts in Iraq. Worth \$680 million over 18 months, the contract includes the rebuilding, repair and/or assessment of virtually every significant element of Iraq's infrastructure, from power generation facilities to electrical grids to the municipal water and sewage systems. The contract was granted in backroom deals without open and transparent bidding processes and the content remains hidden behind a veil of secrecy. The contract has not been publicly disclosed to American taxpayers, who will be paying the majority of the bill. While there is no doubt that Bechtel has experience in these areas, it is an experience from which the people of Iraq should be spared.

War profiteering and political cronyism is just part of this story.

This report provides case studies from Bechtel's history of operating in the water, nuclear, energy and public works sectors. These case studies reveal a legacy of unsustainable and destructive practices that have reaped permanent human, environmental and community devastation around the globe. Letters from "Bechtel affected communities" included here provide first-hand descriptions of these impacts, from Bolivia to Native American lands in Nevada. The report reveals a 100-year history spent capitalizing on the most brutal technologies, reaping immense profits and ignoring the social and environmental costs.

With Bechtel's new contract in Iraq, the opportunity for expansion throughout the region would be further advanced by a recently announced Bush Administration plan for a U.S.-Middle East Free Trade Area by 2013. Bechtel even had a role in this, with Riley P. Bechtel, the chairman and CEO, appointed in February to the President's Export Council – President Bush's advisory committee on international trade. Such an agreement would make the corporate invasion of the entire region a reality, and Bechtel, as usual, would be in the lead.

Two wars and over a decade of sanctions have crippled Iraq's infrastructure. It is imperative that the humanitarian needs of the Iraqi people – particularly the right to self-determination – take precedence in the rebuilding effort. Bechtel should be held accountable for its past and current destructive practices rather than made more profitable by being entrusted with Iraq's most valuable public resources and reconstruction. U.S. assistance should support Iraqi organizations and businesses, rather than provide lucrative contracts to promote U.S. business interests and expand U.S. markets in Iraq.

The military invasion of Iraq must not be followed by a corporate invasion.

The report provides the following sectors of analysis:

## *A. Doing Business with Dictators: Bechtel's History in Iraq*

As detailed in this report, Bechtel profited from the Hussein regime, and would have made a great deal more if they had had their way. From 1983 to 1988, Iraqi warplanes dropped between 13,000 and 19,500 chemical bombs on the people of Iraq and Iran. During this same time period, Bechtel



and its allies in the Reagan Administration aggressively lobbied the Iraqi government to sign a contract with Bechtel to build an oil pipeline from Iraq to the Gulf of Aqaba in Jordan. Bechtel not only ignored the monumental humanitarian atrocities perpetrated by their Iraqi business associates, they took steps to ensure that their business deal would not be harmed by an official U.S. government condemnation of the Iraqi crimes. Bechtel also consulted in the construction of a petrochemical plant for Hussein that many fear was used by Iraq to build chemical weapons. There are even charges that Bechtel helped Iraq produce conventional arms. Bechtel profited off of the Hussein regime while they could. When the relationship soured, their employees and associates helped influence the decision to invade the country. Allowing this corporation to then profit from Iraqi reconstruction is immoral and unacceptable.

### *B. The Revolving Door: Bechtel's Friends in High Places*

The Bechtel family made its fortune by perfecting the art of the revolving door. Bechtel has used its intimate relationships with Republican Administrations past and present to alter not only its own, but all of our destinies. Bechtel's use of these connections has most recently played out in their role as both instigators (through their board members and executives) and as profiteers of the war in Iraq. Some current examples of insider influence include: CEO Riley Bechtel, who is on the President's Export Council, which advises the President on trade issues; Bechtel senior counsel and board member, George Shultz, who is chairman of the advisory board of the Committee for the Liberation of Iraq, which has close ties to the White House; General (Ret.) Jack Sheehan, senior vice president at Bechtel, who is a member of the influential Defense Policy Board; Daniel Chao, another Bechtel senior vice president, who serves on the advisory board of the U.S. Export-Import Bank and Ross J. Connelly, a 21-year veteran of Bechtel, who is the executive vice president and chief operating officer for the U.S. Overseas Private Investment Corporation. More of an "open" than a "revolving" door, Bechtel uses these cozy relationships to the detriment of people and the planet.

### *C. Bechtel Brings Water Woes around the World*

If Bechtel's contract in Iraq is extended to include "distribution of water," just as Halliburton's was for oil, the people of Iraq have much to fear. Bechtel is one of the top-ten water privatization firms in the world. After privatizing the water system in Cochabamba, Bolivia, a subsidiary of Bechtel made water so expensive that many were forced to do without. The government met public protests with deadly police force. Bechtel waited. Finally, the Bolivian government canceled Bechtel's contract. The company responded with a \$25 million lawsuit for lost profits. This is but one such case study provided in this report that draws on community struggles against Bechtel from San Francisco, California to Sophia, Bulgaria. Each case demonstrates Bechtel's extreme disregard for the rights of its workers and the rights of communities to have access to affordable water.

### *D. Bechtel and Nuclear Nightmares*

Starting with the Manhattan Project that developed the atomic bomb and engineering the first reactor to generate electricity, Bechtel has been heavily involved in both commercial and military nuclear activities. These have included some of the most notable nuclear mishaps in U.S. history, from California's San Onofre reactor installed backwards, to the botched clean up of Three Mile Island. Now, while the legacy of environmental contamination and worker exposures continue to threaten public health and safety, Bechtel is finding ways to profit from the radioactive mess its projects have created.

### *E. Bechtel and Public Works: A History of Taxpayer Abuse*

Bechtel is being entrusted with millions of dollars of U.S. taxpayer and/or Iraqi oil dollars in the reconstruction effort in Iraq. As detailed throughout this report, however, Bechtel has proven that it has little regard for the rights of taxpayers to protect their resources against Bechtel's abuses. In one particularly egregious example, Bechtel is the corporation behind the most costly civil engineering undertaking

in U.S. history, the Boston Central Artery tunnel project, known as the “Big Dig.” Bechtel originally estimated the federally-funded project at \$2.5 billion in 1985. The cost has reached \$14.6 billion and appears to be rising still. Congress has investigated this mass abuse of taxpayer money on charges of extreme mismanagement and blind profiteering. Bechtel’s history of worker abuses goes back as far as the construction of the Hoover Dam in the 1930s. A representative of the Bechtel-led joint venture that built the dam bluntly stated at the time, “they will work under our conditions, or they will not work at all.” Labor conditions were so horrendous that the Department of Labor charged Bechtel with 70,000 separate violations and fined the company \$350,000 (Bechtel had the fine reduced to \$100,000). Bechtel’s disregard for the human rights of workers remains a constant point of contention in its projects throughout the world.

### *F. Bechtel and Unsustainable Energy*

Bechtel has played a major role in construction for the fossil fuel economy and the mining industry. As the environmental costs of our fossil fuel addictions become clearer, and the limits of our natural resource base loom closer, Bechtel must be held responsible for the role it has played in moving our country toward further dependency on unsustainable energy practices. Bechtel boasts on its website of its involvement in more than 350 fossil-fuel power plants. It has built a vast network of oil pipelines in the U.S., Canada, the Middle East, Eastern Europe and Colombia. Bechtel is also involved in mining operations in Chile, Papua New Guinea, and other places where toxic waste has polluted land, water and caused deaths among the local population.

### *G. Conclusions and Recommendations*

Bechtel has a shameful track record of reaping human, environmental and financial devastation in communities throughout the world—from Boston to Bulgaria to Bolivia. Rather than being rewarded for such behavior with control over many of Iraq’s most valuable public resources, Bechtel should be held accountable for its past and current destructive practices and condemned by citizens of the world. If anything resembling ethical, transparent and accountable practices had prevailed in the contract decision-making process – such as open bidding practices, full public disclosure of the bidding documents, ensuring the corporation has a satisfactory record of integrity and business ethics – Bechtel would certainly be excluded from business activities in Iraq. This section makes concrete recommendations to stop the Bush Administration from doling out contracts to undeserving firms with which it has close ties, including Bechtel and Halliburton.



# A. DOING BUSINESS WITH DICTATORS: BECHTEL'S HISTORY IN IRAQ<sup>i</sup>

## *Bechtel's Contract in Iraq*

Even before the military invasion of Iraq began, the corporate invasion was well underway. Weeks, if not longer, before the war began, the Bush Administration invited a select few of its oldest friends and closest allies to bid on the rebuilding effort – the largest since the Marshall Plan. High on the list was former Secretary of State George Shultz's current and long-time employer, Bechtel of San Francisco.

According to *The Wall Street Journal*, the U.S. Agency for International Development (USAID) secretly sent a detailed "request for proposals" to a select handful of the nation's most politically connected firms.<sup>ii</sup> On April 17, Bechtel was awarded \$34.6 million of an 18-month contract worth up to \$680 million. According to USAID, the contract includes assessment and repair of power generation facilities, electrical grids, municipal water and sewage systems, rehabilitation or repair of airport facilities, the dredging, repair and upgrading of the Umm Qasr seaport; and may also include the repair and reconstruction of hospitals, schools, selected ministry buildings and major irrigation structures, as well as restoration of essential transport links.<sup>iii</sup> Tens of billions of either U.S. taxpayer and/or Iraqi oil dollars are expected to change hands before the rebuilding is through.

According to *The New York Times*, the contracts guarantee companies will be paid under a "cost plus fixed fee" deal.<sup>iv</sup> Once the costs of the project are established, the contractor is entitled to recover those costs plus a fee that is a fixed percentage of those costs. That percentage is generally eight to ten percent, although *The New York Times* reported that before signing the contract, Bechtel was seeking government insurance against claims for property damage, injuries or death while working in Iraq, a provision that could save them millions of dollars and increase the potential profits significantly.<sup>v</sup>

## "Crony Capitalism"

Cries of political cronyism have been heard from the streets, the Congress and around the globe since the bidding process was first leaked, and understandably so. Bechtel's roots in current and past Republican administrations are provided in detail in this report. Needless to say, they are deep and wide.

Bechtel board members and employees will not only profit from the war with Iraq, but through a variety of government advisory positions, they seem to have played significant roles in ensuring that the war took place.

The most blatant example is George Shultz, former Secretary of State and Bechtel's current senior counsel and director. As described by Bob Herbert in *The New York Times*, Shultz "is also the chairman of the advisory board of the Committee for the Liberation of Iraq, a fiercely pro-war group with close ties to the White House. The committee, formed last year, made it clear from the beginning that it sought more than the ouster of Saddam's regime. It was committed, among other things, 'to work beyond the liberation of Iraq to the reconstruction of its economy.'"<sup>vi</sup>

With Bechtel's new contract in Iraq, the opportunity for expansion throughout the region would be further advanced by a recently announced Bush Administration plan for a U.S.-Middle East Free Trade Area by 2013. Bechtel even had an apparent role in this, as Riley P. Bechtel, the chairman and CEO, was appointed in February to the President's Export Council – President Bush's advisory committee on international trade. Such an agreement would make the corporate and economic invasion of the entire region a reality, and Bechtel, as usual, would be in the lead.

