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NOW

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BRANCACCIO: Welcome to NOW.

When the White House decided to jumpstart recovery and rebuilding after Hurricane Katrina, a series of huge contracts were the result, many assigned without any real competing bids from other private corporations.

Tens of billions of tax dollars started flowing with little oversight.

Any of this sound familiar?

It does to Bunnatine Greenhouse, whose job as the top civilian executive at the Army Corps of Engineers was to watch the money.

For two years, Greenhouse complained to superiors about potential fraud and abuse in no-bid contracts worth billions of dollars awarded to a subsidiary of Halliburton for its work in Iraq. She went on to testify before Congress. Her reward? In late August, she was demoted, and removed from overseeing outside contracts.

And Halliburton? It's already been awarded millions of dollars in new work to rebuild the Gulf Coast. Greenhouse, a native of Louisiana, has some thoughts on all this.

GREENHOUSE: These checks and balances were just simply going out of the window. And that had to be highlighted.

BRANCACCIO: It's been quite a journey for Bunnatine Greenhouse. She was the chief civilian reviewer of contracts at the Army Corps of Engineers — brought in eight years ago to clean up an often lax contracting process. She estimates that over 20 billion dollars worth of contracts have needed her yes or no each year.

GREENHOUSE: I was brought in to stop some of the casual and clubby-type contracting that was going on.

BRANCACCIO: You used the word clubby.

GREENHOUSE: There's a problem with relationships and responsibility. It's too much on developing relationships than it is with the responsibility to government.

BRANCACCIO: Do you think that some of that clubbiness has crept back into the system?

GREENHOUSE: If there appear to be clubbiness, if they appear to be advantage, I'm about removing that appearance of advantage.

BRANCACCIO: It was during the run-up to the Iraq war in 2003 when Greenhouse's suspicions were aroused that some contractors appeared to be getting especially good deals. One company was awarded an up to 7 billion dollar contract to fix Iraq's oil fields. That company was Halliburton, Vice President Dick Cheney's former firm. There were no competing bids for this contract, given the pressing needs of an impending war. Greenhouse insisted this no bid contract should be a short-term solution.

GREENHOUSE: I had told them that there was no need to extend the contract for more than one year. And when I got the final justification and approval document you know for the sole source, you know the no-bid contract to sign, it was five years.

BRANCACCIO: Five years on a no bid contract?

GREENHOUSE: Right.

BRANCACCIO: Greenhouse voiced her concerns up the hierarchy at work, sometimes in writing on the draft contract. But she says her concerns got the cold shoulder. It would only get worse.

Halliburton's subsidiary KBR had gotten into hot water after a government audit concluded that it had overcharged the U.S. taxpayer by \$61 million for gasoline to support American operations in Iraq. But unbeknownst to Bunny Greenhouse, Halliburton was pushing for a waiver from the Army Corps of Engineers that would declare those gas charges "fair and reasonable." On a day Greenhouse was sick with bronchitis but still working from home, her colleagues back at the office granted the waiver.

GREENHOUSE: What we did with the waiver is let Halliburton totally off the hook. They wanted to get this one through without a lot of scrutiny from Bunny Greenhouse.

BRANCACCIO: So, it's your sense that they tried to keep this form away from your eyes because...

GREENHOUSE: Yes, they did.

BRANCACCIO: ...you might have stepped in front of it. And you say there's...

GREENHOUSE: And I would not have allowed my boss to sign such a document.

BRANCACCIO: The Justice Department and the Department of Defense are investigating the Halliburton contracts in Iraq. Halliburton has said it has done no wrong. Meanwhile, Greenhouse has continued to speak out. In June of this year, she testified on Capitol Hill about the Halliburton contracts.

GREENHOUSE: I had seen the worst activity in contracting that I'd ever seen in all of my contracting career.

BRANCACCIO: Did you ever get the feeling that it would be best if you didn't testify?

GREENHOUSE: When I was going to the first hearing, the acting general counsel came to me and let me know in no uncertain terms that it was not in my best interest, you know, to have testified. And remember, contracting... the lineage of that authority comes from Congress.

So, what right do I have if Congress is calling me to explain some of the improprieties or some of the concerns that I may have had, I don't see why I should not have gone forth to provide them that information. You know, we are in a democracy. We are... I am a civil servant.

BRANCACCIO: So, there you are, a civil servant.

GREENHOUSE: Yes.

BRANCACCIO: Trying to do what you think is the right thing.

GREENHOUSE: Right.

BRANCACCIO: One would have thought you'd be treated like a hero. How were you treated?

