

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

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

Plaintiff,

v.

TIDEWATER, INC.,  
1440 Canal Street  
New Orleans, Louisiana 70112

ZAPATA GULF MARINE CORPORATION,  
711 Louisiana Street  
Houston, Texas 77002

Defendants.

92 0106

Civil Action No:

HOGAN, J. TFH

Filed: January 13, 1992

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, Tidewater, Inc., and Zapata Gulf Marine Corporation are found within the District of Columbia.

## II.

### DEFINITIONS

3. "AHTS vessel" means an anchor handling/towing supply vessel.

4. "Anchor-handling services" means the setting or retrieving of the anchors that moor semi-submersible drilling rigs, and of the chain, wire, and cable that connect each anchor to the semi-submersible drilling rig.

5. "Brake horsepower" or "BHP" means the power of an AHTS vessel's engine measured at the crankshaft coupling.

6. "Jones Act-qualified" means vessels that are eligible to operate in the unrestricted U.S. coastwise trade, under the Merchant Marine Act of 1920 ("Jones Act"), 46 U.S.C. §883.

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. Tidewater, Inc. ("Tidewater") is made a defendant herein. Tidewater is a corporation organized and existing under the laws of the State of Delaware, with its principal offices in New Orleans, Louisiana. Tidewater provides anchor-handling services and other marine services in the United States Gulf of Mexico and other regions of the world. In fiscal year 1990, Tidewater had approximately \$151 million in anchor-handling and other marine service revenues. Tidewater is engaged in interstate commerce and in activities substantially affecting interstate commerce.

9. Zapata Gulf Marine Corporation ("Zapata Gulf") is made a defendant herein. Zapata Gulf is a corporation organized and existing under the laws of the State of Delaware, with its principal offices in Houston, Texas. Zapata Gulf provides anchor-handling and other marine services in the United States Gulf of Mexico and in other regions of the world. In fiscal year 1990, Zapata Gulf had approximately \$195 million in

anchor-handling services and other marine service revenues. Zapata Gulf is engaged in interstate commerce and in activities substantially affecting interstate commerce.

#### IV.

#### TRADE AND COMMERCE

10. Much of the world's crude oil and natural gas reserves are located in offshore areas, including the United States Gulf of Mexico. One type of equipment used to drill for crude oil and natural gas offshore is the semi-submersible drilling rig.

11. Semi-submersible drilling rigs operate in the United States Gulf of Mexico. Semi-submersible drilling rigs are moored by a system of eight anchors, each of which is attached to the rig by chain, cable, and wire. Offshore marine service companies, such as Tidewater and Zapata Gulf, provide assistance to semi-submersible drilling rigs with AHTS and other vessels.

12. The defendant corporations charter AHTS vessels to oil companies and semi-submersible drilling rig owners to provide anchor-handling services. Two AHTS vessels are normally used to provide anchor-handling services to a semi-submersible drilling rig when it is moved. In addition to providing anchor-handling services when a semi-submersible drilling rig is moved to a new drilling location, one AHTS vessel often remains on charter while the rig is in operation to reset an anchor if one becomes dislodged, and to be available when the rig is ready to be moved at the completion of a drilling operation. While a rig is in

operation the AHTS vessel often ferries supplies to the rig, including liquid drilling "mud" carried in the vessel's below-deck storage tanks. The charter rate of an AHTS vessel ranges between approximately \$3,400 and \$8,000 per day.

13. AHTS vessels are specially designed, built, and equipped to provide anchor-handling services. AHTS vessels vary in their ability to handle the mooring systems of various sizes of semi-submersible drilling rigs and to do so in various water depths and sea conditions, depending predominantly on the brake horsepower of the AHTS vessel. AHTS vessels of at least approximately 6,000 BHP (5,600 BHP-6,140 BHP) generally are required to provide anchor-handling services in water depths between 500 and 2,000 feet in the United States Gulf of Mexico. It is at these water depths that most semi-submersible drilling rigs operate in the United States Gulf of Mexico.

14. There is no substitute for these AHTS vessels to which a significant number of purchasers of anchor-handling services would turn in response to a small but significant nontransitory price increase.

15. AHTS vessels that are used to provide anchor-handling services in connection with the offshore exploration for crude oil and natural gas in the United States Gulf of Mexico must be Jones Act-qualified. About 36 percent of the Jones Act-qualified fleet of AHTS vessels of at least approximately 6,000 BHP currently are operating in the United States Gulf of Mexico. The remainder are deployed outside of the United States Gulf of Mexico. Defendants

Tidewater and Zapata Gulf, the owners of the two largest fleets of such vessels, together account for about 61 percent of the total 42 vessel fleet, and about 85 percent of the fleet deployed outside of the United States Gulf of Mexico.