While U.S. corporations continue to jockey for contacts and subcontracts in the lucrative business of



post-war “reconstruction,” a huge number of Iraqis remain without the basic services of water and electricity, struggling from day to day to piece together a livelihood.

## Will Bechtel Privatize Iraq’s Water?

Bechtel is one of the top ten water privatization companies in the world.<sup>vii</sup> Globally, it is involved in over 200 water and wastewater treatment plants, in large part through its numerous subsidiaries and joint ventures such as International Water.<sup>viii</sup> Bechtel’s record in providing this most precious of life’s resources is often to sacrifice human needs for profit – a practice that should not be allowed to be replicated in Iraq.

Halliburton received a \$77 million contract to repair Iraq’s oil fields. In April, we learned that the contract also includes both the pumping and selling of Iraq’s oil. On May 1, *The Wall Street Journal* revealed a Bush Administration paper outlining a “broad based Mass Privatization Plan” for Iraq including “the privatization of state-owned industries such as parts of the oil sector.”<sup>ix</sup> Neither members of Congress nor the American public have seen this paper. There is reason to speculate, however that water privatization may well be included on Bush’s privatization list.

*Bechtel’s contract includes rebuilding Iraq’s water and wastewater systems. If their contract is extended to include “distribution of water,” just as Halliburton’s was for oil, the people of Iraq have much to fear.*

The Bush Administration actually tried to impose a market-based water distribution system in Iraq already. U.S. Army Colonel David Bassert of the 354th Civil Affairs Brigade in Iraq told the *New York Daily News* that the Americans wanted to arrange for Iraqi contractors to sell water for a profit in Umm Qasr in order to nudge the Iraqis into free-market practices “so they don’t get used to a welfare system.”<sup>x</sup> The British, on the other hand, wanted to provide the water for free, noting that a barter system for water had existed for generations in Iraq and there was no reason to alter the system now. The British won. But Bechtel was not then in Iraq. It is now.

The reason for concern goes beyond the immediate access of Iraqis to their water, however. Water is already the cause of wars in the Middle East and Iraq is home to the most extensive river system in the region, including the Tigris and Euphrates Rivers and the Greater and Lesser Zab Rivers. It also has a sophisticated system of dams and river control projects.

As Stephen C. Pelletiere, a former CIA senior political analyst on Iraq during the Iran-Iraq War, wrote in January in *The New York Times*, “America could alter the destiny of the Middle East in a way that probably could not be challenged for decades – not solely by controlling Iraq’s oil, but by controlling its water. Even if America didn’t occupy the country, once Mr. Hussein’s Baath Party is driven from power, many lucrative opportunities would open up for American companies.”<sup>xi</sup>

## Bechtel in Iraq: dealing with the dictator

Allegations of war profiteering are nothing new to Bechtel. The company made over \$100 million off of World War II – a number high enough to attract the attention of Congressional investigators holding hearings on war profiteering.<sup>xii</sup> During the 1958 hearings to confirm Bechtel’s wartime partner John McCone to become the Commissioner of the Atomic Energy Commission, Ralph Casey of the U.S. General Accounting Office criticized McCone and other World War II wartime manufacturers for making excessive profits during the war. Casey pointed out that “at no time in the history of American business, whether in wartime or in peacetime, have so many men made so much money with so little risk, and all at the expense of the taxpayers, not only of this generation but of generations to come.”<sup>xiii</sup> McCone’s appointment was approved despite this condemnation.



Bechtel also has a long history of taking U.S. taxpayer money to subsidize partnerships with dubious governments at extreme social and environmental cost. Bechtel's intimate revolving door with the U.S. government facilitates access both to U.S. taxpayer money and insider deals with governments of strategic interests to the U.S.

As described in stunning detail by the Sustainable Energy and Economy Network/Institute for Policy Studies in a May 2003 report, the interplay between Bechtel, the U.S. government, dubious business partners, national security, high profits and extreme social harm are at their most blatant in Bechtel's dealings with the Iraqi government of Saddam Hussein.

### *The Aqaba Pipeline*<sup>xiv</sup>

From 1983 to 1988, Iraqi warplanes dropped between 13,000 and 19,500 chemical bombs on the people of Iraq and Iran. During this same time period, Bechtel and its allies in the Reagan Administration aggressively lobbied the Iraqi government to sign a contract with Bechtel to build an oil pipeline from Iraq to the Gulf of Aqaba in Jordan. Bechtel not only ignored the monumental humanitarian atrocities perpetrated by their Iraqi business associates, they took steps to ensure that their business deal would not be harmed by an official U.S. government condemnation of the Iraqi crimes.

Then Secretary of State George Shultz orchestrated the initial discussions with Iraq in 1983 on behalf of his former employer, Bechtel. Between serving as President Richard Nixon's Secretary of Treasury and President Ronald Reagan's Secretary of State, George Shultz spent eight years as Bechtel's president and director. He is currently both a board member and senior counselor. Behind the scenes, Shultz composed Donald Rumsfeld's pipeline pitch to Saddam. At the time, Rumsfeld, officially, was special envoy on a peace mission to the Middle East.

Negotiations between the U.S. government, Bechtel and Iraq continued unabated as the U.S. government condemned Iraq's use of chemical weapons in the war against Iran. In fact, on March 24, 1984, just fif-

teen days after the official condemnation, Shultz warned Rumsfeld that he was worried about the impact of the condemnation on U.S.-Iraq relations and the pipeline deal. Two days later, Rumsfeld met with Iraqi Deputy Prime Minister Tariq Aziz in Baghdad to further discuss the pipeline.

Bechtel's cozy government relations have made it uniquely successful in securing U.S. taxpayer-funded subsidies for their building efforts and Iraq is no exception. In June 1984, Bechtel successfully secured \$484.5 million in government loan guarantees from the U.S. Export-Import Bank for Iraq for the Aqaba pipeline. One month later, Bechtel itself applied for \$85 million in political risk insurance from the U.S. government's Overseas Private Investment Corporation (OPIC). Then, in a move reminiscent of their current contract deal in Iraq, in June 1985, Attorney General Edwin Meese suggested that the National Security Council work to figure out a financing arrangement for the pipeline that would not require Congressional approval.

Ultimately, the deal was unsuccessful because of Iraqi concerns over the safety of the pipeline through Israel and in 1985 Hussein called off the deal. However, as late as 1987, Bechtel asked OPIC to continue its registration for the project.

**Now Hussein is out and Bechtel is in – this time, pumping water instead of oil.**

**Arming the Dictator: Chemical Weapons in Iraq**  
Bechtel not only disregarded Iraq's chemical warfare atrocities, it may have helped create them.

Bechtel signed a contract in 1988 to manage the engineering and construction of a petrochemical plant near Baghdad. Many have worried that Iraq has used the plant to develop chemical weapons. Jim Vallette, Research Director of the Sustainable Energy and Economy Network, made the following findings:

*“Bechtel Corporation signed a contract to consult in the construction of a petrochemical complex (PC-2) South of Baghdad, just four months after the Hussein government infamously “gassed the Kurds” with mustard gas. The Bechtel design involved “dual-use”*

technology. According to *Middle East Defense News*, “a key feature of the PC-2 project was the plan to manufacture ethylene oxide, a precursor chemical that is easily converted to thyodiglycol, which is used in one step to make mustard gas.” When UN weapons inspectors arrived in 1991, they declared the industrial complex that PC-2 was a major part as the “smoking gun” that proved Iraq was pursuing a “Weapons of Mass Destruction”(WMD) program.

The U.S. Dept. of Agriculture’s Commodity Credit Corporation (CCC) funded Bechtel’s construction of the PC-2. The CCC is designed to create export markets for US farmers, but, in the 1980s, the Reagan-Bush Administrations used it as a “piggy bank” to covertly arm Iraq. The Atlanta branch of the Banca Nazionale del Lavoro (B.N.L.) used a CCC guaranteed loan to fund Bechtel’s construction of the PC-2 project, which was obviously not a grain purchase.

After the imposition of sanctions in 1990, Iraq defaulted on this loan. In other words, in 1990, US taxpayers paid for Bechtel’s construction of an Iraqi chemical weapons factory, and, now in 2003, they are paying Bechtel \$680 million to rebuild Iraq after the US destroyed and invaded the country under the pretext of preventing Iraq from developing WMD.”<sup>xv</sup>

## Arming the Dictator II: Conventional Weapons in Iraq

Two Iraqi reports to the United Nations from 1996 and 2002, list Bechtel as one of two dozen U.S. corporations that supplied Iraq with one or more of the following: “conventional weapons, military logistics, supplies at the Iraqi Ministry of Defense, and building of military plants.” The reports were revealed on December 12, 2002 in the German newspaper *Die Tageszeitung*. British and American officials and weapons experts have since attested to the list’s accuracy.<sup>xvi</sup>

Bechtel helped arm Iraq. It did so while the Hussein regime was being found guilty of some of the most horrendous human rights abuses imaginable. Bechtel made a profit from the Hussein regime, and would have made a great deal more if Hussein had not canceled the Aqaba pipeline deal in 1985. Bechtel’s board members and employees influenced the decision to go to war against Iraq in the first place. They now seek to profit off of the destruction brought by Hussein and the U.S.-led war.



## B. THE REVOLVING DOOR: BECHTEL'S FRIENDS IN HIGH PLACES

The Bechtel family made its fortune by perfecting the art of the revolving door. Bechtel has used its intimate relationships with Republican administrations past and present to alter not only its own, but all of our destinies. While Bechtel takes pride in being a family-run business of four generations, this privately held corporation is no humble mom and pop operation. Bechtel is a monolithic engineering and construction giant that operates on seven continents. In 2002 alone, Bechtel booked new work totaling \$12.7 billion with gross revenues of \$11.6 billion, involving some 900 projects in nearly 60 countries.

<sup>xvii</sup> Riley Bechtel, CEO of Bechtel for the last 13 years, was ranked as the one of the richest people in the world.<sup>xviii</sup> According to *Forbes Magazine* he has an estimated fortune of \$3.2 billion. According to the Center for Responsive Politics, Bechtel doled out \$1,303,765 in contributions to federal campaigns and candidates between 1999 and 2002, 59% of which went to Republicans.<sup>xix</sup>

Bechtel began when Warren A. Bechtel performed his first construction work in 1898 grading railroad beds. By 1906, Bechtel was building railroads along the Pacific Coast and in ensuing years expanded into roads, tunnels, bridges and dams. In the 1950s, Bechtel capitalized on the nuclear age and solidified its position as the pre-eminent company building all things nuclear. In the U.S. alone, Bechtel has had a hand in the design and/or construction of 45 nuclear power plants in 22 states.<sup>xx</sup> In addition to nuclear plants, Bechtel's projects include petroleum and chemical plants, nuclear weapons facilities, oil pipelines, mining and metal projects, water management and privatization and a host of other construction works. Bechtel projects include the Hoover Dam, the Alaskan oil pipeline, and the Bay Area Rapid Transit System (BART).

