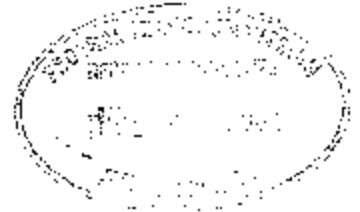


UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION



In the Matter of

**CHICAGO BRIDGE & IRON COMPANY N.V., a foreign corporation,
CHICAGO BRIDGE & IRON COMPANY, a corporation, and
PITT-DES MOINES, INC., a corporation**

Docket No. 9300

PUBLIC

CHICAGO BRIDGE & IRON N.V.'S ANSWER TO COMPLAINT

Respondent, Chicago Bridge & Iron N.V. ("CBI"), by and through its attorneys, Winston & Strawn, hereby answers The Federal Trade Commission ("FTC") Complaint as follows:

THE PARTIES

1. Respondent Chicago Bridge & Iron Company N.V. is a foreign corporation organized and existing under the laws of The Netherlands, with its principal place of business at Polarisavenue 31, 2132 JH Hoofddorp, The Netherlands.

ANSWER: CBI admits the truth of the facts set forth in paragraph 1.

2. Respondent Chicago Bridge & Iron Company, a wholly owned subsidiary of Chicago Bridge & Iron Company N.V., is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 1501 North Division Street, Plainfield, Illinois 60544.

ANSWER: CBI admits the facts set forth in paragraph 2.

3. CBI, headquartered in Amsterdam, is one of the world's leading global engineering and construction companies. CB&I designs, engineers, fabricates, and repairs field-erected storage facilities and steel plate structures. In 2000, CBI had total revenue of \$634 million.

ANSWER: CBI admits the facts set forth in paragraph 3.

4. Respondent Pitt-Des Moines, Inc. is a corporation organized and existing under the laws of the State of Pennsylvania, with its principal place of business at 1450 Lake Robbins Drive, Suite 400, The Woodlands, Texas 77380.

ANSWER: CBI is without sufficient information to admit or deny the current corporate status of PDM.

5. Prior to the Acquisition, described in Paragraph 8, PDM was a diversified engineering and construction company specializing in the engineering and design, procurement, fabrication, erection and rehabilitation of steel products, including liquid and cryogenic storage and processing systems, water storage systems, bridges and buildings, principally in the Western Hemisphere. PDM was also engaged in the distribution of steel.

ANSWER: CBI admits that PDM, prior to the acquisition, engineered, designed, procured, fabricated and erected steel products including liquid and cryogenic storage and processing systems and water storage systems, and that much of that work occurred in the Western Hemisphere. CBI lacks sufficient information to admit or deny the remaining allegations of paragraph 5 of the complaint.

6. In 2000 PDM had total revenue of \$667 million, of which \$152 million was earned by the Engineered Construction Division.

ANSWER: CBI admits that the Engineered Construction Division of PDM had gross revenues of \$152 million for fiscal year 2000, but states that it is without sufficient information to admit or deny what PDM's total year 2000 revenues were.

JURISDICTION

7. Respondents CB&I and PDM are, and at all times relevant herein have been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose business is in or effects commerce as "commerce" is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

ANSWER: CBI admits the allegations contained in paragraph 7.

THE ACQUISITION

8. On or about February 7, 2001, CB&I acquired, pursuant to agreement with PDM, PDM's Water Division and Engineered Construction Division for approximately \$84 million ("the Acquisition").

ANSWER: CBI admits that on February 7, 2001, it completed its acquisition of certain of the assets of PDM related to its Water Division and Engineered Construction Division. CBI further

admits that the purchase price agreed to on February 7, 2001 was approximately \$84 million, but states that that number has been reduced as a result of post closing adjustments. CBI denies that it acquired the PDM Water Division and Engineered Construction Division of PDM, but rather states that it purchased most of the assets and assumed most of the liabilities relating to those divisions.

RELEVANT MARKETS

9. Relevant lines of commerce in which to assess the effects of the Acquisition are:
- a. thermal vacuum chambers;
 - b. LNG tanks;
 - c. LNG peak shaving plants;
 - d. LNG import terminals;
 - e. LPG tanks; and
 - f. LIN/LOX/LAR tanks.

ANSWER: CBI denies the allegations in paragraph 9 of the FTC's complaint, and states that the relevant lines of commerce in which to assess the effects of the acquisition is the sale of welded steel plate storage tank products.

10. Field-erected structures are constructed on-site at a location specified by the customer and are generally larger than similar structures that are manufactured at a fabrication facility and then transported to the customer's site.

ANSWER: CBI admits that field-erected structures are constructed on site at a location specified by the customer and further admits that field-erected structures are usually but not always larger than similar structures manufactured in a shop and then transported to a customer's site.

11. Thermal vacuum chambers are large, field-erected chambers that are used to simulate the environment of outer space (high vacuum and extreme variations in temperature) and are used for testing satellites and other aerospace and defense equipment.

ANSWER: CBI admits the allegations of paragraph 11 but states that vacuum chambers without the thermal shroud also simulate many of the aspects of the environment of outer space, and are also used for testing satellites and other aerospace and defense equipment.

12. LNG tanks are very large, field-erected tanks used to store liquefied natural gas ("LNG") at cryogenic (extremely low) temperatures of approximately -260° F.

ANSWER: CBI admits that LNG tanks store liquefied natural gas at cryogenic temperatures of approximately -260° F. CBI further states that some LNG tanks are indeed very large and field-erected, but that LNG tanks need not necessarily be classified as large or field-erected. CBI denies the remaining allegations of paragraph 12.

