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In Alaska, scandal flows like crude

By Scott Martelle
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There are generally two views here about the career trajectory of Bill J. Allen, an oilman and political wheeler-dealer who over four decades built his VECO Corp. into one of the state's largest and most influential companies.

He was driven by greed, or by a thirst for political power.

How Allen wielded his considerable influence is a major strand in a knot of political scandals that have touched both of Alaska's U.S. senators – including longtime powerhouse Republican Ted Stevens – its sole congressman and at least six members of the Legislature.

And the scandals – some overlapping, some stand-alone – have shaken the state's small political world to its core.

Allen's relationship with Stevens is key to some of the inquiries. The VECO executive oversaw the 2000 renovation of Stevens' home in Girdwood, a picturesque enclave about 40 miles south of Anchorage. Federal agents searched the house in late July. Stevens has declined to discuss the investigation other than to say that he has done nothing wrong.

But in a sign that the investigations are broadening, National Science Foundation spokesman Dana W. Cruikshank confirmed Anchorage Daily News reports Thursday that the FBI was looking into \$170 million in contracts VECO won beginning in 1999 to support foundation polar research programs. When the first contract was awarded, Stevens was an influential member of the Senate Commerce Committee, which oversees the foundation.

Cruikshank referred questions on the investigation to the FBI. Officials there did not respond to a request for comment.

Stevens' success in steering federal money to Alaska projects is legendary.

So is Allen's reputation for getting his way with state political leaders.

The power that the two men wield across this vast state is demonstrable.

Former state Rep. Jim Whitaker visited Stevens' Senate office in Washington about four years ago and noticed a framed newspaper page that ranked Alaska's most powerful men. Stevens was No. 1.

Right behind him: Bill Allen.

"I doubt that paper's still there," said Whitaker, a Republican who is now mayor of the Fairbanks North Star Borough.

The scope of the scandals is staggering in a state with fewer than 700,000 residents – smaller than San Francisco.

Allen and VECO Vice President Richard L. Smith have pleaded guilty to bribing or attempting to bribe five state

representatives, three of whom have been indicted.

Allen and Smith said in court documents that they illegally funneled more than \$400,000 to political candidates, including about \$243,000 to an unidentified politician believed to be Ben Stevens, Ted Stevens' son and the former head of the state Senate. He has not been charged.

Search warrants have been executed on several businesses and homes – including those of Ben Stevens – as investigators try to untangle connections among Allen, the Stevenses, Rep. Don Young (R-Alaska) and state politicians.

In another unrelated controversy, Alaska's other U.S. senator, Republican Lisa Murkowski, recently announced she was returning 1.27 acres she had bought along the Kenai River for \$179,000, or about \$100,000 less than what local real estate experts reported it might be worth, according to an overview in a complaint filed July 24 with a Senate ethics panel.

Of all the scandals and investigations, the one that has drawn the most attention here – and that could lead to a watershed change in Alaska politics – centers on Allen, a high school dropout from Socorro, N.M., who arrived in Alaska in the 1960s as a welder.

When oil was discovered in Prudhoe Bay in 1968, Allen formed the VECO oil-services company with a partner who later left, and then rode the roller-coaster economy of the Alaska oil fields.

“For whatever reason, probably because he was around in the early days, [Allen] had a good relationship with the major oil companies,” said Robert C. Ely, an Anchorage lawyer who did work for VECO until 1983. “He provided what the oil companies wanted in terms of service. You know: ‘No problem,’ ‘Right away sir,’ ‘We’ll get right on it.’ They liked that responsiveness.”

Still, VECO tumbled into bankruptcy protection in the early 1980s after the price of oil dropped and expansion attempts failed.

VECO held on, though, and when the Exxon Valdez ran aground in 1989, spilling millions of gallons of oil into Prince William Sound, Exxon tapped VECO as the main contractor to clean it up.

By then, Allen had become a political player, though Ely said Allen was more interested in pro-development policies than partisan politics.

“His politics was essentially his relationships with the people who made the decisions about the projects in the North Slope,” Ely said.