Bechtel is also known for another type of building – building and nurturing of relationships with succes-

### Bechtel's Government Friends Grant Big Contracts

**Export-Import Bank:** The Ex-Im Bank's five biggest corporate beneficiaries this decade included Bechtel, AT&T, Boeing, General Electric, and McDonnell Douglas (which has been purchased by Boeing).<sup>xxii</sup> A few of the loans and guarantees Bechtel received from the Ex-Im Bank include \$444 million for the Quezon, Philippines power project, \$250 million for a Croatian highway, \$523 Million for two Turkish power plants, among many others.<sup>xxiii</sup>

**US Agency for International Development (USAID):** The Iraq reconstruction contract is the latest result of a long relationship with USAID. Bechtel provided lumber to cover roof damage from the Kosovo war in 1999.<sup>xxiv</sup> It received a 30 year \$25 million loan guarantee from USAID for a private integrated water and sewerage project at Tirupur in Tamil Nadu, India, in 1999.<sup>xxv</sup> The corporation received USAID funding to assist the Polish government in the deregulation of energy prices.<sup>xxvi</sup> Other recent USAID contracts to Bechtel have been awarded for work in Morocco, Bangladesh, Costa Rica and Jamaica.<sup>xxvii</sup>

**World Bank's International Finance Corporation (IFC):** In recent years the IFC granted a \$50 million loan for the Bechtel joint venture, Manila Water Company, in the Philippines.<sup>xxviii</sup> Bechtel also received \$80 million for the Aeropuerto Internacional Juan Santamaria in Costa Rica.<sup>xxix</sup>

sive Republican administrations over the past six decades. Bechtel has been and remains one of the most politically well-connected corporations in the United States. Its current and past board members and top executives have had more of an “open” than even a “revolving” door with current and past administrations. Bechtel has used these cozy relationships to wield immense influence over public policy which has allowed it to amass a fortune at the expense of people and the planet.

Steve Bechtel Sr., former CEO and empire-builder of Bechtel, explained, “In this business, you get to know people, sit on their boards and one day when something comes up, they ask you to take on a project.

One thing leads to another.”<sup>xxi</sup>

### *In the Beginning....*

In the 1940s, Bechtel began what would prove to be a fruitful relationship with the U.S. Central Intelligence Agency (CIA). Close ties developed between the CIA’s deputy director, Alan Dulles, and Steve Bechtel’s financial advisor, John Simpson. Steve Bechtel also served as the CIA’s liaison with the Business Council and other organizations linked with the CIA.<sup>xxx</sup> These connections allowed Bechtel to further its business deals, notably in Saudi Arabia and then throughout the Middle East. In fact, in 1947 Bechtel built what was then the longest pipeline in the world through Saudi Arabia.

At the birth of the nuclear era, Bechtel used its political connections to bring commercial nuclear power into the world. John A. McCone, Steve Bechtel’s World War II ship-building associate and close friend became chairman of the Atomic Energy Commission under President Eisenhower. (McCone then moved on to become CIA director under Kennedy and Johnson). Later, under the Reagan administration, Bechtel’s own former Vice-President W. Kenneth Davis, was appointed Deputy Secretary of the U.S. Department of Energy from 1981 to 1983.

The list goes on and on and reads like a “how to” book on wielding political and corporate influence in the United States and around the world. However, for the sake of brevity, we will jump ahead to the

Reagan Administration and list the players in Bechtel’s “open door” with the U.S. government.

**William Casey**, who served in three Republican administrations (Chairman of the Security and Exchange Commission under Nixon, as head of the Export-Import Bank under Ford, and as campaign manager and head of the CIA under Reagan) served as a consultant for Bechtel.<sup>xxxii</sup>

**Caspar Weinberger**, Secretary of Defense in the Reagan Administration, was Bechtel’s general counsel and served on the company’s board from 1975 to 1981.

**George Shultz**, Bechtel board member and senior counsel. Between serving as Nixon’s Secretary of Treasury and Reagan’s Secretary of State, he spent eight years as Bechtel’s president and director. He returned to Bechtel after his term as Secretary of State ended. Shultz also served a stint (appointed Winter 2002) on the Defense Policy Board, an elite group that advises Secretary of Defense Donald Rumsfeld on matters including the war against Iraq.

Shultz is also the chairman of the advisory board of the Committee for the Liberation of Iraq, a fiercely pro-war group with close ties to the White House. The committee formed last year, made it clear from the beginning that it sought more than the ouster of Saddam’s regime. It was committed, among other things, ‘to work beyond the liberation of Iraq to the reconstruction of its economy.’<sup>xxxiii</sup> He strongly advocated for war on Iraq in a September *Washington Post* opinion piece entitled “Act Now; The Danger is Immediate.”

**Riley Bechtel**, CEO of Bechtel was appointed in February 2003 to the President’s Export Council which advises the President on international trade issues. Soon after Riley Bechtel’s appointment, **Terry Valenzano**, director of Bechtel’s construction business in Saudi



Arabia, flew to Kuwait City to meet with Jay Garner, the initial official appointed by the Pentagon to oversee “reconstruction” in post-Hussein Iraq. Also shortly after Riley’s appointment, President Bush announced plans for a U.S.-Middle East Free Trade Area by 2013. With Bechtel’s new contract in Iraq, the opportunity for expansion throughout the region would be greatly advanced through such an agreement.

**General (Ret.) Jack Sheehan**, a senior vice president at Bechtel, who manages their petroleum and chemical operations, is a member of the influential Defense Policy Board (described above.)

**Daniel Chao**, another Bechtel senior vice president, serves on the advisory board of the U.S. Export-Import Bank, a taxpayer-funded agency that is the official export credit agency of the U.S. government. The Ex-Im Bank is a major source of loans, guarantees and insurance for American corporations operating overseas. In the 1990s, Bechtel was one of the largest recipients of financing from the Export-Import Bank.<sup>xxxiii</sup>

**Ross J. Connelly**, a 21-year veteran of Bechtel, is the executive vice president and chief operating officer for the U.S. Overseas Private Investment Corporation (OPIC), another federal aid program for U.S. corporations operating abroad. OPIC provides political risk insurance and loans to U.S. corporations operating overseas.

**Secretary of Defense Donald Rumsfeld**. According to the May 2003 report by the Sustainable Energy and Economy Network/Institute for Policy Studies discussed in detail in this report, Rumsfeld lobbied on behalf of Bechtel during two trips to Iraq in the 1980s.<sup>xxxiv</sup> In 1983 and 1984, Rumsfeld traveled to Iraq as a special envoy of the Reagan Administration and met with members of Saddam Hussein’s government. The main topic of discussion was a proposed pipeline to carry Iraqi crude oil through Jordan to the Red Sea port of Aqaba which Bechtel hoped to build.

**Andrew Natsios**, the administrator of US AID, the agency awarding reconstruction contracts in Iraq, is a former Bechtel project supervisor. Just two years ago, in his position as Chairman of the Massachusetts Turnpike Authority, he oversaw Bechtel’s work on Boston’s “Big Dig” project, a project notorious for its mismanagement and cost overruns.

Bechtel board member, **George Schultz**, used his political connections to lobby on behalf of a military invasion of Iraq. Bechtel received a request to bid on the reconstruction of Iraq before the invasion even began in a secret, undemocratic process. The contract itself has still not been seen by the Congress, much less the American public. Bechtel has once again used its revolving door to benefit itself and its friends at the expense of the majority of the world’s people and the planet.

## C. BECHTEL BRINGS WATER WOES AROUND THE WORLD

Bechtel is one of the top ten water privatization companies in the world.<sup>xxxv</sup> Globally, it is involved in over 200 water and wastewater treatment plants, in large part through its numerous subsidiaries and joint ventures such as International Water.<sup>xxxvi</sup> Bechtel's record in providing this most precious of life's resources, is one of sacrificing human needs for profit – a model that should not be allowed to be replicated in Iraq.

Bechtel's contract includes rebuilding Iraq's water and wastewater systems. As the following case studies make clear, if their contract is extended to include "distribution of water," just as Halliburton's was for oil, the people of Iraq have much to fear.

### *Misuse of taxpayer money and fear of privatization*

California: Concerns over what privatization would mean for Iraq start in Bechtel's own hometown of San Francisco, California. In 2002, 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.<sup>xxxvii</sup> In public reports, Bechtel was charged with doing unnecessary and overpriced work and charging the city for tens of thousands of dollars of personal expenses, including travel.<sup>xxxviii</sup> 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 creates a humanitarian crisis*

Bolivia: After privatizing the water systems in Cochabamba, Bolivia in 1999, Aguas del Tunari, a subsidiary of Bechtel, implemented massive price hikes. Families earning a minimum wage of \$60 per month faced water bills of \$20 per month overnight. Rate increases of 100 percent were the most common, while increases of as much as 300 percent were reported around the city. Water was so expensive that many, particularly the poorest users, were forced to do without. After attempts at discussion with both the company and the government fell on deaf ears, the citizens rose in organized protest, eventually shutting down the city with a general strike. The Bolivian government defended Bechtel's right to privatize the water with deadly force – killing at least one 17 year-old boy and wounding hundreds more. But the people would not back down and the government was forced to cancel Bechtel's contract. Not to be undone by the will of half a million people, Bechtel responded with a \$25 million lawsuit for lost profits in a case still pending at a World Bank court.<sup>xxxix</sup>

### *Consumer rate hikes and allegations of embezzlement*

In 2000, Bechtel's joint venture, International Water, was awarded a concession contract to operate Sofiiska Voda, the private water company in Sofia, Bulgaria. Since then, there have been on-going labor, consumer and environmental problems with the company as well as allegations of impropriety and embezzlement. Labor unions have reported





## *An Open Letter to the People of Iraq*

*Cochabamba, Bolivia*

*May 30, 2003*

*Dear Brothers and Sisters of Iraq,*

*We have watched carefully in recent weeks and months as you have suffered under the pains of war and its chaotic and unstable aftermath. Our hearts are with you and your families.*

*We write to you now because we fear that you might be made victims of additional suffering, at the hands of a multinational corporation - Bechtel - an evil business that the people of Bolivia know all too well. This Bechtel Corporation, the company that has been awarded a massive contract by the US government to rebuild infrastructure in your country, is the same one that took over the public water system of our city, Cochabamba, three years ago.*

*Bechtel's evil deeds in Bolivia include:*

- 1) Within weeks of taking control of our water Bechtel raised water rates for the poor by more than 50% and in many cases by double, far beyond what families here could afford to pay. As a result of Bechtel's greed families were forced to choose between water and food.*
- 2) When popular protest erupted to challenge Bechtel the company's local managers sat contently in their luxury hotels and watched on television as the Bolivian government brutally repressed the people of Cochabamba in order to protect Bechtel's contract.*
- 3) When popular protest finally succeeded in kicking Bechtel out of Bolivia, Bechtel's managers sacked the water company's offices, taking computers, personnel records, ratepayer monies, and leaving behind an unpaid electric bill for \$90,000.*
- 4) To defend themselves, Bechtel's senior managers continue to publicly lie about the severity of their rate increases.*
- 5) Bechtel is now seeking to sue the people of Cochabamba for \$25 million in a secret World Bank trade court, demanding a share of the huge profits that they expected to make from the Bolivian people and were not allowed to.*

