

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

2015 MAY 20 PM 3:47

UNITED STATES OF AMERICA,

**INDICTMENT**

v.

Criminal No.: **15-361(GAG)**

- [1] GAVINO RIVERA-HERRERA;
- [2] LUCIANO VEGA-MARTÍNEZ,  
also known as LUCIO;
- [3] ALFONSO GONZALEZ-NEVAREZ,  
also known as JUNITO;
- [4] JOSÉ L. ARROYO-QUIÑONES; and
- [5] RENÉ GARAY-RODRÍGUEZ,  
also known as GARY,

Violations: 15 U.S.C. § 1 (**Count I**);  
18 U.S.C. § 1349 (**Count II**);  
18 U.S.C. § 1341 (**Counts  
III-VII**)

Defendants.

**THE GRAND JURY CHARGES:**

**BACKGROUND**

1. At all times relevant to this Indictment, the Municipality of Caguas, Puerto Rico, periodically awarded school bus transportation contracts through an auction process. The Municipality of Caguas announced these school bus transportation auctions by publishing official auction announcements in local newspapers. To be eligible for school bus transportation contracts, transportation providers were required to attend a pre-auction meeting held by the Municipality's Auction Board, obtain school bus operation permits from the Puerto Rico Public Service Commission, and submit the correct bidding documentation.

2. In 2013, the Municipality of Caguas published a public announcement inviting school bus transportation companies to participate in Auction Number 2014-49, "School Transportation Services," and to submit competitive bids for contracts to provide transportation

services for a four-year period, with contracts to be renewed annually, to students attending certain public schools located in Caguas, Puerto Rico.

3. At the time of Auction Number 2014-49, "School Transportation Services," Municipality of Caguas school bus transportation contracts were funded in substantial part by the Puerto Rico Department of Education ("PRDE"). PRDE funding included a substantial portion of federal funds from the United States Department of Education under Title I and Title II grants.

**DEFENDANTS AND CO-CONSPIRATORS**

4. At all times during the period covered by the Indictment, Gavino Rivera Herrera was a bus owner with his principal place of business located at [REDACTED] Caguas, Puerto Rico. At all times during the period covered by the Indictment, Gavino Rivera Herrera provided school bus transportation services in the Municipality of Caguas, Puerto Rico.

5. At all times during the period covered by the Indictment, Luciano Vega Martínez, also known as Lucio, owned L.V. Transport, Inc., a corporation organized and existing under the laws of Puerto Rico, located at [REDACTED] Caguas, Puerto Rico. At all times during the period covered by the Indictment, Luciano Vega Martínez provided school bus transportation services in the Municipality of Caguas, Puerto Rico through L.V. Transport, Inc.

6. At all times during the period covered by the Indictment, Alfonzo Gonzales Nevarez, also known as Junito, owned Junito Bus Line, Inc., a corporation organized and existing under the laws of Puerto Rico, located at [REDACTED] Cayey, Puerto Rico. At all times during the period covered by the Indictment, Alfonzo Gonzales Nevarez provided

school bus and tourist transportation services in the Municipality of Caguas, Puerto Rico through Junito Bus Line, Inc.

7. At all times during the period covered by the Indictment, José L. Arroyo Quiñones owned Transporte Escolar J.L. Inc., a corporation organized and existing under the laws of Puerto Rico, located at [REDACTED] Caguas, Puerto Rico. At all times during the period covered by the Indictment, José L. Arroyo Quiñones provided school bus transportation services in the Municipality of Caguas, Puerto Rico through Transporte Escolar J.L. Inc.

8. At all times during the period covered by the Indictment, René Garay Rodríguez, also known as Gary, owned Gary Bus Lines, a corporation organized and existing under the laws of Puerto Rico, located at [REDACTED] Caguas, Puerto Rico. At all times during the period covered by the Indictment, René Garay Rodríguez provided school bus transportation services in the Municipality of Caguas, Puerto Rico.

