

# Real Rogues: The Big Four Corporate Criminals

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## Lockheed Martin

Like many mega-corporations, Lockheed claims to make decisions based on high moral principles. The company's website lists six ethical principles by which they supposedly do business: honesty, integrity, respect, trust, responsibility, and citizenship. An examination of the company's record reveals six quite different principles:

### Contract violations

In May 2000, a \$4.25 million settlement agreement was reached between the U.S. Government and Lockheed Martin Naval Electronics and Surveillance Systems. Lockheed Foreign Military Sales (FMS) funds were improperly used while performing a FMS contract with Egypt to upgrade four sonar systems used by the Egyptian military.

### Foreign Corrupt Practices

Lockheed was convicted of violating the Foreign Corrupt Practices Act (FCPA) during the sale of three cargo planes to Egypt in 1993 and was fined a total of \$24.8 million.

### Conspiracy and Retaliation

In 1996, Lockheed was sued by a former employee who alleged a conspiracy to prevent him from testifying during the 1993 FCPA trial mentioned above and then retaliated against him by firing him after he testified.

### Bribery

Lockheed documents were subpoenaed by a federal grand jury in Los Angeles in 1999 during an investigation into a possible kickback payment to a consultant on a 1990 sale of air defense radar to Taiwan. Lockheed Martin's history of bribery and kickbacks dates back to the late 1970s when Lockheed admitted that it paid \$22 million in bribes to win contracts overseas.



### Racism

This year, workers at Lockheed's plant in Marietta, Georgia, filed a lawsuit charging Lockheed with racial and other forms of discrimination. The workers claimed that corporate officials systematically passed over the group of mostly black workers for promotions, discriminated in pay and fostered a hostile work environment. In one case, a worker whose supervisor was a member of the Ku Klux Klan with his robes openly displayed in the office, was forced to get a pass to go to the restroom and had to be escorted there. In another case, a worker found a hangman's noose in his workplace.

### Payoffs for Layoffs

When Lockheed merged with Martin Marietta in 1995, they used U.S. taxpayers' money to fund the \$1 billion cost of plant shutdowns and employee relocations and then fired 19,000 tax-paying workers. During the same merger, the two companies rewarded their top officials with \$31 million in federal money, one-third of the total bonus package they gave themselves.

Finally, as a special ministry to the underprivileged citizens of the U.S., Lockheed's second most significant business after weapons peddling is the management of for-profit state welfare departments and private prisons.

## Boeing

Boeing has a long history of corporate criminality.

### Fraud, Bribery & Deception:

In 1974, Boeing settled out of court with the Securities & Exchange Commission (SEC) over payments of \$54 million made to 18 countries that subsequently brought Boeing aircraft sales to \$943 million. At the time, Boeing claimed that the fees were legitimate as commission or consulting fees. In the SEC complaint, Boeing was accused of "employing devices, schemes and artifices to defraud, making untrue statements of material facts and omitting to state material facts."

The SEC also alleged that Boeing spent at least \$27 million paying off seven foreign governmental officials who were involved with their aircraft sales.

Boeing admitted to bribing foreign officials in the 1970s and 1980s but then returned to claiming its innocence in the 1990s even after a former employee, Assistant Navy Secretary Melvyn Paisley, was convicted in the massive Ill Wind weapons contractor scandal. Boeing, Raytheon, Hughes and other contractors conspired to rig bids to win Pentagon contracts. Paisley was found guilty of bribery, improper contracts and diverting contracts to a firm he secretly controlled.

## Overcharging

In 1994, Boeing agreed to fork over close to \$75 million in order to avoid criminal prosecution which, at that time, was the largest non-criminal Pentagon payback case in history. According to government statements, Boeing's settlement included \$52 million for overcharging computer-related work, \$14 million for overcharging on non-domestic government work and \$9 million for hazardous-waste disposal costs. In 2000, Boeing was sued by the Justice Department for allegedly concealing a subcontractor's billing fraud totaling "millions of dollars in fraudulent costs."

## Defective Parts

Boeing has also been charged with knowingly selling the Army defective parts and overcharging the Air Force thousands of dollars for minor supplies. In 1989, Boeing settled for \$11 million on one such charge. In 2000, the Justice Department sought \$20 million in damages for improper installation of parts on the AH-64A Apache helicopters.