16. The provision of anchor-handling services by AHTS vessels of at least approximately 6,000 BHP 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 Gulf anchor-handling market."

17. Tidewater and Zapata Gulf are direct competitors in the Gulf anchor-handling market. In 1990, revenues in that market totalled about \$30 million. Tidewater and Zapata Gulf are two of only six firms capable of providing anchor-handling services in this market. Based upon the number of AHTS vessels of at least approximately 6,000 BHP in the Gulf, Tidewater and Zapata Gulf have about 13 and 7 percent, respectively, of the capacity available for competing in the Gulf anchor-handling market.

18. The Gulf anchor-handling market is highly concentrated and would become substantially more concentrated as a result of the violation alleged herein. The HHI for the Gulf anchor-handling market, based on capacity, is 2,892. Following the proposed transaction, the HHI would rise to 3,070 - an increase of 178.

19. Successful new entry into the Gulf anchor-handling market would not be induced by a small but significant nontransitory price increase. Neither are a sufficient number of the AHTS

vessels deployed outside of the United States Gulf of Mexico likely to return to the Gulf in response to a small but significant nontransitory price increase.

V.

VIOLATIONS ALLEGED

21. On June 19, 1991, Tidewater and Zapata Gulf entered an agreement under which Tidewater would purchase all of Zapata Gulf's stock in exchange for Tidewater stock worth approximately \$310 million and assumption of Zapata Gulf's debts of approximately \$90 million.

22. The proposed 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 Tidewater and Zapata Gulf in the Gulf anchor-handling market will be eliminated; and

b. Competition generally in the Gulf anchor-handling market may be substantially lessened.

PRAYER

WHEREFORE, plaintiff prays:

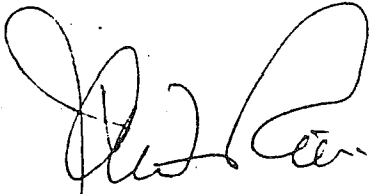
1. That the proposed transaction by Tidewater and Zapata Gulf be adjudged to be in violation of Section 7 of the Clayton Act;

2. That defendants be permanently enjoined from entering

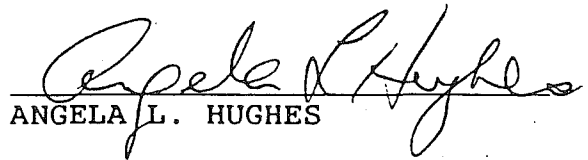
into or carrying out any agreement, understanding, or plan, the effect of which would be to combine the businesses of Tidewater and Zapata Gulf;

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

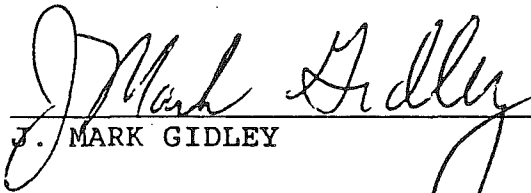
4. That plaintiff recover the costs of this action.



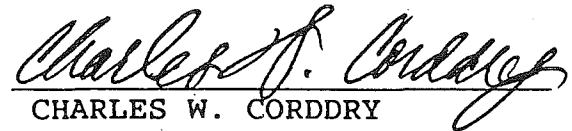
JAMES F. RILL  
Assistant Attorney General



ANGELA L. HUGHES



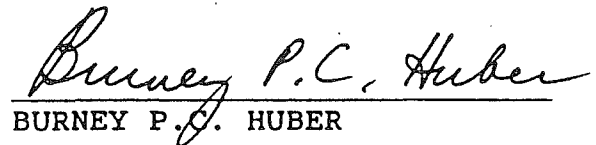
J. MARK GIDLEY



CHARLES W. CORDDRY



JOHN W. CLARK



BURNEY P.C. HUBER



MARK C. SCHECHTER



ROGER W. FONES

Attorneys  
U.S. Department of Justice  
Antitrust Division  
Judiciary Center Building  
555 Fourth Street, N.W.  
Room 9810  
Washington, D.C. 20001  
(202)307-6410

Attorneys  
U.S. Department of Justice  
Antitrust Division

Dated: January 13, 1992