

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DISTRICT

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
ARMCO STEEL CORPORATION,)
)
Defendant.)

CIVIL ACTION NO. 7-604
FILED: July 31, 1970

COMPLAINT

The United States of America, plaintiff, by its attorneys, brings this civil action to obtain equitable relief against the above-named defendant, and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed under Section 4 of the Act of Congress of July 2, 1890 (15 U.S.C.A. § 4), as amended, commonly known as the Sherman Act, in order to prevent and restrain the continuing violations by the defendant, as hereinafter alleged, of Sections 1 and 2 of said Act (15 U.S.C.A. §§ 1 and 2).

2. The defendant, Armco Steel Corporation, maintains an office, transacts business and is found within the Western Division of the Southern District of Ohio.

II

THE DEFENDANT

3. The Armco Steel Corporation (hereinafter "Armco") is made a defendant herein. Armco is a corporation organized

and existing under the laws of the State of Ohio with its principal place of business in Middletown, Ohio.

III

TRADE AND COMMERCE

4. Armco was the third largest company in the iron and steel industry in both dollar sales and net income in 1969. Armco ranks fifth among the companies in the industry in terms of both raw steel production and steel products shipped.

5. Armco is a fully-integrated steel producer engaged in the production and sale of a wide variety of steel products, including most types of steel mill products and certain fabricated steel products. It is also engaged in a number of other types of activities. In 1969 Armco's total sales of products and services amounted to approximately \$1,565,488,000, while its total purchases of products and services and expenditures for plant and equipment for use in the manufacture of products amounted to approximately \$980,000,000. For the same year, total shipments of steel products by Armco amounted to 5,479,000 tons, or 5.8 percent of the total shipments of the steel industry.

6. The defendant produces and sells carbon, alloy and stainless steel mill products including the following: hot and cold rolled sheets and strip, galvanized and other coated sheets, electrical steels, plates, bar mill products, pipe and tubing, wire and wire products, structural shapes, and various other steel products. The defendant also produces and sells super alloys, titanium, and non-metallic composite materials.

7. Fabrication operations of Armco include the following: the manufacture of pre-engineered steel buildings, drainage products, construction materials, oilfield machinery and

equipment, fasteners, plastic pipe, rocket motor nozzles, heat shields, helicopter rotor blades, inflatable life rafts, mobile homes, truck trailers and many other products.

8. Other operations of Armco include the mining of iron ore and coal, the quarrying of limestone, and the production of coke and pig iron for its own use in the production of raw steel. In addition, Armco is engaged in the business of leasing industrial and transportation equipment to other companies.

9. Armco's Steel Group has steel producing and finishing facilities at eight steel plants located in Ohio, Pennsylvania, Kentucky, Missouri, Oklahoma and Texas. The steel mill products produced at these plants are marketed through sales offices located in forty-five major cities throughout the United States. The markets for Armco's steel mill products include the automotive, appliance, construction, electrical equipment, petroleum, aerospace, mining, logging, railroad and marine and shipbuilding industries. Substantial sales are also made to steel service centers and other distributors.

10. Armco has a number of specialized operations which it conducts outside the Steel Group through the following divisions and subsidiaries:

(a) Armco's Metal Products Division manufactures and sells pre-engineered steel buildings, building components and a wide range of construction products for water and sewage systems, highways and streets, irrigation, drainage and foundation purposes. The Metal Products Division is the world's largest producer of fabricated steel drainage structures.

throughout the United States in twenty-three States and in Canada, and sixty-seven sales offices in the United States and Canada.

(b) Armco's National Supply Division is one of the world's largest manufacturers and distributors of oil-field drilling and producing machinery and equipment. These products include drawworks, pumps, wellhead equipment and other products used by the petroleum industry. This Division has four manufacturing plants in Texas and California and over seventy oilfield supply stores in the oil producing areas of the United States, Canada and Venezuela. These supply stores sell not only products produced by Armco, but also various other equipment and supplies purchased from other companies for resale.

(c) Armco's Advanced Materials Division manufactures and sells special stainless steels, super alloy steels, titanium and titanium alloys. The products produced by this Division are used by the aerospace, defense, chemical, petroleum and other industries. This division's plant is located at Baltimore, Maryland.