## Labour Transgressions

Boeing's record of employee treatment is simply miserable, running the gamut of labor transgressions. Between 1998 and 2000, Boeing laid-off more than 20,000 workers. Since the 1980s, employees have filed a fairly steady stream of lawsuits complaining of the effects of toxins in their work environment, but few of these cases ever make it to court.

## Racism

A racial discrimination suit was settled for \$15 million in 1999. In this suit, which represented 12,000 current and 7,000 past, African-American employees, Boeing was accused of hostile treatment and promoting less-qualified white employees. The U.S. Labor Department accused Boeing of interference by denying inspectors access to necessary records.

## Raytheon

Like most military contractors, Raytheon knows how to throw its political weight around through large campaign contributions and a full-time lobbying staff of 19. Like its fellow rogues, Raytheon has an extensive record of illegal and unethical conduct. It has had civil suits concerning labor law violations, civil false-claims violations, fraud and at least one criminal violation:

### Spying and theft

In 1999 Reuters revealed that Raytheon "will pay \$3 million to a competitor, AGES Group, and purchase \$13 million worth of AGES aircraft parts to settle allegations that a security firm hired by Raytheon eavesdropped on and stole documents from AGES." This happened after AGES Group won a government contract that had been held by Raytheon.

### Bribery

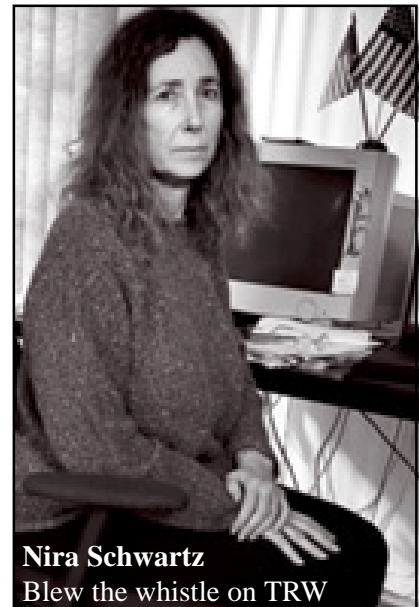
In 1995, transcripts from a wiretap of Julio Cesar Gomes dos Santos, a special envoy to the Brazilian President F e r n a n d o E n r i q u e Cardoso, indicated that Raytheon's lobbyists may have bribed a Brazilian senator to gain backing for a \$1.4 billion radar project.

### False Claims

In October 1994, Raytheon paid \$4 million to settle a U.S. government claim that the company inflated a military contract for antimissile radar.

### Securities Fraud

According to a complaint filed in 1999 by the law firm of Pomerantz, Haudek, Block, Grossman & Gross, Raytheon and two of the company's senior officers allegedly failed to disclose in its financial statements that it was violating Generally Accepted Accounting Principles by engaging in a systematic contract "acceleration" policy, under which the company was prematurely recording revenue on contingent sales contracts prior to actual performance.



**Nira Schwartz**  
Blew the whistle on TRW

## TRW

In 2000, former TRW senior engineer Nira Schwartz blew the whistle on her former employer, stating publicly that TRW blatantly lied about rampant test result failures to the DoD. "It's not a defense of the United States," said Dr. Schwartz. "It's a conspiracy to allow them to milk the government. They are creating for themselves a job for life." Indeed, all the "big four" contractors see Star Wars as a Golden Goose that will secure lucrative contracts and boost their sagging stock prices. Schwartz filed a lawsuit against TRW.

TRW has been the target of numerous false claims suits and anti-trust lawsuits, including one in 1984 when TRW was forced to pay the government \$17 million to compensate for overcharges. Most recently, in 1998 the Justice Department joined former senior TRW financial executive Richard Bagley in a lawsuit against TRW for defrauding the government of over \$50 million on various space contracts throughout the 1990s. Not coincidentally, "at a time when we continue to see wrongdoing by large defense contractors and their executives, the defense industry is approaching Congress to water down the False Claims Act," said Bagley's attorney Eric Havian. "Their proposed amendments would make it almost impossible to bring cases such as [this]."

**Source:** "The Real Rogues: Behind the Star Wars Missile Defense System," *Z Magazine*, September 2000.