GREENHOUSE: Well, I have been demoted as of August 27th. That is removed from the senior executive service corps to a GS-15. Taken totally out of contracting. Placed as a program manager with no programs and no taskings, you know, to actually do.

BRANCACCIO: The government says that she wasn't doing her job very well, a charge she contests. Now she mentions August 27th, the day she was finally shunted aside. That's quite a date. It's also the day President Bush declared a state of emergency in Louisiana, just as the next wave of massive government contracting would hit with Hurricane Katrina. And once again, KBR was getting a lucrative deal.

GREENHOUSE: I have concern that here we are in another emergency situation forgetting the fact that the government is in the driver's seat, that we establish the rules and regulation as to how we are going to obtain awardees of contracts. And it concerned me that the Corps of Engineers initially went to KBR.

BRANCACCIO: Kellogg, Brown and Root slash Halliburton.

GREENHOUSE: Halliburton for their initial efforts of a contract stating that it was competitive.

BRANCACCIO: What does it say about a system that given your efforts would seek to move you aside? Demote you?

GREENHOUSE: What is it the government wants? What is it that the public trust wants? What is it that you would have liked for me to have done if not to raise the issues of those things. If I felt that I had not the capability to be able to do it well and to look in the mirror and know that I have served this public the best I possibly could, I would have been the first person to step down.

BRANCACCIO: Let's round up your week with some straight talk about retirement. Looking forward to it? A time to forget about the interminable weekly staff meetings of our working lives? But for many of us, it will be a time of more anxiety about what we're going to live on.

Got a company pension? Some 44 million Americans are still banking on the traditional system where the company says it'll pay a set amount once you hang up the spurs.

But as our senior correspondent Maria Hinojosa and producer Bryan Myers have discovered, collecting what you're owed may be harder than you think.

HINOJOSA: Just months ago, American workers witnessed the biggest default of a pension plan in U.S. history: United Airlines filed for bankruptcy, claiming that employee pensions were costing the company too much money. Angry United workers denounced it as a betrayal of trust.

UNITED EMPLOYEE: I'm devastated. It's terrible. I mean, I can't believe they would allow this to happen to the employees.

HINOJOSA: Nearly 60,000 United workers were counting on getting monthly pension checks when they retire. But by declaring bankruptcy, the airline was able to abandon its pension obligations. Now, many of those workers won't get the pension benefits they were expecting.

BELT: People's expectations about a secure retirement have been dashed in many cases, because the companies have reneged on a promise that they've made to the workers. That's unacceptable.

HINOJOSA: Bradley Belt runs a government agency called the Pension Benefit Guaranty Corporation, or the PBGC. Think of the PBGC as something like an insurance company for pensions: when pension plans go under, it makes sure retirees still get their checks. But there are limits to that insurance. And as a result, many long-time United workers won't get the full amount they're owed.

HINOJOSA: United Airlines, you're worried about the kind of precedent that this may set. What is your concern?

BELT: Well, we've seen problems that are endemic to that industry sector will often impact companies in a kind of serial fashion. There's a domino effect that kind of occurs.

HINOJOSA: And just weeks ago, two more dominos fell. Northwest and Delta Airlines also declared bankruptcy, both on the same day. Now, Belt worries they'll try to ditch their pension plans, just like United.

BELT: The executives of the other legacy carriers, particularly Northwest and Delta have all stated publicly, "Now wait a second. We will have to think about seeking to terminate our pension plans." Well, the law doesn't contemplate that you're able to offload your pension plan with the federal government simply because you want to remain more competitive.

HINOJOSA: Currently, 44 million Americans are enrolled in traditional defined benefit pension plans. Here's how they're supposed to work: during your working years, your employer is supposed to set aside money on your behalf, with the promise that they'll pay you a monthly benefit when you retire. But there's a problem: looking to save money today, many companies aren't setting aside enough money for the retirees of tomorrow.

Bradley Belt calls that "underfunding." Add it all up, he says, and the shortfall for America's pension plans is staggering.

BELT: It's a serious problem. \$450 billion now, and that number has increased substantially over the past few years.

HINOJOSA: Yes, that's \$450 billion dollars. And while Bradley Belt says workers shouldn't automatically be alarmed if their particular pension plan is underfunded, it is often a sign that the company as a whole is ailing, and could be headed for trouble.

HINOJOSA: Take United Airlines. Its pension funds were short nearly ten billion dollars. At Delta Airlines, plans are short almost eleven billion dollars. And at Northwest, almost six billion.

