



# Department of Justice

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## **Two Executives Indicted in Conspiracy to Rig Bids, Fix Prices and Allocate Market Shares for Sales of Marine Hose**

WASHINGTON —A federal grand jury in Fort Lauderdale, Fla. returned an indictment charging two individuals with participating in a conspiracy to rig bids, fix prices and allocate market shares for sales of marine hose used to transport oil, the Department of Justice announced today.

The indictment, filed today in the U.S. District Court in Fort Lauderdale, Fla., charges Francesco Scaglia and Val M. Northcutt with participating in a conspiracy to suppress and eliminate competition by rigging bids, fixing prices, and allocating market shares for sales of marine hose in the United States and elsewhere.

Scaglia is an executive with a firm engaged in the manufacture and sale of marine hose, headquartered in Milan, Italy, with operations in Broward County, Fla. Scaglia and seven other individuals were arrested in Houston and San Francisco on May 2, 2007 and charged by criminal complaint with participating in the conspiracy. Northcutt is an executive who worked in the Florida office of the same firm as Scaglia.

The indictment charges that the conspiracy began at least as early as 1999 and continued until as late as May 2007. Scaglia is charged with participating in the conspiracy from at least as early as fall 2000 until as late as May 2007. Northcutt is charged with participating in the conspiracy from at least as early as 2000 until as late as May 2007.

“Today’s charges reflect our resolve to seek out and prosecute individuals involved in global cartels,” said Thomas O. Barnett, Assistant Attorney General in charge of the Department’s Antitrust Division. “The Antitrust Division will continue to pursue those who deprive the public of the benefits of a competitive marketplace.”

Marine hose is a flexible rubber hose used to transfer oil between tankers and storage facilities

and buoys. During the conspiracy, the conspiracy participants sold hundreds of millions of dollars worth of marine hose and related products. The victims of this conspiracy included companies involved in the off-shore extraction and/or transportation of petroleum products and the U.S. Department of Defense.

“The American taxpayer expects the Department of Defense (DoD) and the DoD Office of the Inspector General to be champions of fiscal accountability and acquisition integrity. Price fixing and bid rigging by dishonest contractors erode that public confidence and deny full support to our soldiers, sailors, airmen and marines. These continuing charges evidence the commitment of the DoD Defense Criminal Investigative Service (DCIS) to vigorously investigate violations of U.S. antitrust laws that seek to smother competition,” said Charles W. Beardall, Director, DCIS.

Scaglia and Northcutt are charged with carrying out the conspiracy with co-conspirators by:

- Attending meetings or otherwise engaging in discussions in the United States and elsewhere by telephone, facsimile and electronic mail regarding the sale of marine hose;
- Agreeing during those meetings and discussions to allocate shares of the marine hose market among the conspirators;
- Agreeing during those meetings and discussions to a price list for marine hose in order to implement and monitor the conspiracy;
- Agreeing during those meetings and discussions not to compete for one another’s customers either by not submitting prices or bids to certain customers or by submitting intentionally high prices or bids to certain customers;
- Submitting bids in accordance with the agreements reached;
- Providing information received from customers in the United States and elsewhere about upcoming marine hose jobs to a co-conspirator who was not an employee of any of the marine hose manufacturers, but served as the coordinator of the conspiracy and acted as a clearinghouse for information to be shared among the conspirators;
- Receiving marine hose prices for customers in the United States and elsewhere from the co-conspirator coordinator of the conspiracy;
- Selling marine hose to customers in the United States and elsewhere at collusive and noncompetitive prices pursuant to the agreements reached;
- Accepting payment for marine hose sold in the United States and elsewhere at collusive and noncompetitive prices;

- Authorizing or consenting to the participation of subordinate employees in the conspiracy; and
- Concealing the conspiracy and conspiratorial contacts through various means, including code names and private e-mail accounts and telephone numbers. In addition, defendant Northcutt made false statements to a federal law enforcement agent when questioned about his role and the role of others employed at his firm in carrying out the conspiracy.

“The defendants are charged with participating in a highly sophisticated scheme designed to rob their customers of honest competition,” said Scott D. Hammond, Deputy Assistant Attorney General in charge of the Antitrust Division’s Criminal Enforcement Program. “For example, the indictment alleges the use of secret code names and private e-mail accounts, and the assistance of an outside consultant paid by the members of the cartel, to conceal and carry out the conspiracy.”

The bid rigging, price fixing and market share allocation charge, a violation of the Sherman Act, carries a maximum penalty of 10 years imprisonment and a \$1 million fine for individuals. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime if either of those amounts is greater than the statutory maximum fine.

The ongoing investigation is being conducted by the Antitrust Division’s National Criminal Enforcement Section, the Defense Criminal Investigative Service of the Department of Defense’s Office of Inspector General, the U.S. Navy Criminal Investigative Service, and the Federal Bureau of Investigation.

Anyone with information concerning bid rigging or other anticompetitive conduct in the marine hose industry is urged to call the National Criminal Enforcement Section of the Antitrust Division at 202-307-6694, or the Mission Viejo Office of the Defense Criminal Investigative Service at 949-643-4191.

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