9. Various corporations and individuals, not made defendants in this Indictment, participated as co-conspirators in the offense charged herein and performed acts and made statements in furtherance thereof.

10. Whenever in this Indictment reference is made to any act, deed or transaction of any corporation, the allegation means that the corporation engaged in the act, deed, or transaction by or through its officers, directors, agents, employees, or other representatives while they were actively engaged in the management, direction, control or transaction of its business or affairs.

**COUNT ONE – CONSPIRACY TO RESTRAIN TRADE**

**(15 U.S.C. § 1)**

11. Each and every allegation contained in Paragraphs 1 through 10 of this Indictment is hereby realleged as if fully set forth in this Count.

12. The following individuals are hereby indicted and made defendants on the charge contained in Count One below:

[1] GAVINO RIVERA-HERRERA;

[2] LUCIANO VEGA-MARTÍNEZ, also known as LUCIO;

[3] ALFONSO GONZALEZ-NEVAREZ, also known as JUNITO;

[4] JOSÉ L. ARROYO-QUIÑONES; and

[5] RENÉ GARAY-RODRÍGUEZ, also known as GARY.

**THE COMBINATION AND CONSPIRACY**

13. Beginning in or around August 2013 and continuing thereafter until at least May 2015, the exact dates being unknown to the Grand Jury, in the District of Puerto Rico, GAVINO RIVERA-HERRERA; LUCIANO VEGA-MARTÍNEZ, also known as LUCIO; ALFONSO GONZALEZ-NEVAREZ, also known as JUNITO; JOSÉ L. ARROYO-QUIÑONES; and RENÉ GARAY-RODRÍGUEZ, also known as GARY (collectively, “defendants”), and others entered into and engaged in a combination and conspiracy to suppress and eliminate competition by rigging bids and allocating the market for school bus transportation contracts to provide transportation services to students attending certain public schools located in Caguas, Puerto Rico, in unreasonable restraint of interstate trade and commerce in violation of Section 1 of the Sherman Antitrust Act, 15 U.S.C. § 1.

14. The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among the defendants and others, the substantial terms of which were to rig bids and allocate the market for school bus transportation contracts to provide transportation services to students attending certain public schools in Caguas, Puerto Rico.

15. The defendants joined and participated in the conspiracy from at least as early as August 2013 and continuing until at least May 2015.

16. As a result of the charged combination and conspiracy, the defendants and co-conspirators were awarded contracts in January 2014 and started providing school transportation services on the contracts in February 2014 and continuing until at least May 2015.

MEANS AND METHODS OF THE CONSPIRACY TO RESTRAIN TRADE

17. For the purpose of forming and carrying out the charged combination and conspiracy, the defendants and co-conspirators combined and conspired to do, including, among other things:

- a. attending meetings and engaging in discussions prior to Auction Number 2014-49, "School Transportation Services," concerning the allocation and pricing of contracts for school bus transportation services in Caguas, Puerto Rico;
- b. agreeing during those meetings and discussions to allocate the school bus transportation routes available for auction among the co-conspirators, and to refrain from bidding or submitting intentionally high, complementary, non-competitive quotes or bids for the routes designated to a co-conspirator;
- c. agreeing during those meetings and discussions to raise the price on the winning bids to be submitted by the co-conspirators in anticipation of a

renegotiation process by the Municipality of Caguas to lower the price per bid;

- d. agreeing to participate at the auction and to make it appear as if a competitive bidding process was being carried out among the bidders;
- e. submitting bids to the Municipality of Caguas in accordance with the agreements reached; and
- f. accepting payment for school bus transportation services pursuant to contracts awarded at collusive and non-competitive prices.

#### TRADE AND COMMERCE

18. The successful bidders would have received payments amounting to approximately \$3,500,000 to provide the school transportation services for the four-year contract period.