(d) Armco's International Division fabricates a wide variety of products including tubing, drainage and highway products and pre-engineered steel buildings in its own plants overseas and serves as Armco's export arm. This Division operates twenty-eight manufacturing plants and thirty-six warehouses in twenty-two foreign countries.

(e) Other activities of Armco include the production and sale of non-metallic composite materials and various other products by its wholly-owned subsidiary, HITCO; the production of taconite pellets by Reserve Mining Company,

of which Armco has a fifty percent ownership; the production of stainless steel and special alloy pipe and tubing by Armco's wholly-owned subsidiary, Tube Associates, Inc.; the production and sale of a wide variety of specialized fastener products for the aircraft and aerospace industries by another wholly-owned subsidiary, Olympic Screw & Rivet Corporation; the production of large diameter welded line pipe by A. O. Smith Corporation of Texas, in which Armco has a one-half ownership; and the leasing of major items of industrial and transportation equipment to other companies by a subsidiary, Armco/Booth Corporation.

11. Armco purchases substantial quantities of numerous commodities, raw materials, equipment, supplies and services from other companies for use in the production of iron, steel and other products, for the operation of its plants and offices and for resale from its oilfield supply stores. Armco makes substantial purchases of these materials and services from diversified corporations which are purchasers of steel products and other products of the kinds produced or sold by the defendant.

12. The commodities, raw materials, equipment and supplies purchased by Armco from other producers are shipped from their points of production in interstate commerce across State lines to their point of use by Armco. Raw materials produced by Armco are shipped across State lines in interstate commerce to Armco manufacturing and fabricating plants. Products produced or fabricated by Armco are shipped in a continuous flow in interstate commerce across State lines to jobbers, service centers, dealers, warehouses, construction sites, processors, fabricators, wholesalers, and other customers.

OFFENSES CHARGED

13. Since at least as early as 1958, and continuing to the date of this complaint, the defendant has violated Section 1 of the Sherman Act by entering into combinations involving reciprocal purchasing arrangements with respect to a substantial amount of interstate commerce whereby the defendant purchased goods and services sold by various suppliers upon the understanding that said suppliers would purchase the goods and services of the defendant, in unreasonable restraint of the aforesaid trade and commerce.

14. Since at least as early as 1958 and continuing to the date of this complaint, the defendant, through the use of its purchasing power, has violated Section 2 of the Sherman Act by attempting to monopolize that part of the above-described interstate trade and commerce consisting of the requirements of actual and potential supplier-customers of the defendant for steel, steel products, and other products sold by defendant.

15. Pursuant to the aforesaid combinations and the attempt to monopolize, the defendant has done, among other things, the following:

(a) Prepared and coordinated comparative purchase and sales data and other information relating to its customers and suppliers;

(b) Utilized such comparative purchase and sales data in determining from which suppliers purchases would be made and the extent to which such suppliers should be permitted to participate in supplying defendant's requirements of goods and services;

(c) Discussed with, or communicated to, actual and potential suppliers and customers the sales and purchase positions of such suppliers and customers relative to the

(d) Purchased goods from particular suppliers on the understanding that such suppliers would reciprocate by purchasing goods or services from the defendant;

(e) Refused to buy or reduced purchases from particular suppliers who did not reciprocate by purchasing, or increasing their purchases, from the defendant;

(f) Used purchases from particular suppliers by one Armco subsidiary or division to promote sales to such suppliers by another Armco subsidiary or division;

(g) Caused or induced certain of its suppliers to buy from particular Armco customers in order for defendant Armco to reciprocate for purchases made by such customers from defendant;

(h) Communicated, in its dealings with customers and suppliers, the fact of purchases by a business entity in which defendant has an ownership interest, to promote sales to such customers and suppliers;

(i) Directed business entities, in which defendant has an ownership interest, to purchase from certain of defendant's customers or potential customers, in order to reciprocate for purchases made by, or promote sales by defendant to, such customers or potential customers;

(j) Directed prime contractors, who perform work for the defendant, to purchase from certain of the defendant's customers or potential customers, in order to reciprocate for purchases made by, or promote sales by defendant to, such customers or potential customers;

(k) Communicated, in its dealings with its customers and suppliers, the fact of purchases by prime contractors, who perform work for the defendant, to promote sales to such customers or suppliers.