BELT: Unfortunately, over the last few years, there have been far too many plans that have become seriously underfunded.

HINOJOSA: So America's workers have never been this insecure in terms of their pensions than ever before?

BELT: The risk of losing benefits that have been promised to them has never been greater. That's correct.

HINOJOSA: And just this week, the Delphi Corporation — the largest supplier of auto parts to General Motors — filed for bankruptcy. Its pension plan reportedly has a shortfall of nearly 11 billion dollars. General Motors, its former parent company, might have to absorb those costs. But can they? According to the pension agency, GM is already short 31 billion dollars in its own pension funding — a figure GM denies.

But if it turns out GM can't cover all those pensions, the PBGC will have to, driving that agency even deeper into debt. Remember, it's the agency that has to make good when company pension plans go bankrupt.

BELT: Our long term solvency is very much in doubt. So there's going to be a question presented at some point, how do you fill that hole?

HINOJOSA: Things are so bad, says Belt, a massive federal bailout of his agency may be necessary. It wouldn't be the first time the federal government has had to bail out a mess caused by the private sector. Remember the savings and loan crisis? The federal government guaranteed those deposits too. The S&L bailout ended up costing taxpayers \$125 billion dollars.

The current pension crisis has a lot of people wondering what went wrong. You see, there are laws against underfunding pension plans. Over 30 years ago, Congress passed a landmark piece of legislation called ERISA. It requires companies to set aside enough money to keep their pension plans healthy. But in the case of United Airlines, they were able to get around it.

SEN. CHARLES GRASSLEY (R-IA): That's Enronesque. It's legal Enron, as opposed to illegal Enron.

HINOJOSA: Upset by the United fiasco, Republican Senator Charles Grassley wanted to know what happened. Grassley heads the Senate Finance Committee, which has oversight for pension issues. So earlier this year, he held hearings.

GRASSLEY [at Senate hearings]: The facts are alarming. The time to act is now.

HINOJOSA: Grassley was shocked by what he found: there were years when United Airlines didn't put any money into its employee pension plans. How did United get away with that? By using legal accounting loopholes.

HINOJOSA: Is there essentially something happening in American society where these companies basically feel like they can play with people's retirement funds, their pension funds?

GRASSLEY: We've got to take into consideration there's a lot of corporations that are keeping their obligations to their workers. But there's a drive in America to always make the quarterly report of the corporation the very strongest it can be shown. And if you can keep from paying money into an underfunded retirement plan, then that money can be kept out of the fund and into the corporation bottom line.

HINOJOSA: Most American workers would say, well, we understand capitalism, but that feels like we're being taken advantage of.

GRASSLEY: Yep. And that sort of manipulation of the bottom line to the detriment of the worker in his pension fund, needs to be changed.

HINOJOSA: As it turns out, other companies that have defaulted on their pension plans, like Bethlehem Steel and US Airways, were also using those accounting loopholes. So now, Grassley is proposing legislation to close them.

GRASSLEY: Just like we want to make sure that every penny you earned during your week of work, you get that in your paycheck at the end of the week, at the end of your working years, you earned a pension, you ought to get it.

HINOJOSA: Industry lobbyists in Washington, DC have weighed in on Grassley's bill. Their response? That if those loopholes aren't available to them any more, the companies they represent may simply stop offering pension plans

altogether.

GRASSLEY: We've got baby boomers coming on. 77 million people are going to retire in the next 30 years. The biggest demographic shift ever in the history of our country. It's going to be a tremendous impact on the economy if these people don't have the retirement that they were planning on.

HINOJOSA: Underfunding, and the risk of pension plans going bankrupt, are huge problems. But those aren't the only issues facing America's retirees. Even if a plan is fully funded and healthy, sometimes plan administrators just don't want to pay what they owe.

HAKALA: At the shop I worked, there was no job they considered light duty.

HINOJOSA: Meet Robert Hakala. He spent his life doing what he calls "bull work" — the kind of hard labor that requires muscle and sweat, the kind of labor that made America an industrial powerhouse.

For almost 20 years, Hakala did "bull work" — making heavy equipment at this factory near Duluth, Minnesota. A lot of people in this part of the country did "bull work" — northern Minnesota is known as the "iron range" because of all its mines and the mills they feed.

HAKALA: I'm a working man. I miss it.

HINOJOSA: But "bull work" can take its toll. One day, a load of steel fell on Hakala's shoulder. Hakala had to retire. Social Security agreed, plus Hakala belonged to a strong union which had a good pension plan — or so he thought.

HINOJOSA: You felt you were entitled to what?