*Bechtel's actions in Bolivia and elsewhere demonstrate that it is a company without morals, only greed. What it sought to do to the people of Bolivia it will surely try to do to the people of Iraq as well.*

*We support you in any action to remove Bechtel from your country and to protect yourselves from the abuse they are likely to bring with them.*

*In solidarity,*

*Luis Choquetijlla  
Executive Secretary, Central Obrera Departamental*

*Wilfredo Portugal  
President, Workers without Retirement*

*Oscar Olivera  
Executive Secretary, Federación de Trabajadores Fabriles  
de Cochabamba*

*Luis Sánchez-Gomez  
Director, Pro Life Social Committee  
Director, SEMAPA*

*Evo Morales  
President, Seis Federaciones del Trópico Cochabambino  
National Deputy*

*Alex Galvez  
Executive Secretary, Confederación de Fabriles de Bolivia*

*Omar Fernández  
President, Local Federation of Irrigators*

*Original statement with full list of signatures available on:  
<http://www.citizen.org/documents/iraqletteresp.pdf> (Spanish)  
<http://www.citizen.org/documents/iraqletter.pdf> (English)*



major problems, including Bechtel's refusal to transfer employment, and wanting to put permanent employees on fixed-term contracts. Bechtel was constantly postponing negotiations and refusing to sign a collective agreement protecting workers pay and conditions, while continuing to cut jobs. As for water prices, in 2001, an injunction was issued to stop Bechtel from charging increased water rates when their contract explicitly stated that rates would not be changed in the first three years. Water rates had been raised despite worsening water quality and no visible investment in the network, even though the company promised that it "would replace and upgrade some 100 km of the town's water-and-sewerage network per year." Reportedly, Bechtel even has plans to reduce the water supply pressure in the whole city, leaving people on upper floors in flats without water, unless they purchase specially designed pumps made by the company.<sup>xi</sup>

In December 2000, the European Bank for Reconstruction and Development (EBRD) approved a €31 million loan to Sofiiska Voda.<sup>xli</sup> The funds were to help the company improve maintenance of the city's pipe system and enhance customer service and billing procedures. There have been allegations that major parts of the EBRD loan were diverted abroad. After the resignation of the CEO of Sofiiska Voda in April, the new CEO confirmed that the majority of the first and second tranches of the €31 million EBRD loan had been transferred abroad. The *PARI Daily* ran the headline "Responsibility Required for the Embezzlements in Sofiiska Voda." (April 2, 2002.) The CEO, however, claimed the transfers were not a breach of contract.

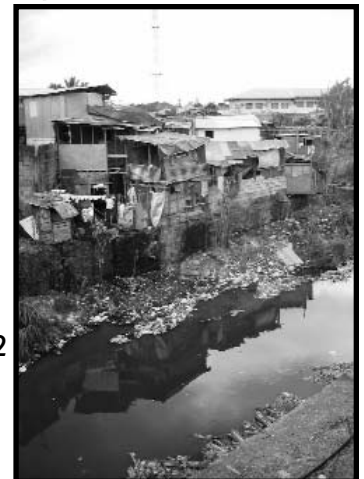
### *Abuse of workers*

**Ecuador:** The process of water privatization in Guayaquil, Ecuador began in 1994. The Inter-American Development Bank provided a loan to the Government of Ecuador that included a requirement to privatize the public water company Empresa Cantonal de Agua Potable y Alcantarillo de Guayaquil (ECAPAG). International bids were solicited and Bechtel's joint venture, International Water, whose local subsidiary is named Guayaquil Interagua C. Ltda., won a thirty-year contract to oper-

ate in Ecuador. The contract stipulated that the privatization would mean the termination of all the workers of ECAPAG. The hiring of workers had been left to the discretion of the Bechtel local subsidiary. However, the company immediately faced a demand by the workers to maintain their jobs. To appease the workers, the company began a process of negotiation and agreed to contract with the majority of the workers of ECAPAG. However, the initial promises of the company were never fulfilled. The privatization process moved forward without hiring back the majority of the ECAPAG workers. The workers have taken legal action saying that they were deceived because the Bechtel subsidiary has not hired the majority of the workers as they had promised. According to leaders of the workers, fewer than 20 percent of ECAPAG workers have been re-hired. The struggle is ongoing.<sup>xlii</sup>

### *Profits Over People*

**Estonia:** In January 2001, Bechtel's joint venture, International Water, acquired a 50.4% stake in Tallinna Vesi, the Estonian water company that provides services for the capital city of Tallinn. Bechtel originally planned to raise water prices 50% by 2005, but enough opposition emerged to that plan that they had to revise it. The new plan would still raise prices, but do so over a longer time period – raising prices 54% by 2010.<sup>xliii</sup> At the same time prices are being raised on life's most vital resource, the company is making huge profits for its shareholders. In May 2001 the supervisory council of Tallinna Vesi recommended that the shareholders get \$10.3 million in dividends from the company's existing profits. One company board member said the reason for the large dividend payment was "the large amount of idle money in the bank account."<sup>xliv</sup> In 2001, the company experienced a 700% rise in profits, and paid out 80% of this as dividend, leaving only \$2.2 million for investment. While the Bechtel joint venture has managed to



extract \$37.8 million from this deal in just two years, the citizens of Tallinn, Estonia (unless they happen to be company shareholders) have painfully little to show from it all other than the promise of continually rising water rates through 2010. Meanwhile, investment in the city's water and sewage system, insofar as it takes place, continues to be financed primarily by the European Bank for Reconstruction and Development, not the company.<sup>xlv</sup>

### *Bechtel's broken promises*

**Philippines:** The 25-year lease agreements in Manila were the biggest water privatizations in the world when they took place in 1997. The Metropolitan Waterworks and Sewerage System (MWSS) granted the rights to operate and expand water and sewerage service to Manila Water, a company co-owned by Bechtel and the Ayala family; and Maynilad Water, co-owned by Ondeo/Suez and the Lopez family. The marriage between the major global corporations and the elite families of the Filipino oligarchy has not brought clean water to the millions of

needy families in Manila. When Bechtel and Suez entered Manila in 1997 it was with a promise to lower rates, reduce leakages, and expand the water infrastructure to the millions of households in urban Manila.<sup>xlvi</sup>

After five years, the two companies claimed that more than 2 million more people were connected to the water system, but government regulators dispute that number.<sup>xlvii</sup> Civil society groups have criticized the non-democratic and non-transparent nature of the privatization process, the rate hikes, the unmet promises of rehabilitation and expansion of water services (especially to the urban poor), continual allegations of corruption, and weak regulatory and oversight practices. In an attempt to impose rate hikes, the Bechtel joint venture has spent millions on legal disputes with the local regulatory body. Yet, the promises to address the serious daily problems with access to clean and affordable water faced by the roughly 11 million Filipinos residing in urban Manila have not been kept.<sup>xlviii</sup>

## D. BECHTEL AND NUCLEAR NIGHTMARES

Bechtel has a long and tangled history of involvement in the continuing legacy of radioactive contamination from U.S. nuclear projects. Exposed as the man behind the curtain in the well-rehearsed Atoms for Peace charade, Bechtel has profited handsomely from both commercial and military nuclear activities in the U.S. Bechtel's nuclear divisions specialize in the niche market of lucrative public contracts for clean-up of the radioactive mess that the company's own construction projects create.

### *In the beginning...*

In the early 1940s, Bechtel was involved in the Manhattan Project, the U.S. government program that developed the atomic bomb. The subsequent bombing of Hiroshima and Nagasaki presented investment opportunities for Bechtel, and the company was one of the contractors to build the "Doomsday Town" in the Nevada desert that was designed to be blown up by the Atomic Energy Commission to assess what would happen if a small nuclear device detonated in a mid-sized U.S. city. Bechtel went on to work its connections in the Atomic Energy Commission to secure various U.S. government nuclear contracts.<sup>xlix</sup>

Bechtel was on the scene when the first nuclear reactor to generate electricity made its debut on Dec. 20, 1951, ushering in the troubled age of atomic energy. Bechtel engineers held the government contract for this project, at what is now the Idaho National Environment and Engineering Laboratory (INEEL), in Idaho Falls, Idaho – a lead government nuclear lab that since October 1999 Bechtel BWXT Idaho, LLC (composed of Bechtel National, Inc. and BWX Technologies) has been managing and operating on behalf of the Department of Energy (DOE).

As the company proudly trumpets on its website, "Since the earliest commercial nuclear reactors a half-century ago, Bechtel has played a pivotal role in every phase of the industry's development."<sup>l</sup> Bechtel built and/or designed more than half of the commercial nuclear power plants in the U.S.<sup>li</sup>

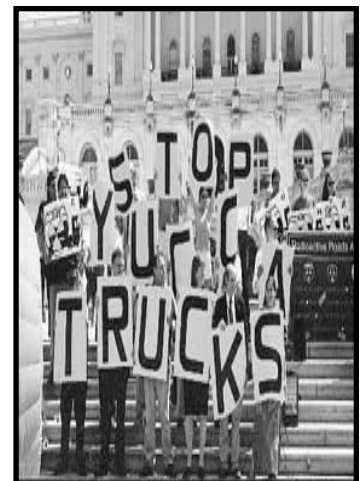
### *Nuclear Nightmares*

Bechtel's nuclear power plants routinely release radiation into the air and water. Their cooling systems wreak havoc on aquatic environments by sucking in huge quantities of plankton, fish, and other marine life, then discharging water as much as 25 degrees Fahrenheit warmer.<sup>liii</sup> These daily environmental assaults – legal, under Nuclear Regulatory Commission's (NRC) lax regulations – go largely unchecked, Bechtel's fingerprints are also all over some of the U.S. commercial nuclear industry's more notable mishaps.

