

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

17 AUG 1990

Gesell, J. GAG

90 1986

UNITED STATES OF AMERICA,
U.S. Department of Justice
Washington, D.C. 20530

Plaintiff,

v.

BROWN & ROOT, INC.,
4100 Clinton Drive
Houston, Texas 77020

HALLIBURTON COMPANY, and,
3600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3391

OFFSHORE PIPELINES, INC.
5718 Westheimer, Suite 600
Houston, Texas 77057

Defendants.

Civil Action No: 90 1986

Filed: August 17, 1990

Judge Gesell

COMPLAINT

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable and other relief as is appropriate against the defendants named herein and complains and alleges as follows:

I.

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 15 of the Clayton Act, 15 U.S.C. § 25, to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act, 15 U.S.C. § 18.

2. For the purpose of this action, Brown & Root, Inc., Halliburton Company, and Offshore Pipelines, Inc., are found within the District of Columbia.

II.

DEFINITIONS

3. "Pipelay barge" means a marine construction vessel, including barges and self-propelled vessels, designed, and built or modified, and equipped to perform pipelay barge services.

4. "Pipebury barge" means a marine construction vessel, including barges and self-propelled vessels, designed, and built or modified, and equipped to perform pipebury barge services.

5. "Pipelay/pipebury barge services" means the provision of at least the following services: the laying of gathering and/or transmission pipeline on the sea bottom, and the burying of gathering and/or transmission pipeline in the sea bottom, in connection with the gathering and/or transmission of natural

oil and gas from offshore, underwater development and production sites.

6. "Intermediate pipelay/pipeburey market" means the provision of pipelay/pipeburey barge services in water depths of approximately 200 to 400 feet, or with pipe of diameters greater than 12 inches in the United States Gulf of Mexico.

7. "HHI" means the Herfindahl-Hirschman Index, a measure of market concentration calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. For example, for a market consisting of four firms with shares of 30, 30, 20, and 20 percent, the HHI is 2600 ($30^2 + 30^2 + 20^2 + 20^2 = 2600$). The HHI, which takes into account the relative size and distribution of the firms in the market, ranges from virtually zero to 10,000. The HHI approaches zero when a market is occupied by a large number of firms of relatively equal size. The HHI increases as the number of firms in the market decreases and as the disparity in size between the leading firms and the remaining firms increases. A market with a post-acquisition HHI of 1000 is moderately concentrated, and a market with a post-acquisition HHI of 1800 is highly concentrated.

III.

DEFENDANTS

8. Brown & Root, Inc. ("B&R") is made a defendant herein. B&R is a corporation organized and existing under the laws of the State of Delaware, with its principal offices in

Houston, Texas. B&R is a major competitor in the provision of pipelay and pipebury barge services in the United States Gulf of Mexico and other regions of the world. In 1989, B&R had approximately \$130 million in pipelay and pipebury barge service revenues. B&R is engaged in interstate commerce and in activities substantially affecting interstate commerce.

9. Halliburton Company ("Halliburton") is made a defendant herein. Halliburton is a corporation organized and existing under the laws of the State of Delaware, with its principal offices in Dallas, Texas. Through its wholly owned subsidiary, Brown & Root, Inc., Halliburton provides pipelay/pipebury barge services in the United States Gulf of Mexico and in other regions of the world. Halliburton is engaged in interstate commerce and in activities substantially affecting interstate commerce.

10. Offshore Pipelines, Inc. ("OPI") is made a defendant herein. OPI is a corporation organized and existing under the laws of the State of Delaware, with its principal offices in Houston, Texas. OPI, which provides pipelay and pipebury barge services only in the United States Gulf of Mexico, had 1989 revenues of \$104 million. OPI is engaged in interstate commerce and in activities substantially affecting interstate commerce.

IV.

TRADE AND COMMERCE

11. Much of the world's oil and gas reserves are located in offshore areas. Marine contractors design, engineer, fabricate and install offshore structures which are used to produce crude oil and natural gas from commercially significant subsea reservoirs. Marine contractors also lay and bury undersea pipelines which transport crude oil, natural gas, and other natural resources from the production sites to other sites offshore and onshore.

12. The defendant corporations, as marine contractors, sell marine construction services, including pipelay and pipebury services, to crude oil and natural gas transmission companies which solicit competitive bids and otherwise contract for the fabrication and installation of offshore structures and the laying and burying of undersea pipelines.

13. Pipelay barges, pipebury barges, and combination pipelay/pipebury barges are used to install and bury pipeline in connection with the offshore development and production of crude oil and natural gas in the Gulf of Mexico. Defendants B&R and OPI own fleets of such barges located in the Gulf of Mexico.

