

Opening Statement
Senator Byron L. Dorgan
Chairman, Democratic Policy Committee

**“The Exposure at Qarmat Ali:
Contractor Misconduct and the Safety of U.S. Troops in Iraq”**

Friday, June 20, 2008
608 Dirksen Senate Office Building

This is the fifteenth in a series of oversight hearings to examine contracting fraud, waste, and abuse in Iraq.

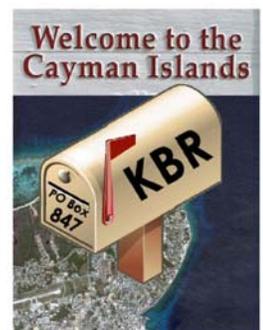
Today, we will hear testimony about how Kellogg, Brown and Root (KBR) exposed its own workers, U.S. troops, British troops, and Iraqis to Sodium Dichromate, a highly toxic, cancer-causing chemical.

This was the same toxic chemical that was the subject of a case profiled in the movie Erin Brockovich. In that case, the unsuspecting people of Hinkley, California, were exposed to dangerous levels of this chemical in their drinking water, as a result of actions by the Pacific Gas and Electric Company. That case was settled in 1996 for \$333 million, which at that time was the biggest settlement ever paid in a direct action lawsuit in our country’s history.

Today’s witnesses will describe how KBR exposed unsuspecting people at the Qarmat Ali water injection plant to this chemical in 2003. The effects of the chemical are long-lasting and potentially deadly. There are many people dealing with those effects today, including two of our witnesses. There are others, including hundreds of U.S. troops, who may not even know that their exposure to Sodium Dichromate could one day result in horrible cancers and death. And rather than accepting its responsibility and doing right by those that it injured, KBR is trying to escape accountability for its actions.

One of the appalling aspects of this situation is that when KBR finally seemed to recognize that it had exposed countless people to this chemical, it tried to escape legal liability through an act of breathtaking hypocrisy.

You see, KBR had hired a number of U.S. citizens working in Iraq – including two of today’s witnesses today – through a Cayman Islands shell company, in order to avoid paying payroll taxes for them. In fact, here’s the extent of KBR’s presence in the Cayman Islands. It’s P.O. Box 847, in a building located on Shedden Road on Grand Cayman Island. KBR has no employees there. According to the [Boston Globe](#), KBR pays just \$1,000 per year to a company called Trident Trust for the use of that box.



How do we really know for sure that KBR set up this offshore subsidiary to avoid taxes? Because the company said so. KBR's own spokesperson, Heather Browne, acknowledged in writing that the two Cayman Islands companies were set up **"in order to allow us to reduce certain tax obligations of the company and its employees."**

But when KBR was faced with the liability for exposing its workers to this deadly chemical in Iraq, the company suddenly decided that it was in its interests to rediscover its American citizenship.

Under the Defense Base Act, employees of U.S. contractors working overseas are covered by taxpayer-provided medical insurance in the event that they are injured on the job. In exchange for that coverage, the employees lose the right to sue the contractor if they get hurt.

So KBR is now trying to convince a court that its Cayman Islands subsidiary is just a shell company, and that in fact KBR's U.S. entity was the real employer. All so that KBR doesn't have to compensate its workers for exposing them to a potentially deadly chemical.

I think this is just despicable. And I find it outrageous that the Pentagon continues to make excuses for KBR. In my judgment, the time has come for the Pentagon to conclude that KBR is a bad actor, and to phase out KBR as a defense contractor as soon as possible.

KBR is by far the largest U.S. government contractor in Iraq. And despite evidence of massive wrongdoing by this company on so many fronts, including voluminous evidence uncovered by this committee's hearings, the Bush Administration has been blocking efforts to hold KBR accountable.

On Tuesday, the New York Times reported that Charles Smith, the most senior civilian contracting official in the Army, was removed from his position for insisting that the Pentagon withhold payment to KBR for over \$1 billion in questionable charges. In other words, Mr. Smith was fired for doing his job, which was to protect U.S. taxpayers.

This pattern of behavior by the Pentagon is consistent with the Army's previous demotion of Bunnatine Greenhouse, who was the most senior civilian contracting official at the Army Corps of Engineers. Ms. Greenhouse was demoted after she objected to the Army's sweetheart deal with KBR for a massive contract to restore Iraq's oil production.



There seems to be a concerted effort in the Pentagon to award huge contracts to KBR and to protect it at all costs, no matter how poor the company's performance or how much it endangers our troops.

For example, in 2006 this committee held two hearings to examine multiple allegations that KBR was providing contaminated water to our troops. Both KBR and the Pentagon denied that there was a problem – even though internal KBR reports showed that there had been a serious problem that could have caused “mass sickness or death.”

In April of 2007, the Pentagon sent a two-star general, Brig. General Jerome Johnson, to a hearing of the Armed Services Committee, to deny flatly that there was any problem with the water that KBR was supplying.

In March of this year, the Inspector General of the Defense Department reported that there had been a serious problem with water contamination in Iraq, along with a spike in water-related illnesses by U.S. troops. And the IG also reported that it had alerted the Pentagon of this fact several weeks before General Johnson had provided his testimony. In sum, the Pentagon turned a blind eye to KBR's dangerously poor performance, and then misled the Congress about it.

Today's hearing will examine another chapter in this disturbing chronicle of KBR's contracting abuses in Iraq. With that said, let me introduce today's witnesses.

Danny Langford is a former KBR employee who worked in the most contaminated room at the Qarmat Ali water treatment plant.

Edward Blacke worked for KBR as a health and safety representative at the , at the Qarmat Ali plant.

Dr. Max Costa is the Chairman of the Department of Environmental Medicine at the New York University School of Medicine, and testified about the lethal effects of exposure to Sodium Dichromate, the deadly chemical in the case that was the subject of the movie Erin Brockovich – the very same chemical at issue in today's hearing.

I thank our witnesses for appearing today, and look forward to their testimony.