13. LIN/LOX/LAR tanks are large, field-erected tanks used to store liquid nitrogen, liquid oxygen and liquid argon ("LIN/LOX/LAR"), at cryogenic temperatures ranging from approximately -300° F to -320° F, and field-erected spheres used to store liquid hydrogen and liquid helium at cryogenic temperatures as low as -450° F.

ANSWER: CBI admits that LIN/LOX/LAR tanks are used to store liquid nitrogen, liquid oxygen and liquid argon at cryogenic temperatures ranging from approximately -300° F to -320° F, and that field-erected spheres used to store liquid hydrogen and liquid helium would store those products at cryogenic temperatures as low as -450° F. CBI states that LIN/LOX/LAR tanks are frequently but not always large, and in fact are in many instances shop-erected. CBI denies the remaining allegations of paragraph 13.

14. LPG tanks are field-erected tanks that are used to store liquefied petroleum gas ("LPG") at low temperatures of approximately -50° F.

ANSWER: CBI admits that LPG tanks are used to store liquefied petroleum gas at low temperatures of approximately -50° F. CBI denies that LPG tanks are always field-erected and denies the remaining allegations of paragraph 14.

15. LNG peak shaving plants are used to liquefy natural gas and store the natural gas in liquid form for use during periods of peak demand. LNG peak shaving plants are field-erected and consist of two essential components: LNG storage tanks, and LNG liquefaction units. In LNG peak shaving plants, natural gas from a pipeline is refrigerated in the liquefaction unit and

stored in liquid form in an LNG tank. The stored LNG can be heated, vaporized and put back into the supply stream to meet demand peaks.

ANSWER: CBI admits the allegations of paragraph 15 of the complaint, except CBI denies that LNG storage tanks and LNG liquefaction units are the two essential components of such a facility.

16. LNG import terminals are complexes that are used to receive LNG from ocean tankers and store the LNG. The stored LNG is typically converted to natural gas and then further transported or distributed by pipeline. LNG tanks are an essential component of LNG import terminals.

ANSWER: CBI admits the allegations of paragraph 16, except that CBI denies that LNG import terminals are "complexes."

GEOGRAPHIC MARKET

17. The relevant geographic market in which to assess the effects of the Acquisition in each of the relevant lines of commerce is the United States as a whole.

ANSWER: CBI denies that the relevant geographic market in which to assess the effects of the acquisition in the relevant line of commerce is the United States as a whole, and instead states that the relevant geographic market in which to assess the effects of the acquisition is world-wide in scope. CBI denies the remainder of paragraph 17 of the complaint.

18. Foreign producers of the relevant products are at a cost disadvantage in attempting to compete with CB&I and PDM in the supply of the relevant products in the United States. Foreign producers of the relevant products cannot economically compete with CB&I and PDM in the supply of the relevant products in the United States.

ANSWER: CBI denies that foreign producers of the relevant products are at a cost disadvantage in attempting to compete with CBI and PDM in providing services associated with such relevant products in the United States. CBI further denies that foreign producers of the relevant products cannot economically compete in the supply of relevant products in the United States and denies the remainder of paragraph 18 of the complaint.

MARKET STRUCTURE

19. Each of the relevant lines of commerce is highly concentrated in the United States.

ANSWER: CBI denies that each of the relevant lines of commerce is highly concentrated in the United States, and further denies that the United States is the geographic market in which the concentration measure should be made. CBI denies the remaining allegations of paragraph 19 of the complaint.

20. Prior to the Acquisition, CB&I and PDM were direct and actual competitors in the construction and sale of thermal vacuum chambers in the United States. Defendants competed with each other on price, service, and timeliness of project completion and competed through innovation to enhance the efficiency, performance and reliability of thermal vacuum chambers. CB&I and PDM were the only significant producers of thermal vacuum chambers in the United States.

ANSWER: CBI admits that it competed directly against PDM on one thermal vacuum chamber project in the United States prior to the acquisition -- the Spectrum Astro Project. CBI denies that it and PDM were the only significant producers of thermal vacuum chambers in the United States, and states that PDM and others have made all the thermal vacuum chambers made in the United States in the last 10 years. CBI denies the remaining allegations of paragraph 20 of the complaint.

21. The Acquisition combined the only significant producers of thermal vacuum chambers in the United States. The Acquisition may create a monopoly in the United States in thermal vacuum chambers.

ANSWER: CBI denies the allegations of paragraph 21.

22. Prior to the Acquisition, CB&I and PDM were direct and actual competitors in the design, engineering, construction and sale of LNG tanks and were the only significant producers of LNG tanks in the United States. Respondents competed with each other on price, service, and timeliness of project completion.

ANSWER: CBI admits that it competed with PDM in the design, engineering, construction and sale of LNG tanks in the United States. CBI denies that it and PDM were the only

significant producers of LNG tanks in the United States, and denies the remainder of the allegations in paragraph 22.

23. The Acquisition combined the only significant producers of LNG tanks in the United States. The Acquisition may create a monopoly in the United States in LNG tanks.

ANSWER: CBI denies the allegations of paragraph 23 of the complaint.

24. CBI bids for and sells LNG peak shaving plants, consisting of both the LNG storage tank and the liquefaction unit. In bidding for the construction of new LNG peak shaving plants, CB&I has declined to bid for the sale of its LNG tanks separate from its LNG liquefaction units, thereby disadvantaging competitors which supply LNG liquefaction units only.