19. The following wards in the Municipality of Caguas were affected by the allocation agreement: San Antonio, Río Cañas, Bairoa, Cañabón, Pueblo, Cañaboncito, Turabo, Tomás de Castro, Beatriz, Borinquen, and San Salvador.

#### JURISDICTION AND VENUE

20. During the period covered by this Indictment, the business activities of the defendants and co-conspirators were within the flow of, and substantially affected, interstate trade and commerce.

21. At the time of Auction Number 2014-49, "School Transportation Services," Municipality of Caguas school bus transportation contracts were funded in substantial part by the Puerto Rico Department of Education ("PRDE"). The PRDE funding included substantial

federal funding from the U.S. Department of Education Title I and Title II grants. These funds were within the flow of interstate commerce.

22. During the period covered by this Indictment, the defendants operated buses that were shipped in interstate commerce and fueled by gasoline that traveled in interstate trade and commerce.

23. The combination and conspiracy charged in this count was formed and carried out, in part, within the District of Puerto Rico within the five years preceding the return of this Indictment.

ALL IN VIOLATION OF TITLE 15, UNITED STATES CODE, SECTION 1.

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**COUNT TWO – CONSPIRACY TO COMMIT MAIL FRAUD**

**(18 U.S.C. § 1349)**

24. Each and every allegation contained in Paragraphs 1 through 10 of this Indictment is hereby realleged as if fully set forth in Count Two.

25. The following individuals are hereby indicted and made defendants on the charge contained in Count Two below:

[1] GAVINO RIVERA-HERRERA;

[2] LUCIANO VEGA-MARTÍNEZ, also known as LUCIO;

[3] ALFONSO GONZALEZ-NEVAREZ, also known as JUNITO;

[4] JOSÉ L. ARROYO-QUIÑONES; and

[5] RENÉ GARAY-RODRÍGUEZ, also known as GARY.

**CONSPIRACY TO DEVISE A SCHEME TO DEFRAUD**

26. Beginning in or around August 2013 and continuing thereafter until at least May 2015, the exact dates being unknown to the Grand Jury, in the District of Puerto Rico, GAVINO RIVERA-HERRERA; LUCIANO VEGA-MARTÍNEZ, also known as LUCIO; ALFONSO GONZALEZ-NEVAREZ, also known as JUNITO; JOSÉ L. ARROYO-QUIÑONES; and RENÉ GARAY-RODRÍGUEZ, also known as GARY (collectively, “defendants”), and others known and unknown to the Grand Jury, entered into and engaged in a conspiracy to defraud the Puerto Rico Department of Education and the Caguas Municipality, among others.

27. The purpose of the scheme was to fraudulently obtain school bus transportation routes at the 2013 Caguas Municipality auction.



MEANS AND METHODS OF THE CONSPIRACY

28. For the purposes of forming and carrying out the charged conspiracy to defraud, the defendants and co-conspirators did those things that they conspired to do, including, among other things:

- a. rigging bids and allocating routes at a meeting prior to Auction Number 2014-49, "School Transportation Services," including determining who would refrain from bidding or submit intentionally high quotes or bids for the routes designated to a co-conspirator, and who would submit an artificially high winning bid;
- b. taking steps to conceal the bid rigging and allocation agreements by maintaining secrecy regarding the agreements reached during the meeting;
- c. making and causing to be made materially false and misleading representations and certifications on official auction bids, on which the Municipality of Caguas relied to award contracts for school bus transportation services;
- d. fraudulently obtaining contracts for school bus transportation routes from the Municipality of Caguas; and
- e. causing the Municipality of Caguas to pay higher rates for transportation services, thereby depriving the municipality of funds.

USE OF THE MAILS

29. In order to execute the conspiracy to defraud, the defendants and co-conspirators knowingly caused the mails to be used through the United States Postal Service and/or private

commercial interstate carriers. These mailings were foreseeable to the defendants and mailed in the ordinary course of business.

30. On or about January 15, 2014, the defendants and co-conspirators did knowingly cause to be mailed, through the United States Postal Service, award letters for school bus transportation services, from the Municipality of Caguas, Puerto Rico, to the defendants and co-conspirators.

