tri-cityherald.com

Search the Tri-City Herald

Search

mytri-cities.com

24 hour news

HAPO Community Credit Union www.hapo.org

Automated Pre-approved Auto Loans 888-779-6227

Hanford News

- Death notices
- Job openings at the Herald

Special reports

- Hanford Reach National Monument
- Snake dams
- Kennewick Man
- Hydroplanes

Hanford glass plant partner eyes bankruptcy

This story was published 3/3/2001

By the Herald staff and news services

One of the main contractors on the multibillion-dollar project to treat the worst of Hanford's radioactive headaches apparently is in deep financial trouble.

Dennis Washington, president and chief executive officer of Boise-based Washington Group International Inc., announced Friday that the company may seek protection from creditors in U.S. Bankruptcy Court because of cash flow problems stemming from its acquisition of Raytheon Engineers and Constructors last summer.

Washington charged that Raytheon had concealed cost overrun problems with some troubled projects -- a claim that Raytheon officials denied.

News of Washington Group's financial troubles sent its stock plummeting by 79 percent, and the company said it is in default with its banks.

Washington Group teamed with Bechtel National Inc. to submit the winning bid to the Department of Energy for the $4 billion Hanford vitrification contract. DOE awarded the contract to the Bechtel-Washington team in December.

Bechtel officials said Friday that Washington Group's financial troubles will not affect efforts to build, then operate a vitrification -- or glassification -- plant to convert Hanford's highly radioactive tank wastes into glass.

Bechtel spokeswoman Sue Kuntz emphasized that Washington Group is a subcontractor to Bechtel and its finances won't affect the primary contractor.

"It's really business as usual," she said Friday afternoon. "They are strictly a subcontractor."

The Bechtel-Washington Group team was the second to take charge of the vitrification project.

Last April, DOE fired its original contractor, BNFL Inc., when cost estimates for the project swelled from $6.9 billion to $15.2 billion. The new contract is in the $4 billion range and offers Bechtel and Washington Group an opportunity to earn up to $600 million in profits over its 10-year life.

Given the project's troubled past, Hanford watchers were wary late Friday afternoon about the latest development and left to wonder if the construction schedule might be compromised again.

"I'm concerned about the project, absolutely," said Todd Martin, chairman of the Hanford Advisory Board, a citizen group that advises DOE on the cleanup.

Martin said Washington Group's precarious finances leave him full of questions.

"Can the other partners shore it up, and if not, what is DOE going to do about it?" he said.

Harry Boston, manager of DOE's Office of River Protection, which supervises Hanford's 177 underground waste tanks and the vitrification project, said Bechtel and Washington Group officials assured him Friday that they will keep critical people on the project in Richland no matter what.

"At this point, we're encouraged by the early feedback," Boston said, adding that DOE will have to wait along with everyone else and see what happens with Washington Group.

In selecting a contractor for the vitrification project, DOE investigated the finances of the lead firm -- Bechtel, Boston said. He said Bechtel's finances passed muster, and he speculated that Washington Group's would have also since its problems didn't materialize until it had to recalculate the assets and liabilities Raytheon brought to the company.

In a press release Friday, Washington Group blamed its problems on its acquisition of Raytheon in July.

Washington Group reported that it assumed an estimated $450 million in liabilities when it took over Raytheon. But in September the liabilities swelled to more than $1 billion because of cost overruns and problems with some Raytheon projects.

Were it not for the Raytheon problems, CEO Washington said, "our business would be strong."

Thomas D. Hyde, senior vice president and general counsel for Raytheon, said his company provided Washington Group access to all financial information about the projects.

"It may be that WGI bit off more than it could chew, but we certainly aren't responsible for any failure by WGI to manage projects properly after closing," Hyde said.

Washington Group International is an engineering and construction firm with more than 39,000 employees in 43 states and more than 35 countries. It started as a road construction company in Missoula, Mont., in 1964 and has since grown into the Northwest's largest construction and engineering company.

In 1996, it merged with then-bankrupt Morrison Knudsen Corp. In 1999, it joined BNFL in purchasing Westinghouse Electric Corp.'s government and nuclear operations to give it an opening into the radioactive waste vitrification market.

Back to top stories