“That wasn’t political politics, that was good-customer- relations politics.”

But the “political politics” was there too.

In 1983 Allen collected \$41,080 in political donations from 415 VECO employees and doled the money out to five candidates selected by VECO, an action that the Alaska Public Offices Commission ruled illegal. Allen paid a \$28,000 fine.

His pro-development philosophy toward the North Slope in particular came out during his deposition in that case. “If there’s not any work up there, people can’t work up there,” Allen said. “If there’s not a market, they sure can’t work for me or anybody else.”

Allen’s biggest effect has been through political fundraising and the access that buys. Allen used his wealth to become the oil industry’s chief lobbyist, and was so entrenched in Juneau that when he ran afoul of state lobbying regulations, he got them changed.

“To me he was one of those tall, gruff cowboy types who I always thought lived by a code,” said former state Rep. Ethan

Berkowitz, a Democrat. "It was his own code."

And Allen was the face of Big Oil in Juneau, even if the companies maintained their own lobbyists.

"They knew what he was doing and they could have reined him in," Berkowitz said. "There's no question that his business was dependent on their good graces."

Allen's guilty plea to bribery charges came as a shock even to politicians who had seen Allen at work.

"Everybody knew that VECO had an inordinate amount of weight in the Legislature, but very few of us knew that they were actually putting out anything other than campaign contributions," said former state Rep. Harry Crawford, a Democrat. "Rick Smith, he was good for buying drinks any time in Juneau, that sort of thing. You knew that was there but didn't know that he was providing actual money."

Court records paint a sordid picture of bribes big and small. Allen and Smith regularly booked Suite 604 of the Westmark Baranof hotel in Juneau, where they talked over deals both legal and illegal.

Both men admitted to handing out bribes of a few hundred to several thousand dollars to unidentified legislators, promising jobs and agreeing to fraudulent schemes to hide the flow of cash.

At times, it seemed as though Allen was a member of the Legislature himself. Crawford recalled a showdown over an oil-tax measure near the end of the 2006 legislative session. Crawford offered an amendment establishing an oil tax at a higher rate than Allen and the oil industry wanted, a measure that Crawford's colleague, Rep. Bruce Weyhrauch, a Republican, had just voted for.

"The minute we got that amendment passed the speaker slammed down his gavel" and called for a brief recess, Crawford said.

"Weyhrauch went back and talked to Bill Allen and talked to other legislators."

Crawford said Allen was also passing notes to legislators on the floor, using GOP Rep. Tom Anderson as a courier – a practice barred by House rules. Anderson has since been convicted of accepting bribes in an unrelated scandal.

"A few minutes after Bill Allen had passed the notes, they called us back into session again and Weyhrauch stood up and moved to rescind our action," Crawford said.

"There was very little I could do, but I could tell who was in charge of the floor that night."

Weyhrauch has been indicted on charges he accepted Allen's bribes. The indictment includes allegations that Weyhrauch cast his first vote mistakenly, then maneuvered to get the amendment squelched.

Observers suggest no one was forced to take Allen's bribes.

"It was easy to avoid Bill Allen, and Rick Smith, and the oil industry in general," said Whitaker, the former legislator. "It was clear they were there to protect their own interests first, at the expense of the state. For me it wasn't a difficult thing" to maintain distance. "For others, it was."

The repercussions from the scandals are wide, and deep.

Republican Sarah Palin won the governor's seat in November largely based on agenda of reform, and has been pushing for tougher ethics policies.

Stevens, 83, was appointed to his Senate seat in 1968 and won it on his own two years later. Young has been the state's sole House representative since winning a special election in 1973.

Both had been considered shoo-ins for reelection in 2008.

But with the stain of corruption spreading, other Alaskan politicians are beginning to talk of challenging Stevens and Young for their seats. Berkowitz is mulling a run, though he is not certain whom he would challenge.

And Ray Metcalfe, a former Republican state representative who has been one of Stevens' loudest critics, said he would probably challenge Stevens in next year's Republican primary.

"The landscape has changed markedly," said Metcalfe. "I would be crazy not to."

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