Consumers Energy of Michigan sued Bechtel for \$300 million in 1974 when its Palisades plant broke down shortly after it started operation. Bechtel agreed to a \$14 million settlement.<sup>liiii</sup>

The Humboldt Bay reactor in California – built by Bechtel – had to be permanently shut down in 1977 because it sat directly on top of an earthquake fault.<sup>liv</sup>

In 1977, Bechtel installed the reactor vessel of California's San Onofre Unit 2 reactor 180 degrees backwards, a detail that went undiscovered for seven months.<sup>lv</sup> In 1992, the reactor was finally shut down and now its owner, Southern California Edison, is looking for a way to dispose of this unwanted Bechtel memento. The latest plan is to barge the 950-ton reactor all the way around the world in a 20,000-mile journey to the Barnwell nuclear dump in South Carolina... except that port officials in Charleston have already suggested that they may deny entry to this radioactive cargo. Meanwhile, several former employees at San Onofre who developed cancer have sued Bechtel and Southern



California Edison for exposure to radiation.<sup>lvi</sup>

After the melt-down at Pennsylvania's Three Mile Island reactor, Bechtel North American made the worst nuclear disaster in U.S. history worse by mis-managing clean-up operations. According to the NRC's Office of Investigations, it was Bechtel's idea not to repair certain parts of the plant and improperly classify them as "not important to safety" to thwart regulatory controls. When employees complained that Bechtel was deliberately circumventing safety procedures, they were harassed and intimidated. In 1985, the NRC cited the reactor's owner, GPU with safety violations as a result of Bechtel's abuses and assessed a \$64,000 fine. (GPU contested the fine and eventually paid just \$40,000.)<sup>lvii</sup> Likewise a Labor Department investigation into the case upheld charges that Bechtel employees who blew the whistle on safety violations at Three Mile Island were illegally harassed by management.<sup>lviii</sup> A 1985 series in the *Philadelphia Inquirer* also implicated Bechtel in a number of worker health and safety violations during Three Mile Island clean-up operations. According to these reports, workers were sent into radioactive sections of the plant without adequate protective clothing or respirators and routinely given clothing that was already contaminated. Equipment intended to detect radiation hazards often malfunctioned.<sup>lix</sup>

Portland General Electric sued Bechtel for \$32 million after severe leaks in the steam generator tubes of its Trojan nuclear plant shut it down, and the discovery that it did not meet earthquake standards set by the NRC. Bechtel counter-sued, and an out-of-court settlement was reached in 1981.<sup>l</sup>

The Bechtel-built Davis-Besse reactor in Ohio delivered the closest brush with catastrophe since Three Mile Island, when leaks in its cooling system resulted in an acid deposit that ate a hole nearly all the way through the stainless steel lid of the reactor vessel. The reactor was shut down in 2002. Now the plant's owner, FirstEnergy, wants to restart it which presents Bechtel with an opportunity to profit from the Davis-Besse debacle: The company has secured the contract to replace the damaged reactor lid.<sup>lxi</sup>

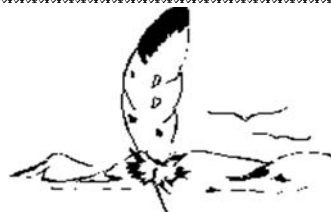
## Bechtel's Radioactive Waste Problem

The proliferation of nuclear power plants in the U.S., in which Bechtel boasts a leading role, has generated a growing stockpile of high-level radioactive waste. More than 45,000 metric tons of this deadly garbage has piled up at reactors across the country<sup>lxii</sup> and there is no known way to safely dispose of it.

Initially, the U.S. government worked hand-in-hand with Bechtel to pursue a vision of nuclear waste alchemy known as reprocessing. Costly and messy reprocessing technologies separate out weapons-usable plutonium from nuclear waste, for potential re-use in reactors as fuel. Bechtel designed the only commercial reprocessing plant to have operated in the U.S. at West Valley, N.Y.<sup>lxiii</sup> This facility was a dismal failure in the 6 years it operated (1966-1972), and left behind 600,000 leaking tanks of liquid radioactive waste, a legacy of worker exposures, and environmental contamination. In 1999, DOE projected the cost to clean up the mess at West Valley, New York to be \$4.5 billion, with an estimated completion date of 2041. This estimate is \$3.5 billion more and 51 years longer than DOE's 1978 estimate.<sup>lxiv</sup> Since 1980, US and New York taxpayers have spent about \$2 billion at West Valley, on efforts to clean up and prevent further environmental damage at the eroding and deteriorating site. That comes out to around \$100 million per year from taxpayer pockets.<sup>lxv</sup>

Since abandoning the West Valley fiasco, the government has turned to the concept of "geologic disposal" and set its sights on Yucca Mountain in Nevada as the location for the world's first repository for irradiated nuclear fuel. Once again profiting from a problem it helped to create, Bechtel SIAC (consisting of Bechtel National Inc. and Science Applications International Corp) was awarded a 6-year \$3.2 billion management contract for the project in 2000.<sup>lxvi</sup> Widely opposed by the Western Shoshone, environmental and public interest advocates, as well as the State of Nevada, the proposed nuclear dump is plagued by numerous scientific, environmental, and policy problems and has all the ingredients for a radioactive boondoggle in the making. Also,

June 2, 2003



Riley Bechtel  
Chairman and CEO, Bechtel Corporation

Mr. Bechtel,

*I am the Chief of the Western Shoshone National Council, a traditional government representing Western Shoshone communities and individuals on ancestral lands located in what is currently referred to as the State of Nevada and parts of Idaho, Utah and California (map enclosed). As indigenous people, our economy and culture are tied to these lands which we consider sacred and our Mother Earth. We write to express our concern and opposition to your company's current and planned activities on our lands without Western Shoshone permission and to request a meeting with you and your Board of Directors. The Bechtel Corporation, directly, or through its subsidiaries and affiliates, has engaged in numerous destructive activities on our lands, lands which we still use and occupy and which are recognized by title that predates the United States and subsequently delineated in the 1863 Treaty of Ruby Valley.*

*Based on information we have received, Bechtel manages the Nevada Test Site and the new Counterterrorism facility which conduct military testing and weapons construction, including nuclear, chemical and biological weapons. Your company also received the construction contract for the Yucca Mountain nuclear waste depository which is targeted to be the site for nationwide nuclear waste, much of which was created in nuclear power plants also constructed by your company. We are also aware that Bechtel constructed several of the gold mines located on our lands which pump valuable water and employ open pit cyanide leach processes to extract gold. From these activities, Bechtel has received or stands to receive monies connected to Western Shoshone lands totaling several billion dollars.*

*Given Bechtel's monetary interest in our lands, we question whether your company, directly, or through its affiliates or subsidiaries, may in any manner be encouraging passage of the Western Shoshone Distribution Bill - an alleged payoff of Western Shoshone title. We oppose this legislation. As you may be aware, we have been involved in a decades long dispute with the United States over title to these same lands. Recently, the United States was found to be in violation of international law with respect to the right to property, due process and equality under the law. See Dann v. U.S. Final Decision, Inter-American Commission of Human Rights (December 2002).*

*Again, we request a meeting with you to discuss these matters and any other ongoing or planned activities on Western Shoshone lands. We look forward to your prompt response to this request.*

*Sincerely,*

Raymond Yowell

Chief, Western Shoshone National Council  
Western Shoshone National Council  
P.O. Box 210  
Indian Springs, NV 89018  
NEWE SOGOBIA  
Ph./Fac +1.775.744.4381  
Press Calls: 775-468-0230

Bechtel's operations at Yucca Mountain violate a Native American sacred site and implicate the company in the Western Shoshone's longstanding dispute with the U.S. government over these lands.

Indeed, Bechtel and the nuclear industry in general appear to be the only beneficiaries of the misguided Yucca Mountain project that costs taxpayers hundreds of millions of dollars each year. In March 2003, problems uncovered by a DOE quality assurance audit resulted in the agency placing a stop-work order against project work procedures that Bechtel was revising.<sup>lxvii</sup>

### *Expanding Nuclear Power Globally*

More than 90 percent of Bechtel's commercial nuclear work is in the U.S.<sup>lxviii</sup> but the company is also involved in a few infamous nuclear projects abroad. For instance, Bechtel International Systems Corp. leads the international consortium with the management contract for containing the damaged Chernobyl reactor and its intense radioactivity. Bechtel is also involved in a project to build two reactors in North Korea,<sup>lxix</sup> where nuclear issues recently came into the spotlight following the decision of the country's leadership to begin reprocessing commercial nuclear waste to support a nuclear weapons program.

Another example is the Tarapur nuclear plant in India built by Bechtel. The plant emitted high levels of radioactivity directly into the Arabian Sea, and large quantities of radioactive material including open drums of radioactive waste were found strewn around the facility. In one area, 3,000 to 4,000 gallons of radioactive fuel were leaking per day. In 1974, the Indian government used plutonium produced by the Tarapur reactor to detonate an atomic bomb.<sup>lxx</sup>

### *Nuclear Relapse*

Over the past two decades, commercial nuclear construction in the US has sensibly ground to a halt, but the always adaptable Bechtel has expanded its operations into other aspects of nuclear power operations. In addition to its Yucca Mountain work, the company services nearly two-thirds of the operating nuclear power plants in the U.S.,<sup>lxxi</sup> contracts in support of industry efforts to seek extensions of reactor operating licenses, and, ironically, decommissions to shut down reactors.

Bechtel is also on the forefront of a troubling industry initiative to promote a nuclear power expansion in the U.S. - as if the safety, security, and waste problems associated with the existing 103 reactors aren't bad enough. When public support for nuclear power in the U.S. dropped to an all-time low after the Three Mile Island disaster, Bechtel spearheaded an industry lobbying initiative known as the United States Committee for Energy Awareness to pressure Congress for a renewed commitment to nuclear power.<sup>lxxii</sup> This group later became the Nuclear Energy Institute (NEI), which is now the nuclear industry's principal lobbying organization. Bechtel's Kennon G. Hess, president of the company's nuclear power division, currently sits on NEI's board of directors.<sup>lxxiii</sup>

In both the Bush Administration and the Republican-dominated 108<sup>th</sup> Congress, NEI's expensive lobbying campaigns appear at last to be paying off. The controversial Bush energy policy specifically plugs "pebble bed modular reactors," a dubious design concept that Bechtel is involved in. Energy legislation currently before the U.S. Senate would promote the construction of new nuclear reactors and offset the prudent disinterest of investors by offering federal financing that could leave taxpayers liable for an estimated \$30 billion. If this ill-conceived program is approved by the Congress, Bechtel would presumably be a leading candidate for design and construction contracts for new government-subsidized reactors.

## Bechtel's Weapons of Mass Destruction

With the future of the commercial nuclear industry uncertain, Bechtel has not left all its atomic eggs in one basket. The company is also a major government contractor on the military side of the nuclear coin. It is ironic, in fact, that Bechtel has been awarded a contract in connection with the Iraq war – fought ostensibly to rid Iraq of weapons of mass destruction - because back home in the U.S., Bechtel Nevada (a team consisting of Bechtel Nevada Corporation; Johnson Controls Nevada, Inc.; and Lockheed Martin Nevada Technologies, Inc.) has received \$1.9 billion to date to manage the Nevada Test Site,<sup>lxxiv</sup> where the federal government has exploded 1,000 nuclear bombs.<sup>lxxv</sup> Now Bechtel Nevada is helping the government to conduct sub-critical nuclear tests (i.e. atomic explosions in which the detonation does not reach the climax of a self-sustaining chain reaction) and other nuclear weapons activities at the site. Opponents contend that these activities threaten global security, undermine the Comprehensive Test Ban Treaty and further contaminate the environment.

A safety inspection in 2002 uncovered several violations at the Bechtel Nevada-managed site. For instance, the inspection found improperly labeled explosives and combustible material dangerously stored next to high explosives. Inspectors also reported that Bechtel Nevada failed to conduct periodic tests of lightning monitors and protection for their storage facilities.<sup>lxxvi</sup>

Like Yucca Mountain (which is located on the edge of the Nevada Test Site) Bechtel's test site operations are on ancestral lands of the Western Shoshone, and Native Americans continue to be disproportionately impacted by radioactive contamination at the site.