EFFECTS

16. The aforesaid violations by the defendant have had the following effects, among others:

(a) Competitors of the defendant Armco in the sale of various goods and services have been foreclosed from selling substantial quantities thereof to firms that are supplier-customers of the defendant; and

(b) Actual and potential suppliers of various goods and services required by the defendant have been foreclosed from selling substantial quantities of such goods and services to the defendant.

PRAYER

WHEREFORE, the plaintiff prays:

1. That the aforesaid combinations between the defendant and its suppliers involving reciprocal purchasing arrangements be adjudged and decreed to be in violation of Section 1 of the Sherman Act (U.S.C.A. § 1).

2. That the aforesaid attempt to monopolize be adjudged and decreed to be in violation of Section 2 of the Sherman Act (U.S.C.A. § 2).

3. That the defendant Armco and its officers, directors, agents, and all other persons acting on behalf of said defendant, be perpetually enjoined from:

(a) Entering into or adhering to any contract, agreement or understanding with any actual or potential customer or supplier involving reciprocal purchasing arrangements;

(b) Communicating to actual or potential customers or suppliers that it will place its purchases with or give preference to suppliers who purchase from the defendant;

(c) Discussing with, or communicating to, actual or potential customers or suppliers statistics comparing purchases of goods and services by the defendant from such companies with sales by the defendant to such companies;

(d) Continuing the practice of compiling statistics which compare Armco's purchases of goods or services from companies with sales by the defendant to such companies;

(e) Transmitting to personnel with sales responsibilities information concerning purchases by the defendant from particular suppliers, transmitting to personnel with purchasing responsibilities information concerning sales by the defendant to particular companies, or otherwise implementing any program involving reciprocity;

(f) Utilizing purchases by one Armco subsidiary or division from particular suppliers to promote sales to such suppliers by another Armco subsidiary or division;

(g) Causing or inducing its suppliers to buy from defendant's customers in order for defendant to reciprocate for purchases made by such customers from defendant;

(h) Communicating, in its dealings with any of its customers or suppliers, the fact of purchases of any business entity in which defendant has an ownership interest, to promote sales to such customers or suppliers;

(i) Directing, recommending or suggesting to any business entities in which defendant has an ownership interest, that such entity shall purchase from any of the defendant's customers or potential customers, in order to reciprocate for purchases made by, or promote sales by defendant to, such customers or potential customers;

(j) Communicating, in its dealings with any of its customers or suppliers, the fact of purchases by any prime contractor, who performs work for the defendant, to promote sales to such customers or suppliers;

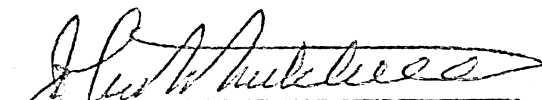
(k) Directing, recommending or suggesting to any prime contractor who performs work for the defendant that he shall purchase from any of the defendant's customers or potential customers, in order to reciprocate for purchases made by, or promote sales by defendant to, such customers or potential customers.

4. That this Court order the defendant to abolish any duties that are assigned to any of its officials or employees which relate to the conduct or effectuation of its reciprocity or trade relations program.

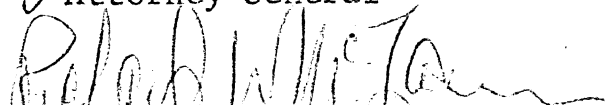
5. That this Court order the defendant to advise all of its suppliers and customers, by written notice, that the defendant's reciprocity or trade relations program has been terminated and to furnish a copy of the Final Order of this Court to such suppliers.

6. That Plaintiff have such other relief as the nature of the case may require and the Court may deem just and proper.

7. That the Plaintiff recover the costs of this action.



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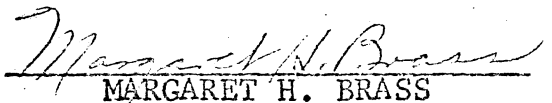
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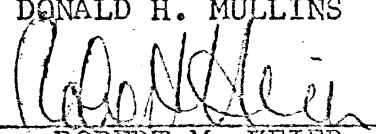
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