JURISDICTION AND VENUE

31. The conspiracy to devise a scheme and artifice to defraud charged in Count Two was carried out, in part, in the District of Puerto Rico, within the five years preceding the return of this Indictment.

ALL IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTION 1349.

**[Remainder of page intentionally left blank]**

**COUNTS THREE THROUGH SEVEN – MAIL FRAUD**

**(18 U.S.C. § 1341)**

32. Each and every allegation contained in Paragraphs 1 through 10 of this Indictment is hereby realleged as if fully set forth in Counts Three through Seven.

33. The following individuals are hereby indicted and made defendants on the charge contained in Counts Three through Seven below:

[1] GAVINO RIVERA-HERRERA;

[2] LUCIANO VEGA-MARTÍNEZ, also known as LUCIO;

[3] ALFONSO GONZALEZ-NEVAREZ, also known as JUNITO;

[4] JOSÉ L. ARROYO-QUIÑONES; and

[5] RENÉ GARAY-RODRÍGUEZ, also known as GARY.

**SCHEME TO DEFRAUD**

34. Beginning in or around August 2013 and continuing thereafter until at least May 2015, the exact dates being unknown to the Grand Jury, in the District of Puerto Rico, GAVINO RIVERA-HERRERA; LUCIANO VEGA-MARTÍNEZ, also known as LUCIO; ALFONSO GONZALEZ-NEVAREZ, also known as JUNITO; JOSÉ L. ARROYO-QUIÑONES; and RENÉ GARAY-RODRÍGUEZ, also known as GARY (collectively, “defendants”), and others known and unknown to the Grand Jury, did knowingly and with intent to defraud, devise and participate in a scheme and artifice to defraud the Puerto Rico Department of Education and the Caguas Municipality, among others.

35. The purpose of the scheme was to fraudulently obtain school bus transportation routes through rigging bids and providing falsified certifications at the 2013 Caguas Municipality auction.

MEANS AND METHODS OF THE SCHEME TO DEFRAUD

36. For the purposes of forming and carrying out the charged scheme to defraud, the defendants and co-schemers did those things that they schemed to do, including, among other things:

- a. rigging bids and allocating routes at a meeting prior to Auction Number 2014-49, "School Transportation Services," including determining who would refrain from bidding or submit intentionally high quotes or bids for the routes designated to a co-conspirator, and who would submit an artificially high winning bid;
- b. taking steps to conceal the bid rigging and allocation agreements by maintaining secrecy regarding the agreements reached during the meeting
- c. making and causing to be made materially false and misleading representations and certifications on official auction bids, on which the Municipality of Caguas relied to award contracts for school bus transportation services;
- d. fraudulently obtaining contracts for school bus transportation routes from the Municipality of Caguas; and
- e. causing the Municipality of Caguas to pay higher rates for transportation services, thereby depriving the municipality of funds.

USE OF THE MAILS

37. In order to execute the scheme and artifice to defraud, the defendants and co-schemers knowingly used and caused to be used the United States Postal Service and private or commercial interstate carriers. For example, the defendants and co-schemer's fraudulent bids

and misrepresentations caused the Municipality of Caguas to use the United States Postal Service to transmit award letters for school bus transportation service contracts to the bidders in Auction Number 2014-49, "School Transportation Services," including the defendants. These mailings were foreseeable to the defendants and mailed in the ordinary course of business.

38. On or about the dates specified as to each count set forth below, the defendants and co-schemers did knowingly cause to be delivered by the United States Postal Service award letters for school bus transportation services, mailed by the Municipality of Caguas, to bidders in Auction Number 2014-49, "School Transportation Services" to participants in the scheme.