In addition to its direct role in the U.S. nuclear weapons program at the Nevada Test Site, Bechtel Jacobs Company LLC (a joint venture of Bechtel National, Inc. and Jacobs Engineering Group, Inc.) is also a contractor at the Oak Ridge Reservation in Tennessee that, among other ventures, produces weapons components.<sup>lxxvii</sup>

## The Business of Clean-up

At several other sites in the DOE weapons complex, Bechtel holds contracts for clean-up and waste management. A laudable goal to be sure, but Bechtel's track record leaves something to be desired. For instance, a 1999 DOE investigation of Bechtel Jacobs Company LLC's operations at the Paducah uranium enrichment plant in Kentucky revealed a litany of management shortfalls that threatened health and the environment. The investigation pointed to inadequate worker training programs, problems in material storage areas that could lead to an uncontrolled nuclear reaction, weaknesses in the radiation protection program, inadequate documentation of contamination, and delays in release of information to the public.<sup>lxxviii</sup> To quote the DOE, the "radiation protection program and some elements of worker safety programs [did] not exhibit the required levels of discipline and formality."<sup>lxxix</sup>

This is an all-too-familiar refrain when it comes to Bechtel's nuclear clean-up operations. At the Hanford Nuclear Reservation in Washington, where Bechtel Hanford, Inc is in charge of environmental restoration, three workers were exposed to airborne radioactivity when highly contaminated equipment was unwrapped without appropriate engineering and administrative controls in June 1999. This created an area with airborne radioactivity that was not adequately recognized, posted or controlled as required by safety procedures. Workers continued to periodically access the area for 13 days without the respiratory protection that would be appropriate to the radiological hazard. An independent investigation by the DOE identified significant deficiencies in radiological work planning and control. Bechtel Hanford, Inc was fined \$82,500 – half the minimum civil penalty.<sup>lxxx</sup> Currently, the company is contesting a DOE decision to transfer the \$1 billion extension of the Hanford clean-up contract to a competitor.<sup>lxxxi</sup>



## E. BECHTEL AND PUBLIC WORKS: A HISTORY OF TAXPAYER ABUSE

Since the early 1930s, Bechtel has taken on unprecedented civil engineering projects for government agencies in the U.S. The projects have been singular in both scale and complexity. However, they have also shared the trait of serving the interests of a handful of corporations under the guise of being public works while raking in the profits and charging taxpayers for everything from overrun construction costs to multi-million-dollar engineering mistakes.

### *Hoover Dam*

W.A. Bechtel was paving roads in Northern California before he signed on to and eventually led the team that built the Hoover Dam. Considered to be one of the most important structures in the United States, the dam was built in less than five years, beginning in 1931, for just under \$50 million. The profit for the eight companies involved in the project depended on Depression-era low prices for materials and a relentless break-neck speed of construction, which translated into appalling labor abuses.<sup>lxxxii</sup>

The first death from heat prostration occurred within days after construction began. So many workers collapsed that they forced a shutdown to demand a wage increase. Workers were paid \$4 a day in scrip – money only redeemable in stores run by the developers – and charged half of that for food and a rented tent. The strike was unsuccessful, with replacement workers waiting in the satellite shantytowns near the encampment for someone to quit, get thrown out or die.<sup>lxxxiii</sup>

The company's position on labor was clear: "They will work under our conditions, or they will not work at all."<sup>lxxxiv</sup> Their position on racial equality was also obvious: "Until the government brought pressure to bear in 1933, no black workers were employed at the damsite."<sup>lxxxv</sup> When they were employed for the most demeaning tasks, they were barred from residing in the company's Boulder City, thus forced to

travel 60 miles a day to and from Las Vegas.<sup>lxxxvi</sup>

Outraged by labor conditions, Senator William Oddie (D-Nevada) exposed scrip payments as well as accounting irregularities employed by the builders to conceal pay and labor abuses. Harold Ickes, Interior Secretary under Franklin Roosevelt, ordered a federal investigation based on Senator Oddie's charges and concluded that the builders had committed 70,000 separate violations. Ickes fined the builders \$350,000 (Bechtel had the fine reduced to \$100,000).<sup>lxxxvii</sup>

After the labor scandals subsided, the completed Hoover Dam helped the state harness the Colorado River for the large agribusinesses recently settled in a converted desert named by its developers: California's Imperial Valley. After the construction of the All-American Canal, which began delivering water to the Imperial Valley in 1942, the total irrigable land in the valley increased to about 440,000 acres. These public works, funded by taxpayers, created the water subsidies for large land owners that undid family farming in Southern California and "helped fasten a landed elite onto the area."<sup>lxxxviii</sup>

### *BART*

Bay Area Rapid Transit (BART) is an inter-urban railway system serving downtown San Francisco, Oakland and surrounding suburban locations. Through a variety of front groups like the Bay Area Council (BAC) and Citizens for Rapid Transit (CRT), the largest banks and private companies in San Francisco drafted and funded a 1962, \$792 million bond measure to create BART.<sup>lxxxix</sup> The measure passed by 1.2% after extensive lobbying to alter the legislature's two-thirds majority requirement and the county-by-county vote counting practice. The business-led pro-BART campaign received \$203,000 in campaign contributions, while those opposing the measure received nothing.<sup>xc</sup>



Bechtel, as the head of BAC and contributing \$15,000 to the BART campaign, “virtually captured the BART design and construction process.”<sup>xcvi</sup> By 1972 the cost of Bechtel’s contract had increased by 152%, while the construction costs had increased by 50% over the budget approved in the bond measure.<sup>xcvii</sup> For example, BART supporters had failed to include the \$160 million cost of the Transbay Tube or the \$115 million cost of the trains themselves in the bond proposal.<sup>xcviii</sup> Bechtel kept the profits while taxpayers picked up the tab for overruns and mistakes.

BART supporters spent lavishly to convince the public that BART would alleviate traffic congestion, provide transportation for the poor, and reduce local air pollution. Bechtel alone put up \$5 million for a Stanford research team. BART however, failed at these goals because it was not in fact designed to accomplish any of them. According to Dr. Allen J. Whitt, professor in Urban and Public Affairs at the University of Louisville, “BART was designed primarily to serve the goal of city growth and to defend property investments in the central city.”<sup>xcix</sup>

Indeed, if BART had been designed to be a public transportation project, it should now be considered a resounding failure. BART did not reduce automobile congestion: many BART riders drive to their suburban BART stations. Moreover it helped bring about the demise of less expensive and faster bus and light-rail public transit by siphoning off the vast majority of tax dollars into its projects. As a result, lower-income workers were cut off from efficient public transit, with BART lines primarily reaching out into rich suburbs, avoiding low-income neighborhoods and causing bus lines to be cut year by year.

Non-white, lower-income workers effectively excluded from the BART system disproportionately help to foot the bill for BART’s construction and maintenance however.<sup>xcv</sup> A 1972 three-county regressive sales tax, made permanent in 1977, sends 75% of its revenues to BART and 25% to San Francisco Municipal Railway (Muni) and the Alameda-Contra Costa Transit District (AC Transit). Muni alone carries 47% of the Bay Area’s total daily transit passengers, three

times those carried by BART.<sup>xcvi</sup> And whereas a five mile inner-city Muni trip may take one hour and cost taxpayers about 80 cents, a 40 mile SF-to-the-suburbs BART trip will take 40 minutes and cost taxpayers \$22.<sup>xcvii</sup>

In May 2000, two BART board members said they would block the seismic retrofitting of BART if Bechtel won the contract due to their poor record on human rights, minority contracting, and cost overruns. Board member Tom Radulovich was primarily concerned by Bechtel’s recent performance on the BART extension to the San Francisco Airport. He said that it “was on Bechtel’s watch that this project went \$400 million over budget.”<sup>xcviii</sup>

## The Big Dig

In Boston, Bechtel’s mismanagement and cost overruns have been unprecedented. Now, with their massive “Big Dig” Boston Central Artery project, they have brilliantly refined their ability to convert oversight and blunder into taxpayer-subsidized profit.

Bechtel designed and manages 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 – estimated at \$2.5 billion in 1985, it reached \$14.6 billion in 2003.<sup>xcix</sup> The so-called Big Dig project carved out a new central artery highway directly under the elevated central artery in downtown Boston, in order to split local and through traffic. Bechtel and Parsons Brinckerhoff of New York formed a joint venture to manage the Big Dig project. Bechtel however, in addition to its position as manager, carried out the initial designs and continues to take on a significant portion of the design and construction.

On February 9, 10 and 11, 2003, the *Boston Globe* published a three-part expose of Bechtel’s prodi-



gious mismanagement of the Big Dig project, estimating that “at least \$1.1 billion in construction cost overruns, or two-thirds of the cost growth to date, are tied to Bechtel mistakes.”<sup>c</sup> The *Globe* series was one year, 100 interviews and 20,000 pages of reviewed project documents in the making. Their principal findings were:

Bechtel systematically failed to carry out basic tasks delegated in its contract. Such tasks included conducting vital field surveys of the elevated Artery and verifying the locations of such things as utility lines and a 19,600-seat arena, home to the Boston Celtics basketball team. These failures added more than \$350 million to construction overrun costs.

In violation of Massachusetts state law, Bechtel initiated construction based on incomplete and error-laden designs. Correcting these errors led to almost \$750 million in construction overrun costs.

“Bechtel failed to heed warnings of problems in the design drawings, even from its own engineers.”<sup>ci</sup> Errors were fixed after contractors detected the problems, and then Bechtel recommended state approval for hundreds of millions of dollars to go toward the additional contract work required.

“Bechtel failed to detect or call attention to serious flaws in construction work, leading to tens of millions of dollars in repair and delay costs.”<sup>cii</sup>

Massachusetts’s State Auditor Joseph DeNucci found about \$22 million in mishandled money. The audit found that money remained in accounts long after the agreements governing how to use the money had lapsed.<sup>ciii</sup>

Bechtel published a response to the *Globe* series on their website on February 20<sup>th</sup> entitled: “The *Boston Globe*’s Big Dig: A disservice to Truth.”<sup>civ</sup> Bechtel claims that “the *Globe* fails to grasp the fundamentals of the engineering and construction industry, and ignores the complexities of underground construction in a historic urban area.”<sup>cv</sup>

Of Bechtel’s numerous blunders reported in the *Globe* the most emblematic—though not the most expensive—involved forgetting the FleetCenter: “Bechtel had failed to depict the 19,600-seat arena in its preliminary designs... and instead showed an obstacle-free area for contractors to lay utility lines.”<sup>cvi</sup> The company didn’t fix the designs before signing off on them three years later. William R. Mayer, a top Bechtel engineer, is quoted in the *Globe* as saying: “It fell through the cracks, if you will.”<sup>cvi</sup> How much did that slip cost taxpayers? The *Globe* cites contract modification documents that show that the mistake cost taxpayers \$991,000.