ANSWER: CBI admits that it bids for and sells its services to customers seeking to build LNG peak shaving plants, and that CBI will usually bid to provide the LNG storage tank and liquefaction unit for such plants. CBI further admits that there has been at least one instance where it has declined to bid the sale of LNG tanks separate from its liquefaction units. CBI denies that this decision disadvantaged companies which supply LNG liquefaction units only, and further denies the remainder of paragraph 24.

25. Prior to the Acquisition, PDM competed with CB&I in the design, engineering, construction and sale of LNG peak shaving plants by bidding for the construction of the LNG tank in partnership or coordination with a manufacturer of the LNG liquefaction unit. Typically, PDM partnered with Air Products and Chemicals, Inc., which would submit a bid for the LNG peak shaving plant based on an LNG tank to be constructed by PDM.

ANSWER: CBI admits that PDM competed with CBI for various aspects of the design, engineering, construction and sale of services associated with LNG peak shaving plants. CBI further admits that it was aware that PDM had partnered with Air Products and Chemicals, Inc. for certain projects. CBI denies the remainder of paragraph 25.

26. CBI and PDM/Air Products have built all of the LNG peak shaving plants constructed in the United States since 1990. Prior to the Acquisition, CB&I management concluded that by refraining from bidding separately for construction of an LNG tank, CB&I would limit to only two competitive bidders, CB&I and PDM/Air Products, the competition for construction of an LNG peak shaving plant.

ANSWER: CBI admits that it and PDM (and PDM's alliance with Air Products) had built portions of all of the small number of LNG peak shaving plants constructed in the United States since 1990. CBI denies that its management concluded that by refraining from bidding separately for construction of an LNG tank, CBI would limit the competition for peak shaving plants to only two competitive bidders, and denies the remainder of paragraph 26.

27. By eliminating PDM as a competing supplier of LNG tanks, the Acquisition eliminates CB&I's only significant competition for the construction of LNG peak shaving plants in the United States. The Acquisition may create a monopoly in the United States in LNG peak shaving plants.

ANSWER: CBI denies the allegation in paragraph 27.

28. Prior to the Acquisition, CB&I and PDM competed in the design, engineering, construction and sale of LNG import terminals, individually or by partnership or coordination with others. Prior to the Acquisition, CB&I and PDM were the principal competitors in LNG import terminals in the United States.

ANSWER: CBI admits that it and PDM competed in the design, engineering, construction and sale of LNG import terminals, individually and sometimes through partnerships or alliances with others. CBI denies that it and PDM were the principal competitors in LNG import terminals in the United States prior to the Acquisition, and further denies the remainder of paragraph 28.

29. The vast majority of LNG import terminals in the United States have been built by CB&I or by PDM, either individually or by partnership or coordination with others.

ANSWER: CBI admits that it and PDM built many of the LNG import terminals in the United States, but is without sufficient information to admit or deny whether those two companies had built the "vast majority" of such import terminals given the imprecision of that term.

30. The Acquisition combined the two largest producers of LNG import terminals in the United States. The Acquisition may create a monopoly in the United States in LNG import terminals.

ANSWER: CBI denies the allegations of paragraph 30.

31. Prior to the Acquisition, CB&I and PDM were direct and actual competitors in the construction and sale of LPG tanks in the United States. Defendants competed with each other on price, service, and timeliness of project completion. CB&I and PDM were the leading competitors among only few producers of LPG tanks in the United States. CB&I and PDM built most of the LPG tanks that were constructed in the United States since 1990.

ANSWER: CBI admits that it and PDM were direct and actual competitors for the construction and sale of LPG tanks in the United States, and that CBI and PDM built many of the relatively small number of LPG tanks constructed in the United States since 1990. CBI denies that it and PDM were the "leading competitors among only few producers of LPG tanks in the United States", and further denies the remainder of paragraph 31.

32. The Acquisition combined the two largest producers of LPG tanks in the United States. The Acquisition may create a dominant firm in the United States in LPG tanks.

ANSWER: CBI denies the allegations of paragraph 32.

33. Prior to the Acquisition, CB&I and PDM were direct and actual competitors in the construction and sale of LIN/LOX/LAR tanks in the United States. Defendants competed with each other on price, service, and timeliness of project completion. PDM and CB&I were leading competitors among five producers of LIN/LOX/LAR tanks in the United States. The only other leading producer exited the market prior to the Acquisition. CB&I and PDM built most of the LIN/LOX/LAR tanks that were constructed in the United States since 1990.

ANSWER: CBI admits that it and PDM were direct and actual competitors in the construction and sale of LIN/LOX/LAR tanks in the United States. CBI denies that it and PDM were the leading competitors for the construction of such tanks in the United States, that there were only five producers of such tanks in the United States, and that CBI and PDM built most of such tanks that were constructed in the United States since 1990. CBI further denies the remaining allegations of paragraph 33.

34. The Acquisition combined the two largest producers of LIN/LOX/LAR tanks in the United States. The Acquisition may create a dominant firm in the United States in LIN/LOX/LAR tanks.

ANSWER: CBI denies the allegations of paragraph 34.

35. Entry into the relevant product markets would not be timely, likely, or sufficient in its magnitude, character, and scope to deter or counteract anticompetitive effects of the Acquisition.

ANSWER: CBI denies the allegations of paragraph 35, and states that entry into the United States for the sale and construction of services associated with all of the product types identified by the FTC is not only likely but is actual, is currently timely, and is sufficient in its magnitude, character and scope to deter and counteract the FTC's perceived anticompetitive effects of the Acquisition. CBI denies the remainder of the allegations of paragraph 35.

