



Department of Justice

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JUSTICE DEPARTMENT CHALLENGES BAKER HUGHES ACQUISITION

The Department of Justice today filed an antitrust suit challenging the proposed \$550 million acquisition by Baker Hughes Incorporated of Houston, Texas, of Eastman Christensen Company of Salt Lake City, Utah. The parties also filed with the court a consent decree that would settle the suit by requiring Baker Hughes to divest its diamond drill bit business. Diamond drill bits are used for drilling oil and gas wells.

James F. Rill, Assistant Attorney General in charge of the Antitrust Division, said the complaint, filed in U.S. District Court in Washington, D.C., alleged that the proposed acquisition would prove anticompetitive in the U.S. market for each of three types of diamond drill bits: natural diamond bits; synthetic diamond bits called polycrystalline diamond compact (PDC) bits; and thermally stable synthetic polycrystalline diamond (TSP) bits.

Baker Hughes and Eastman Christensen are major manufacturers of the three types of diamond drill bits. The diamond drill bit business generates about \$18 million of the \$128 million in annual worldwide sales for Baker Hughes and about \$35 million for Eastman Christensen.

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The consent decree requires Baker Hughes to divest its entire diamond drill bit business, including foreign and domestic facilities where the three types of diamond drill bits are produced, by August 6, 1990, or a trustee will be appointed to carry out the divestiture. Baker Hughes' diamond bit business includes its diamond bit patents, manufacturing facilities in Houston, Texas; Aberdeen, Scotland; and Escobar, Argentina; and a research and development center.

"The divestiture will ensure that the merger of Baker Hughes and Eastman Christensen will not raise the cost of drilling for oil and gas in the United States," said Rill.

The required divestiture will create a viable and independent competitor in the three U.S. diamond drill bit markets, the Department said. In 1989, total sales of the three types of diamond drill bits in the United States were over \$30 million, with Baker Hughes accounting for about 15 percent of total domestic sales, while Eastman Christensen accounted for 25 percent.

If the proposed final judgment is approved by the court after a required 60-day comment period, it would terminate the suit.

Baker Hughes and Eastman Christensen are large, diversified suppliers of a wide variety of oil field products and services. Baker Hughes had 1989 sales of \$2.3 billion; Eastman Christensen

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had 1989 sales of \$211 million. Also named as defendants in the suit were Hughes Tool Company, a Baker Hughes subsidiary, and Eastman Christensen's parent, Norton Company

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