As previously mentioned, the 2000-2001 chair of the Massachusetts Turnpike Authority—which not only refused to take legal action against Bechtel for its blunders, but fired the deputy general counsel who recommended that it do so—Andrew Natsios is now head of USAID, the agency that awarded Bechtel the Iraqi reconstruction contract.<sup>cvi</sup>

### *Learning from history*

Each of the projects mentioned above was the largest, most intricate and most expensive “public works” project of its kind and era. However, even the briefest historical snapshot illuminates Bechtel’s legacy of securing profit at the expense of labor conditions, lower-income communities and racial justice while committing multi-million dollar taxpayer-subsidized mistakes of all stripes. Moreover, Bechtel’s mismanagement, unilateral focus on profit, lack of accountability and overall imperviousness increases with every project it takes on, with every dollar it makes. Bechtel should not be trusted to build public works in Iraq based on this record.

## F. BECHTEL: ADDICTED TO UNSUSTAINABLE ENERGY PRACTICES

Bechtel prefers to steer clear of debates about climate change, but boasts on its website of its involvement in the establishment of more than 350 fossil-fuel power plants.<sup>cxix</sup> Bechtel has played a major role in construction for the fossil fuel economy and the mining industry. As the environmental costs of our fossil fuel addictions become clearer, and the limits of our natural resource base loom closer, Bechtel must be held responsible for the role it has played in moving our country toward further dependency on unsustainable energy practices. The company has built no small share of the nation and world's fossil-fuel power plants, oil and natural gas production facilities and pipelines.

In building energy infrastructure around the world, Bechtel's business practices routinely include cozy relationships with dictators and the local oligarchy. In the Philippines, Bechtel operates the Quezon power plant along with the powerful Ayala family, through the InterGen joint venture with Shell, which owns 46% of Quezon Power.<sup>cx</sup> The contract in Quezon was awarded despite the fact that the Philippines suffers from an oversupply of energy that has been exacerbated with the award of private contracts to those with friends in high places.<sup>cxii</sup> Consumer groups are fighting for accountability and oversight of the energy contracts entered with independent power producers – including the Bechtel funded Quezon Power.

### Bechtel Out of Mexico!

Despite unflagging support from U.S. corporate giants and the Bush Administration, the business of exporting the environmental and social costs of cheap energy projects may yet be quashed in the halls of justice.

Bechtel and Shell teamed up in 1995 to create the multi-national power generation firm InterGen. InterGen has power and pipeline projects in some 14 countries around the world.

On May 6, 2003 U.S. District Judge Irma Gonzalez ruled that the DOE and Bureau of Land Management acted illegally in granting permits to InterGen to build a power plant a few miles south of the U.S.-Mexico border, because DOE failed to fully address potential environmental impacts to the New River, the Salton Sea and the Imperial County-Mexicali air basin.<sup>cxv</sup>

Construction companies view such plants, constructed just miles inside Mexico, as a way to circumvent the costs imposed by U.S. environmental laws. The Bush Administration and energy companies are eager to expedite the construction of these plants along the border, with some 20 plants being planned, to sell cheap energy to the U.S.

The plaintiffs in the lawsuit, Earthjustice, Wild Earth Advocates and the Border Power Plant Working Group, successfully argued that, with transmission lines crossing the border from the plants in Mexico to electric substations in California, InterGen must comply with U.S. federal law set out in the National Environmental Protection Act.

This clear victory for public health and the environment over corporate greed must be taken to the next level: even where transmission lines do not cross borders, the economic, social and environmental impacts of U.S. corporations abroad should be held in full compliance with U.S. law.<sup>cxvi</sup>



Tijuana, Baja California Mexico

June 1, 2003.

*To all communities in Iraq:*

*A number of new Power Plants are being set up on the Mexican side of the U.S.-Mexico border, for the sole reason of supplying energy to California. This is the first time in history that energy produced in Mexico will be exported solely into the United States. The reason for this, no doubt, is to circumvent strict environmental requirements in the U.S. Among these new power plants the La Rosita Inter-gen plant located in Mexicali, Baja California is partly owned by Bechtel.*

*This Bechtel project is one of many new Energy Maquiladoras, which will use our Land, Air and Water to supply energy abroad, while leaving the emissions, contaminated water, contaminated air and health hazards for the Mexican Citizens. People from both sides of the border are concerned about the already polluted air and water. They have expressed concern throughout, but it seems that again the sole interest is in achieving 'development' at any cost. These power plants and the surplus energy infrastructure will attract heavier industry to an already saturated maquiladora sector. The labor, environmental and basic human rights violations within the maquiladora sector could sadly become much worse.*

*As part of the border community we have taken heed of the blatant disregard for quality of life. We cannot let these actions continue internationally without speaking out and defending ourselves from corporations such as Bechtel.*

*You are not alone in your struggle,*

*Carla O. García Zendejas*

*Environmental Attorney*

*Border Power Plant Working Group (BBPWG)*

*+52 664 631.2350*

*Av. Abelardo L. Rodríguez #10*

*1er Piso Local 103*

*22320 Tijuana, B.C.*

*<http://www.borderpowerplants.com>.*

## *Human Rights and Corporate Responsibility*

In Maharashtra, India, Bechtel is involved in the Dabhol Power Corporation. The power plant is a joint venture between Enron, General Electric and Bechtel. The cost of the plant was a planned \$2.8 billion. It was financed by international financial institutions with a guarantee from the Indian government.<sup>CXii</sup> After the contractors bulldozed the area and news got out that the plant would send electricity prices soaring— immediately doubling the price for households - the population rose up against the plan.<sup>CXiii</sup> Human Rights Watch reported on the government's attempt to repress the resulting popular uprising and exposed the corruption surrounding the deal. The

plant started operation in 1999, but it soon became clear that it couldn't meet basic operating standards. Dabhol Power Corporation stopped paying its bills and shut down in 2001. Bechtel exited the scene. Arbitration proceedings are still under way.<sup>CXiv</sup>

## *Expanding the market*

After building the Milmerran power plant in Queensland, Australia, Bechtel's strategy shifted to buy capacity to produce power for the Australian energy market. The corporation proclaimed that it did not want to be just another developer, but would now seek to enlarge its production capacity in order to gain market share in the deregulated energy market.<sup>CXvii</sup> Deregulation in Australia, no different than

*AN OPEN LETTER FROM THE PEOPLE OF VALLEJO*

*Dear Iraqi Friends*

*We write this on behalf of thousands of Vallejoans to welcome you to our shared birthright of democracy, to mourn with you all the tragedies inflicted upon you by Saddam Hussein, by us, and by others, and, above all, to warn you of the dangers to your health, livelihoods, and patrimony posed foreign conglomerates such as Halliburton and Bechtel.*

*I urge you to keep a sharp watch on Bechtel. Our experience in Vallejo teaches us that Bechtel is not to be trusted with your painfully earned democracy or with your national wealth, be it oil or water, both of which will make Iraq a very wealthy country if both are kept in Iraqi hands to benefit the Iraqi people.*

*You may not yet know what we know about Bechtel. It is a highly secretive, privately-owned multi-billion dollar conglomerate whose operations and government contracts have been shielded from public scrutiny. Like Halliburton, it has extensive experience in Middle East oil extraction; and a frightening new interest in taking over and privatizing water, which, especially in the Middle East, could prove more valuable. It has disturbingly close ties to the Bush Administration in Washington (Former Secretary of State George Shultz, for example, is a prominent member of its board of directors.).*

*What did Bechtel do to Vallejoans to bring us to anger? In secret, they devised a plan to build a massive liquified natural gas (LNG) plant in our small town by the San Francisco Bay. They hid the dangers such a volatile operation would pose to our population of 116,000 people, many of whom lived within 3 kilometers from the site.*

*Knowing their plans would stir great opposition among our residents, they proceeded in further secrecy, beginning negotiations with the city government of Vallejo, only after our officials agreed to sign a "confidentiality" agreement. Shielded by that agreement from public scrutiny, Bechtel negotiated with our city officials for a year, using the time to - again secretly - line up support from the chamber of commerce and trade unions, holding out tax revenues and a few hundred jobs as enticements.*

*When we in the public learned last May what was happening behind our backs, it was almost too late. Within three days of the public unveiling the plan, the city government rubber-stamped the next step.*

*But the arrogant blue-suited bullies dispatched to Vallejo by Bechtel's San Francisco owners didn't count on the power of democracy, the power of the people. First, one solitary person stood up before the city council to object. Then, three or four, and soon a dozen. By November we had mounted a grassroots media campaign and grown to over 11,000. First, one council member broke ranks; then, the mayor; and, soon, it was clear, the remaining council members would too. Seeing the writing on the wall, Bechtel threw in the towel. Democracy had won!*

*And that is the lesson we wish to convey to you - democracy works. The people - YOU - can defeat the machinations of a Bechtel - or Halliburton - if only you stand your ground, protect your patrimony, and shine the light of publicity on those who would despoil it. No company, Bechtel included, can stand bad publicity in the face of an informed and mobilized public.*

*Our final word? Ask the hard questions that you are now empowered - no, required - by democracy to ask. Demand clear answers. And, accept only what you deem to be in your best interests.*

*We wish you well in that endeavor.*

*Saleem,*

*Concerned Citizens of Vallejo, California  
P.O. Box 3221  
Vallejo, CA 94590  
+1.707.642.8277*

in the U.S., has meant higher prices for consumers. Diversification in the Australian market would ensure increased profits for the corporation. The Bechtel-Shell joint venture, InterGen, owns the majority share in the Milmerran plant.

### *Controversial network of pipelines*

Bechtel's energy adventures also include a vast network of oil pipelines. Bechtel built the Alaska pipeline and the trans-Canadian pipeline. Beginning in the 1940s, Bechtel laid the foundations for almost all of Saudi Arabia and Kuwait's oil export through the trans-Arabian pipeline and it continues to play a major role in the region, such as the recent construction of the oil city of Jubail from scratch. Bechtel also built Occidental's oil pipelines in Colombia as well as in Libya (just prior to Muhammad al Qaddafi's takeover of the country in 1969). Bechtel built several major rigs in the North Sea off the shores of Scotland and Norway and the crude oil extraction facilities in the Athabasca tar sands of Alberta, Canada, just to name a few of their fossil fuel projects.<sup>CXVIII</sup>

The human rights violations of the repressive regime in Turkmenistan, under President Saparmurad Niyazov, did not keep Bechtel from pursuing lucrative deals with the government during 1999. Bechtel was awarded the contract on the trans-Caspian gas pipeline with a US Trade and Development Agency (USTDA) grant of \$150,000.<sup>CXIX</sup> The joint venture with General Electric (PSG International) was announced after Human Rights Watch reported serious human rights violations in the country. The foreign minister, Boris Shikmuradov, later said the choice of companies was made because the Turkmen regime needed the support of the U.S. government.<sup>CXX</sup> The planned pipeline route would traverse, amongst others, Azerbaijan and Turkey, where Bechtel previously was involved in the construction of a thermal power station.<sup>CXXI</sup>

During an earlier episode of U.S. misadventures with Iraq, Bechtel secured contracts to extinguish oil fires in Kuwait after the Persian Gulf war in 1991 – taking home \$2.5 billion for 647 fires and later sought contracts for reconstruction in that country.<sup>CXXII</sup>