36. Reputation is a barrier in each of the relevant markets. Customers are reluctant to engage the services of a new entrant for the construction of relevant products because of the possibility of economic loss inherent in product failure. LNG tanks, LPG tanks, and LIN/LOX/LAR tanks hold large quantities of flammable or otherwise dangerous liquid gases.

ANSWER: CBI denies that reputation is a barrier to entry in the manufacture of any of the relevant tank types, and denies that such tank types constitute independent relevant markets. CBI denies that customers are reluctant to engage the services of a new entrant, and notes that there are many examples where customers have engaged the services of a new entrant for the construction of these products. CBI denies that there is any significant possibility of economic loss inherent in product failure, and while CBI admits that LNG tanks, LPG tanks and LIN/LOX/LAR tanks can be constructed to hold large quantities of flammable or otherwise dangerous liquid gases, dangers resulting from faulty construction of such materials by existing or new firms are minimal. CBI denies the remainder of paragraph 36 of the complaint.

37. Satellite manufacturers depend on the timely completion and reliable and economic operation of thermal vacuum chambers to facilitate timely and economic delivery of satellites to their aerospace customers. Missing a satellite delivery deadline can trigger costly liquidated damages clauses.

ANSWER: CBI denies the allegations of paragraph 37 of the complaint except to state that it lacks sufficient information to admit or deny whether the missing of a satellite delivery deadline

can trigger costly liquidated damages clauses. CBI further states that there is an already existing over capacity of thermal vacuum chambers in the United States to facilitate the timely and economic delivery of satellites, and denies the remainder of the allegations of paragraph 37.

38. A new entrant would lack CB&I's and PDM's strong reputations for successful and timely completion of the relevant products. Consequently, customers would likely pay a premium for the services of the merged firm, and a new entrant would not effectively constrain noncompetitive price increases in the relevant markets.

ANSWER: CBI denies the allegations of paragraph 38.

39. A new entrant likely would operate at a higher cost than either CB&I or PDM. Through completing multiple projects in the relevant markets over the years, CB&I and PDM have developed customized construction equipment and procedures, which the companies consider proprietary. A new entrant would lack documented and standardized construction procedures and thus would likely have difficulty completing construction of the relevant products as economically as CB&I or PDM, or with the same assurance of quality.

ANSWER: CBI denies the allegations of paragraph 39 except that it admits that it has developed some relatively insignificant types of customized construction equipment and procedures. CBI further denies that a new entrant would lack documented and standardized construction procedures, as any company that makes welded steel plate storage tank structures would have their own documented and standardized construction procedures which may or may not be superior to those utilized by CBI. CBI further denies that any company other than CBI or PDM would have difficulty completing construction of the tank types identified by the FTC on an economical or quality assurance basis, and CBI further denies the remainder of paragraph 39.

ANTICOMPETITIVE EFFECTS OF THE ACQUISITION

40. The Acquisition may substantially lessen competition in the following ways, among others:

- a. it eliminates actual, direct and substantial competition between CB&I and PDM;
- b. it removes PDM, a low cost producer and bidder for the relevant products;
- c. it increases the level of concentration in the relevant markets;

- d. it eliminates innovation competition between CB&I and PDM and may lead to reduced innovation competition in thermal vacuum chambers and in other relevant products;
- e. it may lead to increases in price for the relevant products;
- f. it may increase barriers to entry into the relevant markets;
- g. it may give CB&I market power in the relevant markets;
- h. it may allow CB&I unilaterally to exercise market power in the relevant markets, through the combination of CB&I and PDM, which are the two closest competitors by virtue of their long record of timely and successful completion of these specialty projects;
- i. it may eliminate one or more competitors of CB&I as suppliers of LNG peak shaving plants; and
- j. it may diminish pricing and innovation competition in the sale of LNG liquefaction units for use in LNG peak shaving plants by foreclosing one or more competitors to CB&I from selling LNG liquefaction units.

ANSWER: CBI denies the allegations of paragraph 40 in its entirety and states that to the contrary, the Acquisition has caused a repositioning which has given an incentive to previously dominant competitors to invest in this business to attempt to replace PDM as a bidder for these storage tank types. CBI denies the remaining allegations of paragraph 40.

VIOLATIONS CHARGED

COUNT I – ILLEGAL ACQUISITION

41. The allegations contained in Paragraphs 1-40 are repeated and realleged as though fully set forth here.

ANSWER: CBI repeats its response to the allegations contained in paragraphs 1 through 40 and realleges them as though fully set forth here.

42. The effect of the Acquisition may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

ANSWER: CBI denies the allegations of paragraph 42, except to state that the relevant statutes contain proper legal citations.

COUNT II – UNFAIR METHOD OF COMPETITION

43. The allegations contained in Paragraphs 1-42 are repeated and realleged as though fully set forth here.

ANSWER: CBI repeats its response to the allegations contained in paragraphs 1 through 42 and realleges them as though fully set forth here.

44. CBI and PDM, through the Acquisition and the Acquisition agreement described in Paragraph 8, have engaged in unfair methods of competition in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

ANSWER: CBI denies the allegations of paragraph 44, except to state that the relevant statutes contain proper legal citations.