<b>Count</b>	<b>To</b>	<b>From</b>	<b>Approx. Date of Mailing</b>	<b>Description of Mailing</b>
3	Gavino Rivera Herrera [REDACTED] Caguas, PR 00725	Municipio Autonomo de Caguas Depto. Compras y Subastas PO Box 907 Caguas, PR 00726-0907	Jan. 15, 2014	Award Letter, Auction No. 2014-49 "School Transportation Services," dated Jan. 17, 2014
4	Junito Bus Line [REDACTED] Cayey, PR 00737	Municipio Autonomo de Caguas Depto. Compras y Subastas PO Box 907 Caguas, PR 00726-0907	Jan. 15, 2014	Award Letter, Auction No. 2014-49 "School Transportation Services," dated Jan. 17, 2014

<b>Count</b>	<b>To</b>	<b>From</b>	<b>Approx. Date of Mailing</b>	<b>Description of Mailing</b>
5	Transporte Escolar J.L., Inc. [REDACTED] Caguas, PR 00725	Municipio Autonomo de Caguas Depto. Compras y Subastas PO Box 907 Caguas, PR 00726-0907	Jan. 15, 2014	Award Letter, Auction No. 2014-49 "School Transportation Services," dated Jan. 17, 2014
6	Luciano Vega [REDACTED] Caguas, PR 00725	Municipio Autonomo de Caguas Depto. Compras y Subastas PO Box 907 Caguas, PR 00726-0907	Jan. 15, 2014	Award Letter, Auction No. 2014-49 "School Transportation Services," dated Jan. 17, 2014
7	René Garay Rodríguez [REDACTED] Caguas, PR 00727	Municipio Autonomo de Caguas Depto. Compras y Subastas PO Box 907 Caguas, PR 00726-0907	Jan. 15, 2014	Award Letter, Auction No. 2014-49 "School Transportation Services," dated Jan. 17, 2014

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JURISDICTION AND VENUE

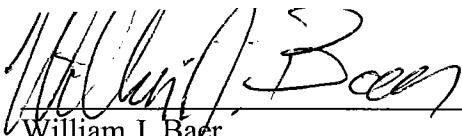
39. The scheme and artifice to defraud charged in Counts Three through Seven caused transmissions to be conducted through the United States Postal Service.

40. The scheme and artifice to defraud charged in Counts Three through Seven was carried out, in part, in the District of Puerto Rico, within the five years preceding the return of this Indictment.

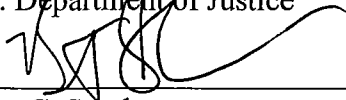
ALL IN VIOLATION OF TITLE 18, UNITED STATES CODE, SECTION 1341.

Dated: 05-20-2015

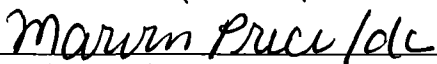
A TRUE BILL



William J. Baer  
Assistant Attorney General  
Antitrust Division  
U.S. Department of Justice



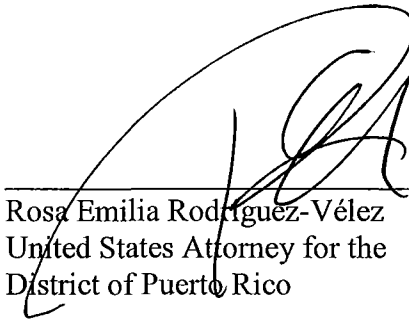
Brent C. Snyder  
Deputy Assistant Attorney General  
Antitrust Division  
U.S. Department of Justice



Marvin N. Price, Jr.  
Director of Criminal Enforcement  
Antitrust Division  
U.S. Department of Justice



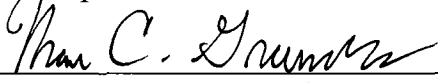
Jose Ruiz-Santiago, Chief  
Criminal Division  
United States Attorney's Office  
District of Puerto Rico



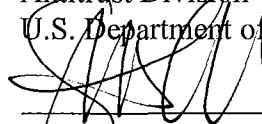
Rosa Emilia Rodriguez-Vélez  
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