



Department of Justice

FOR IMMEDIATE RELEASE
TUESDAY, DECEMBER 15, 1970

The Department of Justice filed today a civil antitrust suit to prevent the R. J. Reynolds Tobacco Company from acquiring United States Lines, Inc., a containerized shipping company operating in the North Atlantic.

Attorney General John N. Mitchell said the suit was filed in the United States District Court in Newark, New Jersey.

Reynolds presently owns a subsidiary called Sea-Land Service, Inc. which is the major competitor of United States Lines.

The complaint charged that Reynolds' agreement last month with Walter Kidde & Company, Inc., owner of the United States Lines, would, if consummated, violate Section 7 of the Clayton Act by eliminating competition between the two containerized shippers.

The complaint also charged that, as a result of a further agreement by Reynolds and Kidde on November 9, 1970, to otherwise dispose of U. S. Lines in the event its acquisition by Reynolds is frustrated, the two companies combined and contracted to unreasonably restrain interstate and foreign trade and commerce in the marine transportation of freight by full containership systems in violation of Section 1 of the Sherman Act.

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Assistant Attorney General Richard W. McLaren, in charge of the Antitrust Division, said U. S. Lines and Sea-Land are the two leading operators of full containership systems in the foreign commerce of the United States. The full containership system ~~is a~~ highly automated mode of marine freight transportation permitting the shipment of freight in pre-loaded containers of up to 40 feet in length and which utilizes specially constructed or converted vessels designed solely for carrying these containers.

According to the complaint, Reynolds, Sea-Land, Kidde, U. S. Lines, and RJI Corporation, a Reynolds subsidiary formed for the purpose of bringing about the acquisition, entered into a merger agreement on November 9, whereby Reynolds will acquire sole ownership and control of U. S. Lines.

The suit charged that the effect of this acquisition, with respect to full containership freight transportation services in the foreign commerce of the United States, will be to eliminate actual and potential competition between U. S. Lines and Sea-Land, increase concentration and barriers to entry, and entrench and enhance Sea-Land's dominant position as the leading supplier of these services.

The suit also charged that Reynolds and Kidde entered into another agreement on November 9, which supplemented the merger agreement and under which Reynolds undertakes to provide for the sale of U. S. Lines in the event it fails in its attempt to acquire the Kidde subsidiary.

As a result of this supplemental agreement between Reynolds and Kidde, according to the complaint, Reynolds acquired control over the existence and disposition of U. S. Lines as a competitor, U. S. Lines suffered immediate and irreparable competitive injury and is threatened with ultimate elimination as an independent competitive force, and significant actual and potential competition between Sea-Land and U. S. Lines has been eliminated.

The suit asked the court to permanently enjoin Reynolds, Sea-Land, Kidde, U. S. Lines, and RJI Corporation from carrying out their merger agreement and asked that the supplemental agreement between Reynolds and Kidde be ordered rescinded. Pending a final disposition of the case, the suit asked for a preliminary injunction preventing the defendants from taking any action in furtherance of either the agreement of merger or the supplemental agreement.

However, the Department stated that an informal "stand-still" agreement has been reached with the defendants' counsel and negotiations are proceeding on a formal stipulation to be filed with the court.

U. S. Lines presently controls approximately 32.1 percent of the full containership capacity operating under the flag of the United States in the foreign commerce of this country.

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Sea-Land, which ranks second to U. S. Lines, presently controls approximately 24.8 percent of the full containership capacity operating under the flag of the United States. Among full containership operators of all flags, U. S. Lines and Sea-Land also rank first and second, with 20.1 percent and 15.5 percent of all flag full containership capacity serving the foreign commerce of the United States.