



# Department of Justice

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## **ITALIAN MARINE HOSE MANUFACTURER AND MARINE HOSE EXECUTIVES AGREE TO PLEAD GUILTY TO PARTICIPATING IN WORLDWIDE BID-RIGGING CONSPIRACY**

WASHINGTON — A Milan, Italy-based marine hose manufacturer and the former president of its former U.S. subsidiary have agreed to plead guilty and pay more than \$2 million in criminal fines for participating in a conspiracy to rig bids, fix prices, and allocate market shares of marine hose sold in the United States and elsewhere. The former president has agreed to serve jail time. Additionally, an Italian executive of another marine hose manufacturer located in Veniano, Italy has also agreed to plead guilty for participating in the same conspiracy, the Department of Justice announced today.

A one-count felony charge was filed today in U.S. District Court in West Palm Beach, Fla., against Manuli Rubber Industries SpA (Manuli) and Robert L. Furness, the former president of Manuli's former Plantation, Fla.-based subsidiary. Under the terms of the plea agreements, which are subject to court approval, Manuli has agreed to pay a criminal fine of \$2 million, and Furness has agreed to serve 14 months in prison and pay a \$75,000 criminal fine. Both Manuli and Furness have also agreed to cooperate fully in the Department's ongoing antitrust investigation. Manuli is the first corporation to be charged in the investigation.

Giovanni Scodeggio, an Italian citizen who is the manager of Parker ITR S.r.l.'s Oil & Gas Business Unit, which is responsible for the sale of marine hose, was charged in a separate one-count felony information today in U.S. District Court in Houston. Under the terms of his plea agreement, which is subject to court approval, Scodeggio has agreed to let the court determine his sentence, to pay a \$20,000 criminal fine, and to cooperate with the Department's ongoing antitrust investigation. Scodeggio was arrested and first charged by a criminal complaint in May 2007.

"The cases filed today follow the prosecution of multiple participants in the marine hose conspiracy," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "Those who target U.S. businesses and consumers with their price-fixing schemes will be brought to justice."

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).

Both Manuli and Furness are charged with participating in the conspiracy from at least as early as 2000 until as late as May 2007. Scodeggio is charged with participating in the conspiracy from at least as early as January 2007 until as late as May 2007. The Department charged that during the conspiracy the defendants and their 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;
- Agreed during those meetings and discussions 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.

Manuli, Furness and Scodeggio are each charged with violating the Sherman Act, which carries a maximum sentence of 10 years imprisonment and fines of \$1 million for individuals and \$100 million for corporations. 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.

Three other Manuli executives have already been charged for their roles in the conspiracy. Charles J. Gillespie, a former regional sales manager, pleaded guilty in May 2008 to a charge stemming from his role in the conspiracy. Gillespie has yet to be sentenced. Francesco Scaglia, the deputy manager of Manuli's Oil & Marine Division, and Val M. Northcutt, another regional sales manager, were indicted in September 2007 in the Southern District of Florida for their roles in the conspiracy. The case is currently set to go to trial in West Palm Beach, Fla., in October 2008.

Eight foreign executives, including Scaglia and Scodeggio, were arrested on May 2, 2007, in Houston and San Francisco and charged for their role in the marine hose cartel, following a cartel meeting in Houston. On Dec. 12, 2007, two of those executives, Bryan Allison and David Brammar, of 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 was sentenced to pay a \$100,000 criminal fine and agreed to serve 24 months in prison and Brammar was sentenced to pay a \$75,000 criminal fine and agreed to serve 20 months in prison. Another arrested executive, Peter Whittle, formerly a Dunlop employee and now the sole proprietor of PW Consulting (Oil & Marine) Ltd., pleaded guilty for his leadership role in the conspiracy in December 2007, was sentenced to pay a \$100,000 criminal fine, and agreed to serve 30 months in prison.

Allison, Brammar and Whittle were also arrested and criminally charged with cartel offenses by U.K. authorities. On June 11, 2008, the U.K. Crown Court sentenced Allison to serve 36 months in jail, Brammar to serve 30 months in jail, and Whittle to serve 36 months in jail. The U.S. plea agreements in effect provided for concurrent prison sentences in the United States and in the U.K. Thus, because the U.K. prison sentences were longer than the sentences recommended in the U.S. plea agreements, the defendants will not be required to serve prison sentences in the United States.

Executives with Trelleborg Industrie S.A.S., Christian Caleca and Jacques Cognard, pleaded guilty to charges stemming from their roles in the conspiracy. In December 2007, each was sentenced to serve 14 months in prison. Caleca was sentenced to pay a \$75,000 criminal fine and Cognard was sentenced to pay a \$100,000 criminal fine.

In May 2007, Misao Hioki, an executive involved in the sale of marine hose for Bridgestone Corporation in Japan, was charged for his involvement in the conspiracy. The charges involving Hioki are pending in U.S. District Court in the Southern District of Florida. In addition, Uwe Bangert, a German national, was indicted on July 19, 2007, for his participation in the marine hose cartel. A trial date has not been set.

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

"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 Sharon Woods, Director, DCIS.

Today's charges are 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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