### *Mining misadventures*

Bechtel claims that it subscribes to the highest environmental standards, while the facts reveal something different.<sup>CXXIII</sup> Bechtel mining operations have had a devastating environmental impact. In Chile, Bechtel was involved with Sigdo Koppers, a leading Chilean mining and energy company, to expand the Los Pelambres mine owned by Minera Escondida Limitada.<sup>CXXIV</sup> The World Bank investigated allegations of water pollution from the project and found that the equipment installed to alleviate water pollution allowed toxic pollutants to be discharged into the ocean. In 1992 environmentalists demanded that the Chilean government stop the mining expansion and ordered the company to disclose all information on the environmental impact of the copper extraction.<sup>CXXV</sup> The project was temporarily halted, but in 1997 a new environmental impact statement enabled the project to re-open. As recently as April 2002, affected communities from the Valle de Choapan organized a demonstration in front of the Regional Environmental Commission in Corena, Chile to oppose the project.<sup>CXXVI</sup>

In New Guinea, Bechtel partnered in constructing the world's largest gold mine, the Grasberg mine, in 1970. The mine is situated in the sacred mountains of the Amungme peoples. In 1998, Bechtel helped expand production and consequently increased toxic waste dumping from 120,000 tons a day to 260,000 tons a day. The US Overseas Private Insurance Corporation found that the mine activities have an "irreversible impact" on the tropical forest in the area. The mine daily dumps hundreds of thousands of tons of toxic waste from the mining operations directly into local rivers. In 2000 a waste dump accident resulted in 4 deaths.<sup>CXXVII</sup>

Bechtel played a role in another gold mining travesty in Papua New Guinea. At the Ok Tedi gold mine Bechtel was involved in building a dam where toxic waste from the mine activities would be stored. The design would have allowed waste to enter directly into the Fly River, dumping 80,000 tons waste a day. In 1984, 50 million cubic meters of soil slid into the site Bechtel had identified for the dam.<sup>CXXVIII</sup> In

1996, a judge ruled that the company had to spend \$115 million to construct appropriate storage for the waste.<sup>CXXIX</sup>



## G. CONCLUSIONS AND RECOMMENDATIONS

Bechtel has a shameful track record of reaping human, environmental and financial devastation in communities throughout the world—from Boston to Bulgaria to Bolivia. In Iraq, Bechtel has demonstrated stunning and brazen moral corruption by first trying to reap millions off of Saddam Hussein while he committed unthinkable acts of human cruelty, then ignoring the strong possibility that it was contributing to the development of weapons of mass destruction, then pushing for a war against Iraq, and finally profiting from the tragedy and destruction wrought by that war.

Rather than being rewarded for such behavior with control over many of Iraq's most valuable resources, Bechtel should be held accountable for its past and current destructive practices and condemned by citizens of the world.

The following recommendations would begin to address Bechtel's corporate practices and the emerging pattern of a second invasion of Iraq—this time by U.S. corporations with close ties to the Bush Administration—before it can spread to the entire region or the world:

### *Recommendations*

Because of its social, environmental, labor and taxpayer abuses, including those committed in Iraq itself, Bechtel's Iraq reconstruction contract should be rescinded.

Iraq must have a democratic reconstruction, led by the Iraqi people with the help of international institutions like the United Nations. By selecting Bechtel for a major reconstruction contract, the U.S. government has shown that it is unable to put the humanitarian needs of Iraqis before the greed of U.S. corporations.

The bidding process for U.S. government contracts in Iraq and elsewhere should be open and transparent. The American people have a right to full and complete information about the content of all contracts granted by the Department of Defense, USAID and

other government agencies to U.S. corporations doing business in post-war Iraq. It is time to end secrecy in government.

Companies bidding for U.S. government contracts should have satisfactory records of integrity and business ethics. Had such issues been taken into account, Bechtel certainly would have been excluded from business activities in Iraq.

The Bush Administration must be stopped from doling out contracts to undeserving firms with which it has close ties, including Bechtel and Halliburton. War profiteering by these firms should be investigated, and their direct ties with Bush Administration officials exposed by government agencies, journalists and other independent institutions.

U.S. government policy should not promote the privatization of essential human services such as water. Such services are vital to human life and should be entrusted to community, not corporate, control.

The U.S. government should not be using a military invasion to advance a corporate invasion of Iraq, nor of the rest of the Middle East. The timing of the introduction of the U.S.-Middle East Free Trade Area is dubious at best. Free trade agreements have a history of creating increased economic and political inequality, social injustice and human suffering. The U.S.-Middle East Free Trade Area should be opposed.

U.S. taxpayer dollars should be re-directed away from war-making and militarism and toward humanitarian efforts that support the basic human needs of U.S. residents, Iraqis, and others. The people of Iraq are already reeling from decades of repressive rule, two U.S.-led wars, and years of U.N. sanctions. They are struggling from day to day to piece together a livelihood, often without the basic services of water, sanitation, electricity, health care or civil security. Meanwhile, U.S. taxpayers are facing a severe economic recession and suffering from scaled back social services at home resulting from the Bush administration's tax cuts. U.S. taxpayer dollars should



be going to education, health care, and other basic services, not to more wars or corporate war profiteering.

### Congressional Efforts to Improve Accountability during Iraq Reconstruction

## *Congressional Efforts to Improve Accountability during Iraq Reconstruction*

*This is a sampling of members of Congress' demands for more oversight and accountability over the Iraq reconstruction process. For updates, or to express your opinions on these activities, please contact your member of Congress.*

### **In the House of Representatives:**

George Miller (D-CA) plans to introduce the "Rebuild Iraq Contractor Responsibility Act." This bill would require that businesses seeking contracts in Iraq possess a satisfactory record of integrity and business ethics.

Carolyn Maloney (D-NY) offered an amendment to H.R. 1837 "Services Acquisition Reform Act of 2003" that requires government agencies offering Iraqi reconstruction contracts without full and open bidding practices, to publish the full details of these non-competitive contracts. The amendment was accepted by the House Government Reform Committee on May 8, 2003.

Henry Waxman (D-CA) and John Dingell (D-MI) have called for the General Accounting Office (GAO) to investigate contracts with private firms for work in Iraq.

Henry Hyde (R-ILL) and Tom Lantos (D-CA) in a bi-partisan effort with the Senate Foreign Relations Committee are calling for a GAO investigation into "the U.S. agencies, offices and international organizations involved in rebuilding Iraq," and "their roles in the procurement process."

### **In the Senate:**

Barbara Boxer (D-CA) authored an amendment to the Defense Authorization Bill (Warner-Boxer Amendment #826) that requires the Department of Defense to comply with standard competitive bidding practices when awarding any contract for reconstruction in Iraq. The amendment also requires a full report from the Bush Administration if the Halliburton contract is not ended by August 31, 2003. The amendment, co-sponsored by Senator John Warner (R-VA), was passed unanimously by the U.S. Senate on May 22, 2003.

Joe Lieberman (D-CT), Ron Wyden (D-OR), Susan Collins (R-ME), Hillary Rodham Clinton (D-NY) and Robert Byrd (D-WV) authored the "Sunshine in Iraqi Reconstruction" amendment to the Defense Authorization Bill that requires justifying documents for any non-competitive bidding process undertaken by the Department of Defense to award contracts for work in Iraq. The Senate approved the amendment on May 22, 2003. Similar legislation has been included in the House version of the Defense Authorization Bill.

Richard G. Lugar (R-IN) and Joseph R. Biden (D-DE) in a bi-partisan effort with the House International Relations Committee are calling for a GAO investigation into "the U.S. agencies, offices and international organizations involved in rebuilding Iraq," and "their roles in the procurement process."

# ENDNOTES

<sup>i</sup> Written by Antonia Juhasz, International Forum on Globalization, June 2003.

<sup>ii</sup> Neil King Jr., "U.S. Prepares for Rebuilding of Iraq – Initial Plan Could Spend as Much as \$900 million on Repairs After a War," the *Wall Street Journal*, March 10, 2003.

<sup>iii</sup> The United States Agency for International Development (USAID). "USAID Awards Iraq Infrastructure Contract," Press Release, April 17, 2003. <http://www.usaid.gov/press/releases/2003/pr030417.html>.

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# THIS MODERN WORLD

by TOM TOMORROW

## WHAT GOES AROUND COMES AROUND

**AN EXTREMELY TRUNCATED HISTORY OF REPUBLICANS, BECHTEL AND IRAQ**

NOTE: THE INQUISITIVE READER WILL FIND A MORE COMPREHENSIVE OVERVIEW AT [www.ips-dc.org](http://www.ips-dc.org)

NOVEMBER, 1983: SECRETARY OF STATE (AND FORMER BECHTEL PRESIDENT) GEORGE SHULTZ RECEIVES AN INTELLIGENCE REPORT DESCRIBING SADDAM HUSSEIN'S "ALMOST DAILY" USE OF CHEMICAL WEAPONS. NO ACTION IS TAKEN.

HECK, WHAT'S A WAR CRIME OR TWO BETWEEN FRIENDS?

NOW--SOME BODY GET ME RUMSFELD!



IN DECEMBER OF 1983, SPECIAL ENVOY DONALD RUMSFELD IS SENT TO MEET WITH SADDAM. THEY DISCUSS A POSSIBLE OIL PIPELINE FROM IRAQ TO JORDAN, TO BE CONSTRUCTED BY BECHTEL.



THE U.S. EVENTUALLY CONDEMNS IRAQ'S USE OF W.M.D.'S, BUT PIPELINE TALKS CONTINUE BEHIND THE SCENES UNTIL 1985, WHEN THE DEAL FALLS APART--REPORTEDLY BECAUSE SADDAM FEELS BECHTEL IS OVERPRICING THE JOB.

I JUST DON'T KNOW WHAT THE WORLD IS COMING TO--

--WHEN YOU CAN'T TRUST A POLITICALLY CONNECTED MULTINATIONAL CONTRACTOR TO CUT AN HONEST BACKROOM DEAL WITH A TOTALITARIAN DICTATOR!



STILL, BECHTEL DOES MANAGE TO SECURE A CONTRACT WITH SADDAM IN 1988--TO BUILD A HUGE CHEMICAL PLANT OUTSIDE OF BAGHDAD.

I'M SURE HE WILL USE IT FOR GOOD AND NOT EVIL.

ER--YES! RIGHT! ABSOLUTELY!



UNFORTUNATELY FOR BECHTEL, CONSTRUCTION IS HALTED AFTER IRAQ'S INVASION OF KUWAIT.

BUT--JUMP AHEAD TO APRIL, 2003! DONALD RUMSFELD IS SECRETARY OF DEFENSE, SADDAM IS HISTORY, AND GEORGE SHULTZ IS A BOARD MEMBER AT BECHTEL--WHICH HAS JUST BEEN AWARDED A \$680 MILLION IRAQ RECONSTRUCTION CONTRACT!

SO YOU SEE, KIDS--GOOD THINGS DO COME TO THOSE WHO WAIT!

WHO SAYS THERE'S NO SUCH THING-- --AS A HAPPY ENDING?



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