14. Pipelay barges, pipebury barges, and combination pipelay/pipebury barges are specially designed, built or modified, and equipped to be capable of laying and/or burying pipeline on the sea bottom. The vessels vary in their

capability to lay or bury certain diameters of pipe and to do so in certain water depths depending predominantly on the size of the vessel. The ability to lay or bury larger diameter pipe in deeper water requires a larger vessel, with greater anchoring capability, and the capacity to control heavier or longer pipe.

15. There is no competitive substitute for pipelay/pipebury barge services to which a significant number of customers would turn in response to a small but significant nontransitory price increase in the provision of pipelay/pipebury barge services.

16. The provision of pipelay/pipebury barge services in water depths of approximately 200-400 feet, or with pipe of diameters greater than 12 inches constitutes a line of commerce and a relevant product market, and the United States Gulf of Mexico is a relevant geographic market within the meaning of Section 7 of the Clayton Act. Hereafter, the relevant market is referred to as "the intermediate pipelay/pipebury market."

17. B&R and OPI are direct competitors in the intermediate pipelay/pipebury market. For almost all pipelay/pipebury projects in this market, B&R and OPI are two of only four firms capable of providing pipelay/pipebury services. Based on 1989 sales, OPI and B&R have, respectively, about 27 and 31 percent, respectively, of the intermediate pipelay/pipebury market.

18. The intermediate pipelay/pipebury market is highly concentrated and would become substantially more concentrated

as a result of the violation alleged herein. The combination of B&R and OPI would create a firm with a market share of about 58 percent, the largest in the market. The HHI for the provision of pipelay/pipebure services in the intermediate pipelay/pipebure market is 3075. Following the proposed transaction, the HHI would rise to approximately 4764 - an increase of 1689. A market with a post-acquisition HHI of 1000 is moderately concentrated, and a market with a post-acquisition HHI of 1800 is highly concentrated.

19. Successful new entry into the intermediate pipelay/pipebure market is time-consuming and costly. A small but significant nontransitory price increase would not induce new entry.

V.

VIOLATIONS ALLEGED

20. On May 4, 1990, B&R and OPI entered a purchase agreement under which OPI would purchase from B&R 23 marine construction vessels, including seven vessels currently located in the U.S. Gulf, and associated assets, for approximately \$80 million. As a result of this agreement, B&R would effectively exit the provision of pipelay/pipebure barge services in the U.S. Gulf.

21. The transaction is likely substantially to lessen competition in the aforesaid trade and commerce in violation of Section 7 of the Clayton Act, in the following ways, among others:

- a. Actual and potential competition between B&R and OPI in the provision of pipelay/pipebury barge services in the intermediate pipelay/pipebury market will be eliminated; and
- b. Competition generally in the intermediate pipelay/pipebury market may be substantially lessened.

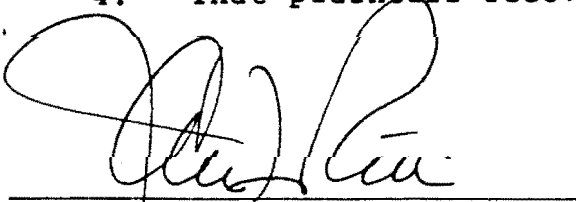
PRAYER

WHEREFORE, plaintiff prays:

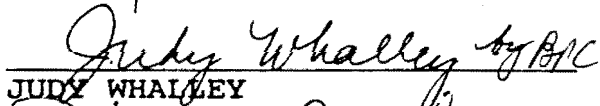
1. That the proposed acquisition by OPI from B&R be adjudged to be in violation of Section 7 of the Clayton Act;
2. That defendants be permanently enjoined from entering into or carrying out any agreement, understanding, or plan, the effect of which would be to combine the marine construction businesses of B&R and OPI;

3. That plaintiff have such other and further relief as the Court may deem just and proper; and

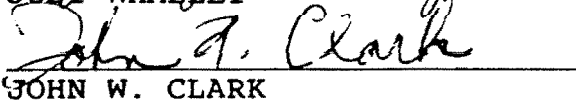
4. That plaintiff recover the costs of this action.



JAMES F. RILL
Assistant Attorney General



JUDY WHALLEY

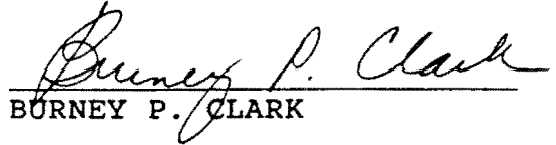


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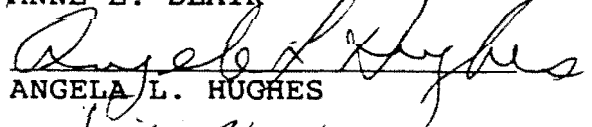
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