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Calif. shipping company to pay \$26M to settle allegations of price gouging on war contracts

By PAUL ELIAS
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SAN FRANCISCO (AP) — A major shipping company agreed to pay more than \$26 million to settle claims it cheated the U.S. government on war-related contracts, the Justice Department announced Friday.

Oakland-based APL Ltd. acknowledged no wrongdoing in the \$26.3 million settlement, one of the largest of its kind. The deal stems from a 2004 lawsuit filed by Jerry H. Brown, an APL employee, who accused the company of overcharging and double-billing the military for shipping war supplies to Iraq and Afghanistan.

The whistle-blower alleged the company illegally gouged the government by taking advantage of complicated contract terms for refrigeration costs, picking up empty containers and other aspects of shipping material from ports to troops inland.

"It's a complex area," said Brown attorney Paul Scott, a former federal prosecutor. "That's what makes government contracts subject to abuse."

APL spokesman Mike Zampa called the dispute an "interpretation of a contract," and said the company believed it billed the government properly.

"We have been serving the U.S. military since World War II," Zampa said. "It was our desire to get this behind us."

The lawsuit in San Francisco federal court was filed under the False Claims Act, which was instituted in 1863 because of Civil War profiteering. The law allowed individuals to file fraud suits against companies that do business with the government.

Under the act, the government has the option to join the lawsuit and share any proceeds with the whistle-blower.

Brown will receive \$5.2 million of the settlement and \$35,000 in severance. He'll also leave the company, where he remained employed in APL's Denver office while the lawsuit was pending.

APL is a subsidiary of Neptune Orient Lines in Singapore.

(This version CORRECTS company's name to APL Ltd.)

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