Date: February 4, 2002

Respectfully submitted by:


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COUNSEL FOR CBI

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of

**CHICAGO BRIDGE & IRON COMPANY N.V., a foreign corporation,
CHICAGO BRIDGE & IRON COMPANY, a corporation, and
PITT-DES MOINES, INC., a corporation**

Docket No. 9300

PUBLIC

PITT-DES MOINES, INC.'S ANSWER TO COMPLAINT

Respondent, Pitt-Des Moines, Inc. ("PDM"), by and through its attorneys, Winston & Strawn, hereby answers The Federal Trade Commission ("FTC") Complaint as follows:

THE PARTIES

1. Respondent Chicago Bridge & Iron Company N.V. is a foreign corporation organized and existing under the laws of The Netherlands, with its principal place of business at Polarisavenue 31, 2132 JH Hoofddorp, The Netherlands.

ANSWER: PDM is without sufficient information to admit or deny the facts set forth in paragraph 1.

2. Respondent Chicago Bridge & Iron Company, a wholly owned subsidiary of Chicago Bridge & Iron Company N.V., is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 1501 North Division Street, Plainfield, Illinois 60544.

ANSWER: PDM is without sufficient information to admit or deny the facts set forth in paragraph 2.

3. CBI, headquartered in Amsterdam, is one of the world's leading global engineering and construction companies. CB&I designs, engineers, fabricates, and repairs field-erected storage facilities and steel plate structures. In 2000, CBI had total revenue of \$634 million.

ANSWER: PDM is without sufficient information to admit or deny the facts set forth in paragraph 3.

4. Respondent Pitt-Des Moines, Inc. is a corporation organized and existing under the laws of the State of Pennsylvania, with its principal place of business at 1450 Lake Robbins Drive, Suite 400, The Woodlands, Texas 77380.

ANSWER: PDM admits the facts set forth in paragraph 4 of the complaint.

5. Prior to the Acquisition, described in Paragraph 8, PDM was a diversified engineering and construction company specializing in the engineering and design, procurement, fabrication, erection and rehabilitation of steel products, including liquid and cryogenic storage and processing systems, water storage systems, bridges and buildings, principally in the Western Hemisphere. PDM was also engaged in the distribution of steel.

ANSWER: PDM admits that, prior to the acquisition, it engineered, designed, procured, fabricated and erected steel products including liquid and cryogenic storage and processing systems and water storage systems, and that much of that work occurred in the Western Hemisphere. PDM also admits that it had many lines of business not subject to the Commission's Complaint, and that its asset sale to CBI was part of a general plan by PDM to sell off all of its assets and lines of business. PDM denies the remaining allegations of paragraph 5 of the complaint.

6. In 2000 PDM had total revenue of \$667 million, of which \$152 million was earned by the Engineered Construction Division.

ANSWER: PDM admits that the Engineered Construction Division of PDM had gross revenues of \$152 million for fiscal year 2000, but states that it is without sufficient information to admit or deny what PDM's total year 2000 revenues were.

JURISDICTION

7. Respondents CB&I and PDM are, and at all times relevant herein have been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose business is in or effects commerce as "commerce" is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

ANSWER: PDM admits the allegations contained in paragraph 7.

THE ACQUISITION

8. On or about February 7, 2001, CB&I acquired, pursuant to agreement with PDM, PDM's Water Division and Engineered Construction Division for approximately \$84 million ("the Acquisition").

ANSWER: PDM admits that on February 7, 2001, it completed the sale of certain assets to CBI related to PDM's Water Division and Engineered Construction Division. PDM further admits that the purchase price agreed to on February 7, 2001 was approximately \$84 million, but states that that number has been reduced as a result of post closing adjustments. PDM denies that it sold the PDM Water Division and Engineered Construction Division of PDM, but rather states that it sold most of the assets and liabilities relating to those divisions.

RELEVANT MARKETS

9. Relevant lines of commerce in which to assess the effects of the Acquisition are:
- a. thermal vacuum chambers;
 - b. LNG tanks;
 - c. LNG peak shaving plants;
 - d. LNG import terminals;
 - e. LPG tanks; and
 - f. LIN/LOX/LAR tanks.

ANSWER: PDM denies the allegations in paragraph 9 of the FTC's complaint, and states that the relevant lines of commerce in which to assess the effects of the acquisition is the sale of welded steel plate storage tank products.

10. Field-erected structures are constructed on-site at a location specified by the customer and are generally larger than similar structures that are manufactured at a fabrication facility and then transported to the customer's site.

ANSWER: PDM admits that field-erected structures are constructed on site at a location specified by the customer and further admits that field-erected structures are usually but not

always larger than similar structures manufactured in a shop and then transported to a customer's site.

11. Thermal vacuum chambers are large, field-erected chambers that are used to simulate the environment of outer space (high vacuum and extreme variations in temperature) and are used for testing satellites and other aerospace and defense equipment.

ANSWER: PDM admits the allegations of paragraph 11 but states that vacuum chambers without the thermal shroud also simulate many of the aspects of the environment of outer space, and are also used for testing satellites and other aerospace and defense equipment.

12. LNG tanks are very large, field-erected tanks used to store liquefied natural gas ("LNG") at cryogenic (extremely low) temperatures of approximately -260° F.

ANSWER: PDM admits that LNG tanks store liquefied natural gas at cryogenic temperatures of approximately -260° F. PDM further states that some LNG tanks are indeed very large and field-erected, but that LNG tanks need not necessarily be classified as large or field-erected. PDM denies the remaining allegations of paragraph 12.

13. LIN/LOX/LAR tanks are large, field-erected tanks used to store liquid nitrogen, liquid oxygen and liquid argon ("LIN/LOX/LAR"), at cryogenic temperatures ranging from approximately -300° F to -320° F, and field-erected spheres used to store liquid hydrogen and liquid helium at cryogenic temperatures as low as -450° F.

