US: shares of Cheney's former company hit hard

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The value of Halliburton Co. shares, the energy services, engineering and construction firm previously headed by US Vice President Richard Cheney, declined by nearly 43 percent on December 7, before recovering some lost ground the next trading day, December 10. Investors panicked in the face of several recent asbestos-related verdicts, valued at more than $150 million, for which Halliburton is liable. The episode helps shed additional light on the character of the Bush administration, and its intimate ties to predatory Big Oil.

Halliburton's difficulties stem principally from the activities of a former subsidiary of the company's Dresser Industries unit, Harbison-Walker Refractories of Pittsburgh. The merger of rivals Dresser and Halliburton in 1998, which created the world's largest oilfield services and construction company, was hailed as the crowning achievement of Cheney's five years at Halliburton.

In the most recent asbestos verdict handed down, a six-member state court jury in Baltimore December 5 found Harbison-Walker and two other companies responsible for the asbestos exposure of five people and awarded the victims $40 million. The jury found that the companies, using asbestos in making pipe covering, cement block and insulating cement, failed to protect workers from exposure to the lethal substance. The plaintiffs, three of whom have died, and their families were awarded amounts ranging from $3.5 million to $15 million.

Harbison-Walker was found guilty in all five cases. One of them involved 50-year-old Diane Lester of Stevensville, Maryland, who has had one lung removed from cancer. As a teenager she washed out her pipefitter father's work clothes. Three of the other plaintiffs, Charles Cargile, Leroy Lane and Charles Habig, also worked as pipefitters and died in the late 1990s. Bricklayer Antonio Colella testified that he contracted cancer from working with Harbison-Walker's asbestos-laden bricks.

Following the verdict, Peter Angelos, the owner of the Baltimore Orioles baseball team, whose law firm represented the plaintiffs, declared, "These companies knew of the dangers of asbestos, yet they were negligent and did not show reasonable care.... This was a preventable wrong done to hard-working, decent people."

Halliburton also disclosed last week that a court in Orange, Texas recently entered judgments on jury awards totaling $100.7 million against Dresser Industries in two separate asbestos liability cases. Additionally, a Mississippi jury awarded plaintiffs $21.25 million in asbestos damages cases involving Dresser.

On November 8 Halliburton reported to the Securities and Exchange Commission that about 340,000 asbestos claims had been filed against the company and its subsidiaries since 1976, of which 194,000 had been resolved. It reported that the settlements and court proceedings had cost a total of $143 million, of which it expects to recover all but $38 million from its insurers. In many cases it paid nothing, and the average payment over the last 25 years has been a derisory $200. Halliburton promised to appeal all the recent verdicts.

The company's vigorous defense and its considerable reserves convinced some analysts that it can weather this newest storm. One such analyst, James Crandell of Lehman Brothers, remarked, "I can't believe they took off 42 percent [of the value of Halliburton's stock] for a couple of rulings that, in the aggregate, may cost Halliburton several million dollars."

Certain commentators, however, noted the pervasive nervousness following the collapse of Enron, the energy trading giant, and others pointed to the general fate of companies involved in asbestos-related litigation. W.R. Grace & Co. and building materials maker USG Corp. are two such firms that have filed for Chapter 11 bankruptcy protection in recent years. The California-based RAND Institute for Civil Justice reported earlier this year that there have been more than 500,000 asbestos damage claims filed since the early 1980s and that "All of the major asbestos defendants are likely to be in bankruptcy within 24 months."

During the 2000 election campaign critics noted that in the last several years Cheney and Halliburton had contributed

$157,500 to congressional candidates who had co-sponsored legislation to cut off victims' rights to a fair recovery when injured or killed as a result of asbestos exposure. William McNary, president of US Action, a consumer group associated with several AFL-CIO unions, asserted, "The Cheney-led Halliburton Company has been an integral part of an asbestos industry which knowingly poisoned workers for years and is still trying to get off the hook."

There was much ballyhoo about Cheney's tenure at Halliburton in last year's campaign. His success in the private sector demonstrated, according to the Republican election propaganda, Cheney's acumen and leadership capabilities. An article in *Business Week* (July 27, 2000), headlined "High Marks for Cheney's Reign at Halliburton," claimed that "With political smarts and a Rolodex full of international contacts, Cheney quickly transformed Halliburton from second banana in the oil-field services sector to the world's biggest provider of oil-drilling, engineering, and construction services."

Cheney, defense secretary in the administration of the elder Bush, undoubtedly parlayed his former contacts into business for Halliburton. According to *Business Week*, "Industry insiders say Cheney's political profile played a major role in helping Halliburton snag such contracts [a $2.5 billion deal in Brazil] and expand its international business, which now accounts for about 70% of revenues. 'From a political standpoint, Cheney is a master. He was able to open doors [for Halliburton] in international markets, particularly in the Middle East, where previously Halliburton had been locked out,' says Robert S. Trace, senior vice-president for oil-field-services equity at Hibernia Southcoast Capital Inc. in Houston. 'He was able to set up a meeting with a king of a country as opposed to the king's second cousin.'" During Cheney's stay at Halliburton, the firm became the fifth-largest military contractor in the US.

Cheney's "biggest deal, though, came in September, 1998, with the $6 billion acquisition of Dresser Industries Inc.," the company that is now primarily responsible for Halliburton's facing thousands of asbestos-related cases.

The Dresser-Halliburton merger was apparently initiated quite informally between Cheney and William E. Bradford during a quail hunt. So informal was the arrangement that the two companies agreed to forego the process known as "due diligence," whereby both companies in a merger look at "each other's pending projects to make sure their assumptions about each other's value are based on solid numbers" (*New York Times*, August 24, 2000).

As it turned out, there were plenty of skeletons in both closets. Dresser executives were apparently "startled" by Halliburton accounting practices. Officials at Cheney's company were reportedly quick to record profits, relying on their ability to forecast how projects would turn out. According to the *Times*, "Tensions between the two management teams deepened in the months after the merger with the discovery of large losses on some of the Halliburton projects." While Dresser's construction unit had predicted a $200 million profit in 1999, losses, mostly from Halliburton projects, shrunk those profits in half.

A number of Dresser executives quit, and at least three have sued Halliburton, claiming that the company reneged on promises of a severance package. Paul T. Butzberger, former president of Dresser Oil Tools, claimed that Halliburton officials repeatedly assured him he would be able to retain his options for 60,000 shares of stock after his departure and then refused to honor the promise.

Cheney, on the other hand, walked away from Halliburton, once he received the Republican vice-presidential nomination, with a "golden handshake" worth millions of dollars, principally in the form of stock options. He made a profit of $18.5 million in August 2000 alone by exercising options to buy 660,000 shares of Halliburton at prices between $21 and $29.56 during the week of August 21-28 and selling the shares during that same time period at between $52.28 and $53.93 a share. Early this week the stock was trading at $14 a share.

Halliburton has a material stake in US interventions overseas. Brown & Root, its notoriously anti-labor subsidiary, holds contracts with the military to provide logistical services for army contingency operations. It has done $2 billion worth of such business since 1992 and expects to do another $1.2 billion by 2004. Brown & Root, for example, employs more than 13,000 people in the Balkans. It has deployed employees to Bosnia, Kosovo, Macedonia, Hungary, Albania, Croatia, Greece, Somalia (at one point it was the country's largest employer), Zaire, Haiti, Southwest Asia and Italy to support US army operations. In October 2000 the Justice Department announced that Brown & Root was under criminal investigation for allegedly defrauding the federal government of $5-6 million during its work decommissioning Fort Ord in California in 1997.