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FBI probes contracts to company with ties to Stevens

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WASHINGTON — The FBI is investigating the National Science Foundation's award of \$170 million in contracts to the oil field services company that oversaw renovations on U.S. Sen. Ted Stevens' home, McClatchy Newspapers has learned.

The firm, Veco Corp., captured a lucrative five-year NSF contract in 1999 to provide logistics and support for polar research, although it had no previous experience in that field. During the same time period, Veco's top executive managed renovations that doubled the size of the longtime Republican senator's Girdwood, Alaska, home — the scene of a July 30 FBI raid.

NSF spokesman Dana Cruikshank told McClatchy Newspapers that the FBI has made inquiries into the 1999 award, worth up to \$70 million, and a 2004 follow-up contract for as many as seven years that the company values at up to \$100 million. Justice Department spokesman Bryan Sierra and spokeswoman Debra Weierman of the FBI's Washington field office, which is leading the investigation, declined comment on the NSF contracts.

Veco's founder and CEO, Bill Allen, pleaded guilty this spring to making \$400,000 in illegal payments to Alaska lawmakers, including Stevens' son, Ben, who was then president of the Alaska Senate. Allen is cooperating in a sweeping FBI corruption investigation that also has led to the conviction of a second Veco executive, a lobbyist, and a former Alaska state representative.

Three other state lawmakers are awaiting trial on bribery charges. Ben Stevens has not been charged.

The disclosure provides further evidence of the degree to which the investigation of public corruption in the Alaska legislature has widened to include at least two of the state's three members of Congress. Alaska's sole congressman, U.S. Rep. Don Young, is also under investigation for his ties to Veco.

Until now, there has been little hint as to how Veco might have benefited from the close relationship that its CEO had with the elder Stevens, who served for several years as the powerful chairman of the Senate Appropriations Committee. Stevens also had oversight of the National Science Foundation in his senior role on the Senate Commerce Committee.

No evidence has surfaced that Stevens directly steered the contract to Veco, but his aggressive support for increased funding for arctic research coincided with the company's sudden emergence as a major player in providing logistics for polar scientists. Under the contract, Veco helps transport researchers to remote arctic regions for more than 150 scientific projects, feeds them, houses them and provides equipment and communications during their stays.

Stevens would not comment on any aspect of the investigation and has refused to talk about the FBI raid on his house. A spokesman said that the 83-year-old senator has long had an interest in seeing more money spent on arctic research.

"Sen. Stevens has long been a supporter of increasing federal funding for Arctic research," said Aaron Saunders, the spokesman. "Alaskans, more than anyone in the nation, are feeling the effects of climate change. In order to understand the causes and impacts of these changes, Sen. Stevens believes that a variety of agencies must help us learn more about the Arctic. As an appropriator and a senior member of the Commerce Committee, it is Sen. Stevens' role to ensure government entities receive the necessary funding to carry out this important work."

As far back as 1994, as a member of the Senate Commerce committee, Stevens championed putting more arctic research money into the NSF budget. In 1997, when a government advisory group overseeing arctic research issued a report detailing disparities between arctic and Antarctic research, Stevens became a standard bearer for the cause.

"I know that Sen. Stevens was very strongly taken with what we had uncovered in the study," said George Newton, a research engineer and former U.S. Navy submarine captain who served for 12 years as chairman of the panel, the Arctic Research Commission. He said Stevens cited the study as a basis for appropriating more money for arctic research.

Unsolicited, Stevens put \$25 million into the commission's budget, without ever explaining why an advisory panel would get the money instead of the National Science Foundation. The funds were later shifted to the NSF.

Newton said that when it came time in 1999 to award a polar logistics contract, it was believed within the NSF and in polar research circles that Veco's relationship to Stevens' son might give the company an advantage.

In Allen's plea, he admitted paying fees to the younger Stevens' consulting firm beginning in 1995. From 2002-2006 when he was a state senator, Stevens was paid \$243,250 by Veco mainly for "giving advice, lobbying colleagues and taking official acts in matters before the legislature." Allen also offered to make Stevens a Veco executive, according to court filings that identify Ben Stevens as "Senator B."

"The thought was going around, that as the competition was going on within NSF, there was always this talk that Sen. Stevens' son was connected to Veco," Newton said. "A wink of an eye, so to speak, among people who were not involved in the evaluation. It was water cooler conversation."

One losing bidder questioned the fairness of Veco's initial award in 1999 and said it should "bear further scrutiny." Marijane Hancock, who submitted a proposal on behalf of the University of Nebraska's Polar Ice Coring Office in partnership with a Canadian company, said she could not imagine Veco gearing up to submit a competitive proposal within a three-month bidding deadline unless company officials somehow had a head start. The University of Nebraska project held the polar research logistics and support contract from 1974 to 1989, lost it for five years to the University of Alaska, and then won it back for the period from 1994 to 2000, earning \$17 million over the final six years.

Karl Kuivinen, who headed the Nebraska project in the 1990s, said Veco came from nowhere to win the successor contract. No one knew the contract's value until the agency floated a formal request for bids on April 21, 1999, said Mike Ledbetter, a former Science Foundation technical manager who sat on a panel that reviewed competing bids. Ledbetter and Hancock said that Veco gained expertise by hiring several former employees of Antarctica Support Associates, a company that performed similar support services on the South Pole. Hancock, now a University of Nebraska assistant vice president for academic affairs, said she drafted a protest letter when Veco won the contract, but her bosses decided not to send it. Among other things, she complained that Simon Stephenson, the National Science Foundation's contract manager, "had developed long-term personal relationships" with the former Antarctica field workers who were hired by Veco. The NSF declined to make Stephenson or anyone else available for an interview. Hancock

also noted that, when potential bidders were invited to send personnel to Greenland to tour the main site of the research in June 2000, two Antarctica workers missed a signup deadline. She said NSF officials then asked her office to escort the two, who Hancock said, "were provided personal, extensive and special access to all aspects of our operation." "We learned in the middle of December, after the contract was awarded, that the two individuals we accommodated went to work for Veco Rocky Mountain Inc., on their contract," she wrote.

Veco had no previous government logistics contracts of such scope, but the company's work on North Slope oil fields gave it experience operating under harsh arctic conditions. The entity set up by Veco to manage the NSF logistics contract, Veco Polar Resources, was formed after its parent company landed the work in 1999.

NSF said there had been no major problems with Veco's performance on the contracts.

Since Allen's guilty plea, he has stepped down from Veco. The Colorado engineering firm CH2M Hill is in negotiations to buy Veco for \$463 million.

(Researcher Tish Wells contributed.)