ANSWER: PDM admits that LIN/LOX/LAR tanks are used to store liquid nitrogen, liquid oxygen and liquid argon at cryogenic temperatures ranging from approximately -300° F to -320° F, and that field-erected spheres used to store liquid hydrogen and liquid helium would store those products at cryogenic temperatures as low as -450° F. PDM states that LIN/LOX/LAR tanks are frequently but not always large, and in fact are in many instances shop-erected. PDM denies the remaining allegations of paragraph 13.

14. LPG tanks are field-erected tanks that are used to store liquefied petroleum gas ("LPG") at low temperatures of approximately -50° F.

ANSWER: PDM admits that LPG tanks are used to store liquefied petroleum gas at low temperatures of approximately -50° F. PDM denies that LPG tanks are always field-erected and denies the remaining allegations of paragraph 14.

15. LNG peak shaving plants are used to liquefy natural gas and store the natural gas in liquid form for use during periods of peak demand. LNG peak shaving plants are field-erected and consist of two essential components: LNG storage tanks, and LNG liquefaction units. In LNG peak shaving plants, natural gas from a pipeline is refrigerated in the liquefaction unit and stored in liquid form in an LNG tank. The stored LNG can be heated, vaporized and put back into the supply stream to meet demand peaks.

ANSWER: PDM admits the allegations of paragraph 15 of the complaint, except PDM denies that LNG storage tanks and LNG liquefaction units are the two essential components of such a facility.

16. LNG import terminals are complexes that are used to receive LNG from ocean tankers and store the LNG. The stored LNG is typically converted to natural gas and then further transported or distributed by pipeline. LNG tanks are an essential component of LNG import terminals.

ANSWER: PDM admits the allegations of paragraph 16, except PDM denies that LNG import terminals are "complexes."

GEOGRAPHIC MARKET

17. The relevant geographic market in which to assess the effects of the Acquisition in each of the relevant lines of commerce is the United States as a whole.

ANSWER: PDM denies that the relevant geographic market in which to assess the effects of the acquisition in the relevant line of commerce is the United States as a whole, and instead states that the relevant geographic market in which to assess the effects of the acquisition is world-wide in scope. PDM denies the remainder of paragraph 17 of the complaint.

18. Foreign producers of the relevant products are at a cost disadvantage in attempting to compete with CB&I and PDM in the supply of the relevant products in the United States. Foreign producers of the relevant products cannot economically compete with CB&I and PDM in the supply of the relevant products in the United States.

ANSWER: PDM denies that foreign producers of the relevant products are at a cost disadvantage in attempting to compete with PDM or CBI in selling services associated with such relevant products in the United States. PDM further denies that foreign producers of the relevant products cannot economically compete in the supply of relevant products in the United States and denies the remainder of paragraph 18 of the complaint.

MARKET STRUCTURE

19. Each of the relevant lines of commerce is highly concentrated in the United States.

ANSWER: PDM denies that each of the relevant lines of commerce is highly concentrated in the United States, and further denies that the United States is the geographic market in which the concentration measure should be made. PDM denies the remaining allegations of paragraph 19 of the complaint.

20. Prior to the Acquisition, CB&I and PDM were direct and actual competitors in the construction and sale of thermal vacuum chambers in the United States. Defendants competed with each other on price, service, and timeliness of project completion and competed through innovation to enhance the efficiency, performance and reliability of thermal vacuum chambers. CB&I and PDM were the only significant producers of thermal vacuum chambers in the United States.

ANSWER: PDM admits that it competed directly against CBI on one thermal vacuum chamber project in the United States prior to the acquisition -- the Spectrum Astro Project. PDM denies that it and CBI were the only significant producers of thermal vacuum chambers in the United States, and states that PDM and others have made all the thermal vacuum chambers made in the United States in the last 10 years.

21. The Acquisition combined the only significant producers of thermal vacuum chambers in the United States. The Acquisition may create a monopoly in the United States in thermal vacuum chambers.

ANSWER: PDM denies the allegations of paragraph 21.

22. Prior to the Acquisition, CB&I and PDM were direct and actual competitors in the design, engineering, construction and sale of LNG tanks and were the only significant producers of LNG tanks in the United States. Respondents competed with each other on price, service, and timeliness of project completion.

ANSWER: PDM admits that it competed with CBI in the design, engineering, construction and sale of LNG tanks in the United States. PDM denies that it and CBI were the only significant producers of LNG tanks in the United States, and denies the remainder of the allegations in paragraph 22.

23. The Acquisition combined the only significant producers of LNG tanks in the United States. The Acquisition may create a monopoly in the United States in LNG tanks.

ANSWER: PDM denies the allegations of paragraph 23 of the complaint.

24. CBI bids for and sells LNG peak shaving plants, consisting of both the LNG storage tank and the liquefaction unit. In bidding for the construction of new LNG peak shaving plants, CB&I has declined to bid for the sale of its LNG tanks separate from its LNG liquefaction units, thereby disadvantaging competitors which supply LNG liquefaction units only.

ANSWER: PDM admits that CBI has bid for and sold its services in designing, engineering and constructing LNG peak shaving plants, and that CBI has provided bids for the LNG storage tank and liquefaction unit for such plans. PDM lacks sufficient information to admit or deny the remainder of paragraph 24.

25. Prior to the Acquisition, PDM competed with CB&I in the design, engineering, construction and sale of LNG peak shaving plants by bidding for the construction of the LNG tank in partnership or coordination with a manufacturer of the LNG liquefaction unit. Typically, PDM partnered with Air Products and Chemicals, Inc., which would submit a bid for the LNG peak shaving plant based on an LNG tank to be constructed by PDM.

