



Department of Justice

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**JAPANESE EXECUTIVE PLEADS GUILTY, SENTENCED TO TWO YEARS IN JAIL
FOR PARTICIPATING IN CONSPIRACIES TO RIG BIDS AND BRIBE FOREIGN
OFFICIALS TO PURCHASE MARINE HOSE AND RELATED PRODUCTS**

WASHINGTON — A Tokyo executive of a rubber products manufacturing company pleaded guilty and was sentenced to serve two years in jail and to pay an \$80,000 criminal fine for participating in two conspiracies to rig bids and bribe foreign government officials affecting the sale of marine hose and other industrial rubber products manufactured by the company and sold throughout the world, the Department of Justice announced today.

Misao Hioki, the former general manager of his company's International Engineered Products (IEP) Department, pleaded guilty today to charges contained in a two-count felony charge that was filed on Dec. 8, 2008, in U.S. District Court in Houston. Hioki was charged for his role in a conspiracy to rig bids, fix prices and allocate market shares of marine hose in the United States and elsewhere and also for his role in a conspiracy to violate the Foreign Corrupt Practices Act (FCPA) by making corrupt payments to government officials in Latin America and elsewhere to obtain and retain business.

Hioki is the ninth individual to plead guilty in the marine hose bid-rigging investigation. He is the first individual to plead guilty in the FCPA conspiracy. Hioki agreed to cooperate fully in the Department's ongoing antitrust and FCPA investigations.

"The Antitrust Division is committed to rooting out corruption that harms American consumers and the competitive process, whether the criminal conduct takes place here in the United States or overseas," said Deborah A. Garza, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "Prosecuting international cartels that harm United States consumers remains the number one priority of the Antitrust Division."

Marine hose is a flexible rubber hose used to transfer oil between tankers and storage facilities. During the conspiracy, the cartel affected prices for hundreds of millions of dollars worth of marine hose and related products worldwide.

In both counts, Hioki was charged with participating in the conspiracies from at least in or around January 2004 through in or around May 2007. The Department charged that during the conspiracy Hioki 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;
- 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 pursuant to 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.

The Department also charged that Hioki and his co-conspirators:

- Supervised the IEP employees both in Japan and in regional subsidiaries, including a U.S. subsidiary of the company in the United States, who were responsible for selling the company's products in Latin America;
- Contracted with local sales agents in many of the Latin American countries where the company sought IEP sales;
- Developed relationships with employees of the government-owned enterprises with which the company sought to do business;
- Negotiated with employees of government-owned businesses, who are foreign officials under the Foreign Corrupt Practices Act, in at least the following Latin American countries Argentina, Brazil, Ecuador, Mexico and Venezuela to make corrupt payments to those foreign officials to secure business for the company and its U.S. subsidiary;
- Approved the making of corrupt payments to the foreign government officials through the local sales agents, to secure business for the company and its U.S. subsidiary;

- Paid the local sales agents a commission for each sale and, if a corrupt payment to the customer through the local sales agent was involved with the sale, concealed that payment within the commission payment made to the local sales agent; and
- Coordinated these corrupt payments in Latin America through the U.S. subsidiary's offices in the United States including its Houston office.

Eight foreign executives, including Hioki, were arrested on May 2, 2007, in Houston and San Francisco and charged for their roles in the marine hose cartel, following their participation in a cartel meeting in Houston. In December 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 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. On Dec. 1, 2008, Dunlop agreed to plead guilty to participating in the conspiracy. Under the terms of his plea agreement, which is subject to court approval, Dunlop agreed to pay \$4.54 million and cooperate in the Department's ongoing antitrust investigation. Another arrested executive, Peter Whittle, a former Dunlop executive 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 also were arrested and criminally charged with cartel offenses by U.K. authorities. On Nov. 14, 2008, the U.K. Court of Appeal sentenced Allison to serve 24 months in prison, Brammar to serve 20 months in prison and Whittle to serve 30 months in prison. 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 either matched or exceeded the sentences recommended in the U.S. plea agreements, the defendants were not required to serve prison sentences in the United States.

In addition, Uwe Bangert, a German national and former executive with Dunlop's former parent company, Phoenix AG, was indicted on July 19, 2007, for his participation in the marine hose cartel. A trial date has not been set.

Manuli Rubber Industries SpA (Manuli), Robert L. Furness, the former president of Manuli's former Plantation, Fla.-based subsidiary, and Charles J. Gillespie, a former Manuli regional sales manager, have pleaded guilty for their roles in this conspiracy. On Dec. 5, 2008, Manuli was sentenced to pay a criminal fine of \$2 million. Under the terms of the plea agreements, which are subject to court approval, Furness has agreed to serve 14 months in prison and to pay a \$75,000 criminal fine, and Gillespie has agreed to serve 12 months and one day in prison and to pay a \$20,000 criminal fine. Manuli, Furness and Gillespie also have agreed to cooperate fully in the Department's ongoing antitrust investigation.

Francesco Scaglia, the deputy manager of Manuli's Oil & Marine Division, and Val M. Northcutt, another regional sales manager, were acquitted on Nov. 11, 2008, in the Southern District of Florida after being charged with participating in the conspiracy.

Christian Caleca and Jacques Cognard, executives with Trelleborg Industrie S.A.S., 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. Giovanni Scodeggio, an Italian citizen who is the manager of Parker ITR S.r.l.'s Oil & Gas Business Unit, pleaded guilty to a one-count felony charge in U.S. District Court in Houston in August 2008. Scodeggio was sentenced to pay a criminal fine of \$20,000 and to serve six months of house arrest. Caleca, Cognard and Scodeggio have agreed to cooperate fully in the Department's ongoing antitrust investigation.

The investigation of the conspiracies is being conducted by the Antitrust Division's National Criminal Enforcement Section, the Criminal Division's Fraud 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 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. Anyone with information concerning corrupt payments to foreign officials is urged to e-mail the Fraud Section of the Criminal Division at FCPA.Fraud@usdoj.gov or call (202) 514-7023.

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