



Department of Justice

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**FORMER U.S. EXECUTIVE OF ITALIAN MARINE HOSE MANUFACTURER
AGREES TO PLEAD GUILTY TO PARTICIPATING IN
WORLDWIDE BID-RIGGING CONSPIRACY**

Former Executive Agrees to Serve Jail Time

WASHINGTON — A former U.S. executive of Manuli Rubber Industries SpA, a Milan, Italy-based marine hose manufacturer, has agreed to plead guilty and serve jail time for participating in a conspiracy to rig bids, fix prices and allocate market shares of marine hose in the United States and elsewhere, the Department of Justice announced today.

A one-count felony charge was filed today in U.S. District Court in Houston against Charles J. Gillespie. Gillespie is a former regional manager responsible for the sale of marine hose of Manuli Rubber Industries SpA's U.S. operations based in the Fort Lauderdale, Fla. area. Under the terms of his plea agreement, which is subject to court approval, Gillespie has agreed to serve 12 months and one day in jail, pay a \$20,000 criminal fine and cooperate fully in the Department's ongoing investigation.

"The Antitrust Division will continue to vigorously pursue and prosecute international cartels," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "Those who conspire to harm U.S. consumers will be held accountable for their illegal actions."

Marine hose is a flexible rubber hose used to transfer oil between tankers and storage facilities. During the conspiracy, the prices for hundreds of millions of dollars worth of marine hose and related products were affected by the cartel worldwide. The victims of this conspiracy include companies involved in the off-shore extraction and/or transportation of petroleum products and the U.S. Department of Defense (DOD).

Gillespie is charged with participating in the conspiracy from at least as early as 2000 until as late as May 2007. The Department charged that during the conspiracy Gillespie and his co-conspirators:

- Attended meetings or otherwise engaged in discussions in the United States and elsewhere by telephone, facsimile and electronic mail regarding the sale of marine hose, agreeing to allocate shares of the marine hose market among the conspirators;

- Agreed during those meetings and discussions to a price list for marine hose in order to implement and monitor the conspiracy;
- Agreed 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;
- Submitted bids in accordance with the agreements reached;
- Provided 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 who served as the coordinator of the conspiracy, acted as a clearinghouse for information to be shared among the conspirators, and was paid by the manufacturers for coordinating the conspiracy;
- Received marine hose prices for customers in the United States and elsewhere from the co-conspirator coordinator of the conspiracy;
- Sold marine hose to customers in the United States and elsewhere at collusive and noncompetitive prices under the agreements reached;
- Accepted payment for marine hose sold in the United States and elsewhere at collusive and noncompetitive prices;
- Authorized or consented to the participation of subordinate employees in the conspiracy; and
- Concealed the conspiracy and conspiratorial contacts through various means, including code names and private email accounts and telephone numbers.

Eight foreign executives were arrested on May 2, 2007, in Houston and San Francisco and charged for their role in the marine hose cartel, following their participation in a cartel meeting in Houston. On Dec. 12, 2007, Bryan Allison and David Brammar, executives with Dunlop Oil & Marine Ltd., a manufacturer of marine hose located in Grimsby, U.K., pleaded guilty to participating in the marine hose conspiracy. Under the terms of their plea agreements, Allison agreed to serve 24 months in jail and Brammar agreed to serve 20 months in jail. Peter Whittle, a former Dunlop employee now the sole proprietor of PW Consulting (Oil & Marine) Ltd., pleaded guilty for his leadership role in the conspiracy and agreed to serve 30 months in prison. The three agreed-upon sentences represent the longest sentences ever agreed to by foreign nationals for antitrust offenses. Under the terms of the plea agreements, Allison, Brammar and Whittle were returned in custody to the U.K. on Dec. 18, 2007, where they were arrested and criminally charged with cartel offenses by the U.K. authorities.

Executives with Trelleborg Industrie S.A.S., Christian Caleca and Jacques Cognard, pleaded guilty in November 2007 to charges stemming from their roles in the conspiracy. In December 2007, each was sentenced to serve 14 months in prison.

Francesco Scaglia and Val M. Northcutt, executives with Manuli Rubber Industries SpA, were indicted in September 2007 in U.S. District Court in Fort Lauderdale, Fla., for their roles in the conspiracy. The case is currently set to go to trial in May 2008.

Two other foreign executives were arrested and charged in May 2007 – Vanni Scodeggio, a business unit manager at Parker ITR srl in Italy, and Misao Hioki, an executive involved in the sale of marine hose for Bridgestone Corporation in Japan.

Law enforcement agencies from multiple foreign jurisdictions are investigating or assisting in the ongoing matter.

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

"Price fixing and bid rigging are serious crimes that drain resources from the Department of Defense and the American taxpayer. The Defense Criminal Investigative Service takes very seriously all violations of U.S. antitrust laws that affect products and services procured for our soldiers, sailors, airmen and Marines. DCIS aggressively investigates those who seek to cheat the DOD and the public by conspiring to suppress competition," said Charles W. Beardall, Director, DCIS.

Gillespie is charged with a violation of the Sherman Act which carries a maximum sentence of 10 years imprisonment and a fine of \$1 million 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.

Today's charge is an example of the Department's commitment to protect U.S. taxpayers from public procurement fraud through its creation of the National Procurement Fraud Task Force. The National Procurement Fraud Initiative, announced in October 2006, is designed to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in contracting activity for national security and other government programs.

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 Long Beach, Calif. Resident Agency of the Defense Criminal Investigative Service at 562-256-2501.

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