ANSWER: PDM admits that it competed with CBI for various aspects of the design, engineering, construction and sale of services associated with LNG peak shaving plants. PDM further admits that it had partnered with Air Products and Chemicals, Inc. PDM denies the remainder of paragraph 25.

26. CBI and PDM/Air Products have built all of the LNG peak shaving plants constructed in the United States since 1990. Prior to the Acquisition, CB&I management

concluded that by refraining from bidding separately for construction of an LNG tank, CB&I would limit to only two competitive bidders, CB&I and PDM/Air Products, the competition for construction of an LNG peak shaving plant.

ANSWER: PDM admits that it (and its alliance with Air Products) and CBI had built portions of all of the small number of LNG peak shaving plants constructed in the United States since 1990 that PDM is aware of. PDM is without sufficient information to admit or deny what CBI's management concluded, and denies the remainder of paragraph 26.

27. By eliminating PDM as a competing supplier of LNG tanks, the Acquisition eliminates CB&I's only significant competition for the construction of LNG peak shaving plants in the United States. The Acquisition may create a monopoly in the United States in LNG peak shaving plants.

ANSWER: PDM denies the allegation in paragraph 27.

28. Prior to the Acquisition, CB&I and PDM competed in the design, engineering, construction and sale of LNG import terminals, individually or by partnership or coordination with others. Prior to the Acquisition, CB&I and PDM were the principal competitors in LNG import terminals in the United States.

ANSWER: PDM admits that it and CBI competed in the design, engineering, construction and sale of LNG import terminals, individually and sometimes through partnerships or alliances with others. PDM denies that it and CBI were the principal competitors in LNG import terminals in the United States prior to the Acquisition, and further denies the remainder of paragraph 28.

29. The vast majority of LNG import terminals in the United States have been built by CB&I or by PDM, either individually or by partnership or coordination with others.

ANSWER: PDM admits that it and CBI built many of the LNG import terminals in the United States, but is without sufficient information to admit or deny whether those two companies had built the "vast majority" of such import terminals given the imprecision of that term.

30. The Acquisition combined the two largest producers of LNG import terminals in the United States. The Acquisition may create a monopoly in the United States in LNG import terminals.

ANSWER: PDM denies the allegations of paragraph 30.

31. Prior to the Acquisition, CB&I and PDM were direct and actual competitors in the construction and sale of LPG tanks in the United States. Defendants competed with each other on price, service, and timeliness of project completion. CB&I and PDM were the leading competitors among only few producers of LPG tanks in the United States. CB&I and PDM built most of the LPG tanks that were constructed in the United States since 1990.

ANSWER: PDM admits that it and CBI were direct and actual competitors for the construction and sale of LPG tanks in the United States, and that CBI and PDM built many of the relatively small number of LPG tanks constructed in the United States since 1990. PDM denies that it and CBI were the "leading competitors among only few producers of LPG tanks in the United States", and further denies the remainder of paragraph 31.

32. The Acquisition combined the two largest producers of LPG tanks in the United States. The Acquisition may create a dominant firm in the United States in LPG tanks.

ANSWER: PDM denies the allegations of paragraph 32.

33. Prior to the Acquisition, CB&I and PDM were direct and actual competitors in the construction and sale of LIN/LOX/LAR tanks in the United States. Defendants competed with each other on price, service, and timeliness of project completion. PDM and CB&I were leading competitors among five producers of LIN/LOX/LAR tanks in the United States. The only other leading producer exited the market prior to the Acquisition. CB&I and PDM built most of the LIN/LOX/LAR tanks that were constructed in the United States since 1990.

ANSWER: PDM admits that it and CBI were direct and actual competitors in the construction and sale of LIN/LOX/LAR tanks in the United States. CBI denies that it and PDM were the leading competitors for the construction of such tanks in the United States, that there were only five producers of such tanks selling their services in the United States, and that CBI and PDM built most of such tanks that were constructed in the United States since 1990. CBI further denies the remaining allegations of paragraph 33.

34. The Acquisition combined the two largest producers of LIN/LOX/LAR tanks in the United States. The Acquisition may create a dominant firm in the United States in LIN/LOX/LAR tanks.

ANSWER: PDM denies the allegations of paragraph 34.

35. Entry into the relevant product markets would not be timely, likely, or sufficient in its magnitude, character, and scope to deter or counteract anticompetitive effects of the Acquisition.

ANSWER: PDM denies the allegations of paragraph 35, and states that entry in the United States for the sale and construction of services associated with all of the product types identified by the FTC is not only likely but is actual, is currently timely, and is sufficient in its magnitude, character and scope to deter and counteract the FTC's perceived anticompetitive effects of the Acquisition. PDM denies the remainder of the allegations of paragraph 35.

36. Reputation is a barrier in each of the relevant markets. Customers are reluctant to engage the services of a new entrant for the construction of relevant products because of the possibility of economic loss inherent in product failure. LNG tanks, LPG tanks, and LIN/LOX/LAR tanks hold large quantities of flammable or otherwise dangerous liquid gases.

ANSWER: PDM denies that reputation is a barrier to entry in the manufacture of any of the relevant tank types, and denies that such tank types constitute independent relevant markets. PDM denies that customers are reluctant to engage the services of a new entrant, and notes that there are many examples where customers have engaged the services of a new entrant for the construction of these products. PDM denies that there is any significant possibility of economic loss inherent in product failure, and while PDM admits that LNG tanks, LPG tanks and LIN/LOX/LAR tanks can be constructed to hold large quantities of flammable or otherwise dangerous liquid gases, dangers resulting from faulty construction of such materials by existing or new firms are minimal. PDM denies the remainder of paragraph 36 of the complaint.

