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Speaking Truth to Citi's Power

Interviews with Citi's Critics

Citi's Interests at EPA

An Interview with Hugh Kaufman

Hugh Kaufman joined the U.S. Environmental Protection Agency at its inception in 1971. He helped found the Solid and Hazardous Waste Program and was the chief investigator of major contaminated sites, including Woburn, Massachusetts, Love Canal, New York, and Times Beach, Missouri. He later helped draft the original Superfund law. During the Reagan administration, his testimony before Congress set in motion a chain of events that forced President Reagan to fire a number of top EPA officials in 1983, including Rita LaVelle, who went to jail for lying to Congress. In the last five years, he has been aiding the EPA's ombudsman's office as chief investigator.

Based on federal ethics rules, in any issue in which Citigroup may be *Multinational Monitor: What is U.S. Environmental Protection Agency Administrator Christine Whitman's connection to Citigroup and why would that compromise her ability to perform her job?* **Hugh Kaufman:** Whitman's husband John Whitman is the managing partner of Sycamore Ventures, a \$550 million dollar venture capital firm that was spun out of Citigroup, but still manages a substantial amount of the

involved, company's money — hundreds of millions. John Whitman used to be a Citigroup officer. In the year 2000, is required he received a big bonus from Citigroup. So a large to recuse preponderance of the family's income comes from herself and Citigroup. On top of that, they own up to \$250,000 of assign Citigroup stock.

some other

EPA Given these substantial economic ties, based on federal official to ethics rules, in any issue in which Citigroup may be make involved, Whitman is required to recuse herself and decisions. assign some other EPA official to make decisions. But But she she has not recused herself on any issues involving has not Citigroup. recused

herself on The issues involving Citigroup that she has either made a any issues decision on or an individual under her influence and involving control made decisions on could save Citigroup hundreds of Citigroup. millions of dollars and may have already saved the company that amount of money. The cases include the World Trade Center contamination case, the Shattuck case and Marjol Battery case, as well as the decision she made in late November to dissolve the EPA's ombudsman office. All of those together could save Citigroup hundreds of millions of dollars.

MM: What is Whitman trying to do to the ombudsman's office?

Kaufman: Whitman has proposed dissolving the ombudsman's office and transferring those duties to the Inspector General. The ombudsman is fighting that right now. Based on conflict-of-interest information put into the lawsuit that the ombudsman filed and other information, federal judge Richard W. Roberts issued a temporary restraining order stopping Whitman and the Inspector General of EPA from dissolving the ombudsman's office.

Judge Roberts will hold a hearing in April to determine if the temporary restraining order should be turned into a permanent injunction. We'll also be filing contempt of court motions against Mrs. Whitman for violating the temporary restraining order.

Among other things, according to her press spokesman, the Inspector General is investigating my claims to put them to rest. In other words, Whitman is using the IG's office as a vehicle to obstruct the evidentiary process in the court proceeding before Judge Roberts. So we'll be asking the judge to hold Mrs. Whitman and the Inspector General in contempt of court.

MM: What was her rationale for dissolving the ombudsman's office?

Kaufman: Her stated reason is that she was responding to recommendations from the General Accounting Office. But the GAO actually recommended strengthening the ombudsman's office, not dissolving it. Without the ombudsman, Whitman's conflicts of interest in Shattuck and the other cases would not have been exposed.

MM: What is the Shattuck case?

Kaufman: Shattuck is a company owned by Citigroup that is a potentially responsible party on a radioactive waste disposal site in metropolitan Denver. During Mrs. Whitman's tenure as administrator at EPA, Citigroup signed a consent decree with EPA that limits their liability for cleaning up the site to \$7 million. The site could cost tens of millions — as much as \$100 million — to clean up. It's a sweetheart deal that would transfer as much as \$93 million of the cleanup costs to taxpayers. The ombudsman has recommended withdrawing the consent decree.

The ombudsman has in the past forced the EPA to withdraw consent decrees where they've been flawed, as this one is.

So long as the ombudsman's office functions, there's a threat that Citigroup will not be able to buy out of their liabilities at Shattuck for 10 cents on the dollar. Whitman's action would have the immediate effect of muzzling the voice of accountability within the EPA.

The ombudsman's office has been, and would otherwise continue to be, the primary source of information about the inadequacy of clean-up plans of highly toxic waste

sites such as Shattuck that have the potential to affect public health and the environment.

MM: What about the World Trade Center case?

Kaufman: Administrator Whitman told the citizens of New York and stated on EPA letterhead that lower Manhattan — the areas contaminated by fallout from the collapse of the towers — was safe and not contaminated. Based on that false information, the insurance companies sent people who claimed to be ill from exposure home early [to residences located near the World Trade Center] and saved hundreds of millions of dollars in insurance claims. One of those insurance companies was Citigroup.

MM: What kind of contamination was there?

Kaufman: Asbestos, fine particles, lead, PCBs, dioxin, fiberglass and other hazardous materials. EPA itself has done tests and found contaminants and in fact used their own testing as a basis to remediate their own regional headquarters building, which is based in lower Manhattan. Notwithstanding that, EPA told the public that everything was safe.

There have been reports in the Washington Post and other papers that area residents and rescue workers have suffered an epidemic of respiratory illnesses. We're talking about at least 100,000 people who may have been affected. People were sent home and not allowed to leave their homes. Insurance companies were saving a fortune, because they could point to EPA's opinion that things were safe and not do anything.

We have testimony from people who attended the ombudsman's hearings on the case that their insurance companies, including Travelers [part of Citigroup], did this. Travelers took a \$560 million hit already — they don't want to cough up another \$500 million.

MM: What is the Marjol Battery case?

Kaufman: Marjol Battery is a lead-contaminated Superfund site in Scranton, Pennsylvania. The responsible party — Japan Electric's subsidiary, Gould Electronics — is partnered with Citigroup in a \$1.5

billion joint business venture. Again, individuals under the influence and control of Whitman are promoting a \$10 million remedy, where to do it right could cost upwards of \$80 million. So the appearance of conflict of interest is where Citigroup's business partner could save tens of millions of dollars.

MM: What is the law on banks' liability under Superfund?

Kaufman: If they own a company that is a responsible party — owning the company, not lending to it — then they have liability. They have to pay. Shattuck has no assets. The only money they have is what Citigroup gives them.

MM: Which of these investigations are ongoing?

Kaufman: Right now the Justice Department Criminal Division, the FBI and EPA's Inspector General are all looking into the conflict of interest in all of these cases, as well as conflicts of interest in trying to abolish the ombudsman during the pendency of the cases.

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