HAKALA: I felt that as long as I have disability why not get my disability pension?

HINOJOSA: Instead, the administrator in charge of Hakala's union pension plan refused to pay. So began a four-and-a-half-year battle to get his money.

HAKALA: I felt like I was getting dumped on.

HINOJOSA: Were you surprised when you realized how difficult it was going to be for you to get what you believe is entirely entitled to you?

HAKALA: I was bitter. I was bitter as hell.

HINOJOSA: Remember that landmark pension law called ERISA? ERISA is supposed to protect people like Hakala. It gives workers the right to appeal decisions about their pensions. But here's the catch: most workers have no idea how to handle an appeal, and pension plan managers aren't required to walk you through it.

HINOJOSA: When you're not able to move forward here in terms of getting your disability pension, did your company or your union help you? Guide you? Tell you what to do?

HAKALA: No. Nothing.

HINOJOSA: Rita Griebel didn't get any help from the company who owed her a pension, either. Years ago, she worked for a local trucking company in Faribault, Minnesota. It got bought by another company, then another. When it came time to collect her pension, Rita didn't even know where to start.

HINOJOSA: Did you ever imagine that you would have to go searching for something that they had said...?

GRIEBEL: No. I mean, we all just kind of take these things for granted.

HINOJOSA: Griebel says the new owners could have at least sent her a letter. She didn't get angry, but didn't give up either. Griebel spent three years on the Internet and on the phone to track them down. It turned out to be the giant shipping company Fed Ex.

HINOJOSA: Was all of your effort to get your pension worth it for you?

GRIEBEL: Sure.

HINOJOSA: And so that pension money...

GRIEBEL: Will amount to quite a bit.

HINOJOSA: You think companies are more than happy when people give up?

GRIEBEL: Yeah, I'm sure.

HOTZ: A pension is compensation, very much, that's something that you earn. People are upset when the promise of the pension is taken away from them, and rightly so.

HINOJOSA: John Hotz works for the Pension Rights Center, a national organization in Washington, DC. Hotz says that ERISA — the landmark pension law — fails in one important respect: it never established a single government agency to enforce the rights of people like Rita Griebel and Robert Hakala.

HOTZ: If the law says participants ought to be able to have the information that's necessary for them to verify their calculation, that really means nothing unless there's a strong and predictable enforcement mechanism that's going to hold plan administrators accountable for their failings.

HINOJOSA: So to fill the void, pension rights advocates came up with an idea: set up a series of regional centers around the country dedicated to helping retirees who've been denied pension benefits.

BROWNING [to pensioner]: If you can get that information...

HINOJOSA: Mary Browning runs the center in Minnesota. She's a lawyer and a rarity in the pension world — most lawyers with expertise in pension law work for companies, not representing workers.

BROWNING: Often when people call us, it really is dire.

HINOJOSA: Browning hears all sorts of stories from retirees about getting the

run-around. And there's another common problem: companies paying retirees less than they're owed. According to this report by the Department of Labor, companies frequently miscalculate pensions and shortchange retirees.

BROWNING: Sometimes you do get a sense of something going on. That there is an agenda. The plan administrator doesn't want to pay the pension for some reason.

HINOJOSA: Browning was able to help both Rita Griebel and Robert Hakala. In Hakala's case, Browning was able to get him his full pension, and on top of that, a settlement of over \$40,000 dollars for the four and a half years he spent fighting for his claim.

BROWNING [to pensioner]: Okay, and when did you quit that company?

HINOJOSA: Mary Browning's center has been open about 12 years. Since then, it's helped thousands of retirees solve their pension problems. And there are now centers just like this one covering 18 other states.

But these assistance centers can only do so much. When giant companies employing tens of thousands of workers don't set aside enough money to pay their pensions in the first place, consumer help only goes so far. Bradley Belt, the man who would rescue your plan if it goes under, ought to know.

HINOJOSA: Can any of us essentially suddenly find ourselves at a time when we're gonna retire and then say, oh my gosh, my pension's not there?

BELT: Unfortunately, that has happened. And all of a sudden, you find out virtually overnight, you read the newspaper, that your company's terminating your pension plan. And there are only 35, 45, 50 percent of the assets in that pension plan necessary to cover the liabilities. That's a real shock to the system. And that's unacceptable.

BRANCACCIO: To get more info on the health of the nation's pension plans, visit our Web site. Just type in pbs.org and then find the NOW page.

And next week on NOW, we'll look at a plan costing billions to restore the Gulf Coast wetlands. Will it protect New Orleans from another Katrina?

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