

manager of its Pacific States facility prove that the company and its employees engaged in a concerted effort to rig state-required compliance tests, and then to misrepresent repeatedly the level of pollution from Pacific States.⁵² In June 2006, a former vice president and general manager of Pacific States was sentenced to 1 year in prison and required to pay a fine of \$20,000 for violating the Clean Air Act requirements. Charles Matlock pleaded guilty to filing false emissions testing information with the EPA. The EPA had accused Matlock of manipulating the emissions test of the smokestacks in September 2000. In addition, Pacific States then filed inaccurate emissions inventory information from 2001 through 2003 based on the inaccurate September 2000 emissions test.⁵³

In April 2006, McWane was found guilty by a federal jury in New Jersey for violating of workplace safety and environmental laws. The McWane-owned Atlantic States Cast Iron Pipe Company and four of its managers were found guilty of conspiring to commit fraud by lying to government regulators and by tampering with evidence and intimidating employees into not reporting violations to the government. Atlantic States was found guilty of 32 criminal counts, and the four managers were found guilty of multiple felony charges with possible prison time. During the trial, witnesses testified that Atlantic States manipulated the results of smokestack testing and dumped polluted wastewater during the night. From 1996 to September 2002, Atlantic States released between 50 and 100 gallons of oil-contaminated wastewater into the Delaware River. Furthermore, Atlantic States used the plant's high-intensity furnace, which was designed to melt scrap iron and to burn paint and waste tires, which released high levels of air pollution.⁵⁴

In addition, employees stopped OSHA inspectors at the front gate until other employees could hide the most obvious safety violations. The prosecutors stated that the McWane way was to always blame the employees, not the working conditions, for accidents. Uhlmann stated that the verdicts in the case proved that McWane was one of the worst violators of safety and environmental laws in the United States. Assistant U.S. Attorney Norv McAndrew described Atlantic States as a plant where production is the number one priority and every other goal is incidental.⁵⁵ In July 2010, McWane agreed to pay \$4 million to settle more than 400 violations related to federal and state environmental laws. In addition, McWane must also fund seven environmental projects for \$9.1 million.⁵⁶

A Dangerous Business Revisited

In 2008, *Frontline* went back to the McWane story to see what, if anything, had changed in the previous 5 years. The DOJ representative stated the DOJ was going to be more aggressive in its pursuit of McWane violations. The justice representative also admitted that most of his knowledge of McWane to that point was based on the *Frontline* broadcast and the articles from the *New York Times*. By 2006, the DOJ investigation resulted in the company and eight executives being charged and convicted of 125 environmental and health and safety crimes. In a complete turnaround, *Frontline* was invited to visit McWane's corporate headquarters in Birmingham. In the original broadcast, McWane refused any participation in the broadcast. Representatives stated that 90% of the senior management at McWane was new and that McWane had hired more than 125 new environmental health and safety employees. In addition,

the company had invested in state-of-the-art computer software that can be used to track environmental compliance and injuries. The employees interviewed by *Frontline* stated the work environment has changed completely and that there is now proper safety equipment in the plant to protect the workers.⁵⁷ In January 2012, McWane was accused of illegally conspiring to fix prices of pipe fittings with two other companies. The Federal Trade Commission alleged that McWane invited two other pipe companies, Star Pipe and Sigma Corp, to join to collude on pricing of their products. McWane denied that any price fixing had taken place.⁵⁸

On September 19, 2012, the United States Third Circuit Court of Appeals upheld the sentences and fines levied against four former McWane managers at the Atlantic States plant for OSHA EPA violations and obstruction of justice. Former plant manager John Prisque was sentenced to 70 months, former manager Scott Faubert to 41 months, former maintenance supervisor Jeffrey Maury to 30 months, and former supervisor Craig Davidson to 6 months. Atlantic States was fined \$8 million and was placed on a 4-year probation. In a response to the court decision, McWane released a statement that the violations occurred during a period of "significant growth and change for the company. . . . McWane is now the industry leader in all facets of environmental, health and safety performance. . . . Virtually all of these efforts began several years prior to the formal enforcement actions."⁵⁹ On January 26, 2015, Atlantic States Cast Iron Pipe changed its name to McWane Ductile. Jeff Otterstedt, a senior vice president at McWane Ductile, commented on the name change by stating, "While we have many valued and rich traditions that are unique to each of our divisions, we believe that we become stronger collectively as one distinct brand."⁶⁰

Questions for Thought

1. Explain the concept of *disciplined management*. Has it worked at McWane?
2. Identify the ethical issues associated with the McWane Corporation.
3. Research the McWane Corporation. Identify some of the positive things the company has done.
4. It seems every time one turns around, McWane is paying another large fine. How can the company sustain paying these fines?