37. Satellite manufacturers depend on the timely completion and reliable and economic operation of thermal vacuum chambers to facilitate timely and economic delivery of satellites to their aerospace customers. Missing a satellite delivery deadline can trigger costly liquidated damages clauses.

ANSWER: PDM denies the allegations of paragraph 37 of the complaint except to state that it lacks sufficient information to admit or deny whether the missing of a satellite delivery deadline can trigger costly liquidated damages clauses. PDM further states that there is an already existing over capacity of thermal vacuum chambers in the United States to facilitate the timely and economic delivery of satellites, and denies the remainder of the allegations of paragraph 37.

38. A new entrant would lack CB&I's and PDM's strong reputations for successful and timely completion of the relevant products. Consequently, customers would likely pay a premium for the services of the merged firm, and a new entrant would not effectively constrain noncompetitive price increases in the relevant markets.

ANSWER: PDM denies the allegations of paragraph 38.

39. A new entrant likely would operate at a higher cost than either CB&I or PDM. Through completing multiple projects in the relevant markets over the years, CB&I and PDM have developed customized construction equipment and procedures, which the companies consider proprietary. A new entrant would lack documented and standardized construction procedures and thus would likely have difficulty completing construction of the relevant products as economically as CB&I or PDM, or with the same assurance of quality.

ANSWER: PDM denies that a new entrant would lack documented and standardized construction procedures, as any company that makes welded steel plate storage tank structures would have their own documented and standardized construction procedures which may or may not be superior to those utilized by PDM. PDM further denies that any company other than CBI or PDM would have difficulty completing construction of the tank segments identified by the FTC on an economical or quality assurance basis, and PDM further denies the remainder of paragraph 39.

ANTICOMPETITIVE EFFECTS OF THE ACQUISITION

40. The Acquisition may substantially lessen competition in the following ways, among others:

- a. it eliminates actual, direct and substantial competition between CB&I and PDM;
- b. it removes PDM, a low cost producer and bidder for the relevant products;

- c. it increases the level of concentration in the relevant markets;
- d. it eliminates innovation competition between CB&I and PDM and may lead to reduced innovation competition in thermal vacuum chambers and in other relevant products;
- e. it may lead to increases in price for the relevant products;
- f. it may increase barriers to entry into the relevant markets;
- g. it may give CB&I market power in the relevant markets;
- h. it may allow CB&I unilaterally to exercise market power in the relevant markets, through the combination of CB&I and PDM, which are the two closest competitors by virtue of their long record of timely and successful completion of these specialty projects;
- i. it may eliminate one or more competitors of CB&I as suppliers of LNG peak shaving plants; and
- j. it may diminish pricing and innovation competition in the sale of LNG liquefaction units for use in LNG peak shaving plants by foreclosing one or more competitors to CB&I from selling LNG liquefaction units.

ANSWER: PDM denies the allegations of paragraph 40 in its entirety and states that to the contrary, the Acquisition has caused a repositioning which has given an incentive to previously dormant competitors to invest in this business to attempt to replace PDM as a bidder for these storage tank types. PDM denies the remaining allegations of paragraph 40.

VIOLATIONS CHARGED

COUNT I -- ILLEGAL ACQUISITION

41. The allegations contained in Paragraphs 1-40 are repeated and realleged as though fully set forth here.

ANSWER: PDM repeats its response to the allegations contained in paragraphs 1 through 40 and realleges them as though fully set forth here.

42. The effect of the Acquisition may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

ANSWER: PDM denies the allegations of paragraph 42, except to state that the relevant statutes contain proper legal citations.

COUNT II -- UNFAIR METHOD OF COMPETITION

43. The allegations contained in Paragraphs 1-40 are repeated and realleged as though fully set forth here.

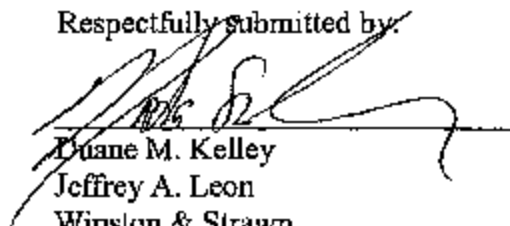
ANSWER: PDM repeats its response to the allegations contained in paragraphs 1 through 42 and realleges them as though fully set forth here.

44. CBI and PDM, through the Acquisition and the Acquisition agreement described in Paragraph 8, have engaged in unfair methods of competition in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

ANSWER: PDM denies the allegations of paragraph 44, except to state that the relevant statutes contain proper legal citations.

Date: February 4, 2002

Respectfully submitted by:



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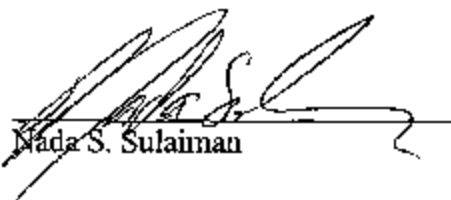
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COUNSEL FOR PDM

PROOF OF SERVICE

I Nada S. Sulaiman hereby certify that on this 4th day of February, 2002 I served
(1) Chicago Bridge & Iron N.V.'s Answer to Complaint and (2) Pitt-Des Moines, Inc.'s Answer
to Complaint, by hand delivery upon:

Steven L. Wilensky
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Room S-3621
Washington, D.C. 20580


Nada S. Sulaiman