



APL to pay \$26.3 million to resolve shipping fraud claim

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Global shipping company APL Ltd. has agreed to pay \$26.3 million to resolve fraud claims related to its shipping of cargo to support U.S. troops in Iraq and Afghanistan, federal prosecutors said Friday.

APL — which has its Americas headquarters in Oakland, and is a wholly-owned subsidiary of Singapore-based Neptune Orient Lines Ltd. — was accused of knowingly overcharging and double-billing the Defense Department to transport thousands of containers to the war zones.

APL spokesman Mike Zampa said this was a dispute over a contract's proper interpretation, and the settlement "does not constitute an admission by APL of any liability or wrongdoing, which APL, in any event, denies.

"APL believes that its billing practices were consistent with the applicable contracts and the parties' course of conduct during the relevant years" of 2002 through 2005, Zampa said. "As a result of the agreement, a lawsuit against APL is being dismissed by a federal court in San Francisco. APL expects to continue its strong and long-standing relationship with the United States military."

The government had claimed APL inflated its invoices in several ways. Examples included billing more than it had paid to power refrigerated containers holding perishable cargo at a port in Karachi, Pakistan; billing more than the contractual

rate to maintain refrigerated containers at U.S. military bases in Afghanistan; and billing for various non-reimbursable services performed by APL's subcontractor at a Kuwaiti port.

"Today's settlement demonstrates our commitment to ensure that contractors doing business with the military in Iraq and Afghanistan perform their contracts ethically, and that taxpayer funds are not misused," said Acting Assistant Attorney General Michael F. Hertz of the Justice Department's Civil Division.

These allegations against APL were first made by company employee Jerry H. Brown II, in a lawsuit filed under the "qui tam" or whistle-blower provisions of the federal False Claims Act, letting private individuals bring lawsuits on behalf of the United States and get a cut of the proceeds. Brown, of no relation to California Attorney General Jerry Brown, gets a \$5.2 million share of this settlement.

Joseph Russoniello, U.S. Attorney for Northern California, said this case highlights the important role whistle-blowers can play — and the rewards they can reap — by showing courage in uncovering fraud, waste and abuse.

"The fighting men and women of America who serve in our Armed Forces today are putting their lives on the line for this country. Allegations that someone would attempt to illegally profit from this situation will be aggressively investigated," said U.S. Army Brig. Gen. Rodney Johnson, in charge of the Army's Criminal Investigation Command, which helped broker the settlement. "We will do everything in our investigative power to ensure our Special Agents are aggressively pursuing allegations of this nature and helping to hold those responsible accountable."

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