

## Hilltown View by Matt L. Barron

### John McCain and Defense Fraud: Two Peas in a Pentagon Pod Part 2

It was fitting that this week; Sen. John McCain took off on the maiden voyage of his new campaign aircraft – a Boeing 737, dubbed the “Plane Talk Express.” Boeing has a lengthy record of taxpayer rip-offs, fines, penalties, restitutions and settlements concerning its misconduct in the area of government defense contracts. The Seattle-based firm has also been a big contributor to McCain over the years from its Boeing PAC. The fuselage of McCain’s plane bears the campaign motto “Reform, Prosperity, Peace.” A more accurate description might be “Status Quo, Hypocrisy, War Monger.”

Between 1998 and 2004, as McCain increased his seniority on the Senate Armed Services Committee, he continued to pocket thousands of dollars in campaign contributions from the largest defense contractors and weapons makers. Despite an occasional call for reining in the rape of the federal treasury by these multinational arms makers, McCain never felt the need to return their donations to his political committee.

Consider these connections to Arizona’s senior senator for the years 1998-2004:

Employees of Northrop Grumman PAC: This giant defense contractor has a long history of fraud and abuse relating to government contracts. In 1997 the company allegedly over billed the government on a Low Rate Initial Production contract for the B-2 bomber. They reached a settlement with the government worth \$34.8 million. In 2000 according to a Department of Defense inspector general press release, Northrop Grumman “intentionally overestimated the cost to purchase B-2 bomber instruction and repair manuals from subcontractors.” The company settled with the government for \$1.4 million. Since 1990, Northrop Grumman has had 21 instances of misconduct and alleged misconduct and paid \$87,876,581 in fines/penalties, restitution and settlements. Total contributions to McCain: \$500.

General Electric: According to a 2002 study by the Project on Government Oversight of misconduct by the top 43 government contractors, GE ranked at the top of the list of “repeat offenders,” with 63 instances of actual or alleged misconduct since 1990 resulting in \$982,859,555 in fines, judgments and out-of-court settlements. GE’s reported acts included environmental violations, fraud in dealing with the government and consumers, workplace safety violations and employment discrimination. Total contributions to McCain: \$7,000.

Honeywell International Inc.: This firm has 25 instances of misconduct resulting in more than \$595 million in fines and penalties according to the project on Government Oversight. Total contributions to McCain: \$10,000.

Lockheed Martin: The world’s number one military contractor, Lockheed Martin was charged with 30 violations of the Arms Export Control Act and the International Traffic in Arms Regulations in 2000. The violations were regarding the transfer of space launch assistance technologies to China. Lockheed Martin paid a civil penalty of \$13 million. Since 1990 the company has had 63 instances of misconduct and alleged misconduct and paid total fines/penalties, restitution and settlements of \$231,872,404. Total contributions to McCain: \$18,000.

Raytheon Co.: In January 2003, Raytheon, the former parent company of Vertex Aerospace, reached a \$4 million settlement with the U.S. attorney’s office in Kansas after Raytheon had improperly billed the pentagon for product liability insurance, the Washington

Post reported. The improper billing occurred between 1988 and 1999, and the company changed its practices in 2000. In February 2003 Raytheon paid one of the largest penalties ever assessed against a US company for export violations. The defense contractor paid \$25 million in civil fines to settle federal charges it tried to evade export laws in the attempted sale of sensitive radio technology to Pakistan from 1990 to 1997. The Project on Government Oversight lists Raytheon as having 24 instances of misconduct and alleged misconduct since 1990 and the company paid a total of \$128,652,919 in fines/penalties, restitution and settlements. Total contributions to McCain: \$5,500.

Science Applications International Corp.: Science Applications International Corp., or SAIC as it is commonly known, is owned by its 40,000 or so employees. It is the country's largest employee-owned research and engineering company, chalking up revenue of \$5.9 billion in 2002. SAIC's largest customer by far is the U.S. government, which accounts for 69 percent of its business, according to its SEC filings. The company also derives a sizeable chunk of its revenue from state, local and foreign governments.

Since February 2003, SAIC has been in charge of the Iraqi Reconstruction and Development Council, a Pentagon-sanctioned group made up of Iraqis that is effectively functioning as the country's temporary government. The senior members of IRDC hold positions at each of 23 Iraqi ministries, where they worked closely with U.S. and British officials, including L. Paul Bremer, head of the Coalition Provisional Authority. The Council's official task is to rebuild the structures of a government that are expected to eventually be handed over to an independent Iraqi authority. Members of the IRDC are officially employed by SAIC. Another Pentagon contract calls for SAIC to, in effect; rebuild Iraq's mass media, including television stations, radio stations and newspapers. SAIC runs the "Voice of the New Iraq," the radio station established in April 2003 at Umm Qasr that is funded by the U.S. government. Just how the company is going about the task of rebuilding Iraq's media and the overall cost remains a mystery, however. The Pentagon has steadfastly refused to release any specific information on SAIC's media reconstruction work, which has been dubbed the Iraqi Media Network. What little information that has leaked out about the SAIC effort has come mainly from disgruntled employees and press freedom advocates, who have charged the company has bungled the job badly. One report said SAIC had ordered equipment that was incompatible with existing systems in Iraq. SAIC, which appears to have little experience in mass media, was also reported to have been caught flat-footed on programming for the reconstructed network. Its initial solution was to enlist Voice of America, the foreign language broadcasting service of the U.S. government, to patch together a short nightly news show made up entirely of dubbed stories from U.S. television network news shows. There have also been widespread complaints from press freedom organizations about the SAIC effort, including charges of military censorship and cronyism. SAIC has been awarded seven contracts by the Defense Department to provide experts and advisers on development of representative government in Iraq; restore and upgrade the country's broadcast media; and provide a group of Iraqi expatriates to assist coalition officials working in the country. The value of the contracts, which were obtained by the Center for Public Integrity under the Freedom of Information Act, was blacked out in copies provided by the Defense Department. A Pentagon FOIA officer said keeping the information secret "was an appropriate way to avoid substantial competitive harm to the contractor" and was "due to the sensitive nature of the Iraqi contracts." SAIC officials referred all media calls to the Pentagon.

In April 2005, SAIC paid \$2.5 million to settle allegations that it made false claims and engaged in defective pricing on delivery orders with the Air Force for environmental clean-up at Kelly Air Force Base in San Antonio, Texas.

In March 2004, the Pentagon's inspector general released a report on Iraq humanitarian assistance contracts awarded for Coalitional Provisional Authority. A large portion of the contracts under review were awarded on a sole-source basis to SAIC. The inspector general found irregularities in both the award and administration of the contracts, including instances of improper or unsupported billing and weak oversight. Total contributions to McCain: \$4,000.

As Richard Nixon's Attorney General John Mitchell famously said during the Watergate scandal "Don't watch what we say, watch what we do." That statement is appropriate for John McCain's posturing as a fiscal conservative while he undercuts his own rhetoric by padding his campaign account with PAC checks from those firms who embody all that is wrong with the military-industrial complex.