



## **I. NATURE OF THE CASE**

1. This action concerns Charlotte Pipe's acquisition of the cast iron soil pipe products business of Star Pipe in a transaction that was not required to be reported to the Commission under the Hart-Scott-Rodino Act, as amended, 15 U.S.C. § 18a. At the time of the transaction, Star Pipe was one of Charlotte Pipe's chief rivals in the cast iron soil pipe products industry in the United States.

## **II. RESPONDENTS CHARLOTTE PIPE AND FOUNDRY COMPANY AND RANDOLPH HOLDING COMPANY**

2. Charlotte Pipe and Foundry Company is a privately-held corporation organized, existing, and doing business under and by virtue of the laws of the State of North Carolina with its principal place of business located at 2109 Randolph Road, Charlotte, NC 28207. Charlotte Pipe is one of the largest producers and sellers of cast iron soil pipe products in the United States.
3. Randolph Holding Company is a wholly-owned subsidiary of CP&F, and is a limited liability company organized, existing, and doing business under and by virtue of the laws of the State of Delaware with its principal place of business located at 2109 Randolph Road, Charlotte, NC 28207. Randolph Holding Company, acting on behalf of its corporate parent, executed the Asset Purchase Agreement described herein as the "Buyer" of certain assets of Star Pipe's cast iron soil pipe products business. Randolph Holding Company also executed the "Confidentiality and Non-Competition Agreement" described herein.
4. Prior to acquiring the assets of Star Pipe's cast iron soil pipe products business, Charlotte Pipe acquired the cast iron soil pipe product assets of several other competitors in non-reportable transactions, including Matco- Norca in 2009, DWV Casting Company in 2004, and Richmond Foundry, Inc., in 2002.

## **III. THE ACQUIRED COMPANY**

5. Star Pipe Products, Ltd. is a privately-held corporation organized, existing and doing business under and by virtue of the laws of the State of Texas with its principal place of business located at 4018 Westhollow Parkway, Houston, Texas 77082. Star Pipe imports, markets, and sells in the United States, among other things, ductile iron pipe fittings. Prior to the acquisition, Star Pipe imported, manufactured, and sold cast iron soil pipe products in direct competition with Charlotte Pipe. Star Pipe entered the domestic cast iron soil pipe products market in 2007. Between 2007 and 2010, Star Pipe expanded its sales throughout the United States.

#### **IV. THE CAST IRON SOIL PIPE PRODUCTS INDUSTRY**

6. Cast iron soil pipe products are a component of pipeline systems used in buildings to transport wastewater to the sewer system, to vent the plumbing system, and to transport rainwater to storm drains.
7. Cast iron soil pipe products are primarily used in the construction of commercial, industrial, and multi-story residential buildings where local or state building codes require its use.
8. Manufacturers and importers of cast iron soil pipe products sell to independent wholesale distributors for re-sale to end users. The end users of cast iron soil pipe products are typically construction firms, mechanical engineering firms, plumbers, and developers.

#### **V. JURISDICTION**

9. Respondent CP&F, Respondent Randolph, and Star Pipe are, and at all times relevant herein have been, engaged in commerce as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and are corporations whose businesses are in or affect commerce as “commerce” is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

#### **VI. THE TRANSACTION**

10. In July 2010, Charlotte Pipe executed an Asset Purchase Agreement with Star Pipe to acquire the assets of Star Pipe’s cast iron soil pipe products business for approximately \$19 million. Pursuant to the agreement, Charlotte Pipe purchased, among other things, Star Pipe’s inventory, its production equipment located in China, its business records, and its customer list. After the acquisition, Charlotte Pipe destroyed the cast iron soil pipe production equipment that it acquired from Star Pipe.
11. The parties to the transaction also executed a “Confidentiality and Non-Competition Agreement” that prohibited Star Pipe and certain Star Pipe employees from competing with Charlotte Pipe in the manufacture and sale of cast iron soil pipe products in the United States, Mexico, and Canada for a period of six years. Star Pipe also agreed to keep the transaction confidential and to send to its customers a letter indicating that it had decided to exit the cast iron soil pipe products business.

## **VII. THE RELEVANT PRODUCT MARKET**

12. For purposes of this Complaint, the relevant line of commerce within which to analyze the effects of the transaction is the market for the sale of cast iron soil pipe products for use in commercial, industrial, and multi-story residential buildings in the United States. Plastic pipe is not a viable substitute for cast iron soil pipe products because many state and local building codes in the United States require the use of cast iron soil pipe products in commercial, industrial, and multi-story residential buildings.

## **VIII. THE RELEVANT GEOGRAPHIC MARKET**

13. For purposes of this Complaint, the relevant geographic market within which to analyze the effects of the transaction is no broader than the United States, and may contain smaller geographic markets consisting of states, multi-state regions, or metropolitan areas.

## **IX. MARKET STRUCTURE**

14. The relevant markets are highly concentrated. At the time of the transaction, two firms, Charlotte Pipe and McWane Inc., sold in excess of ninety percent of the cast iron soil pipe products in the United States. Companies that sell imported cast iron soil pipe products accounted for the remaining sales. Star Pipe was the largest of the importers, acting as a disruptive force in contested markets, competing on price and service to the benefit of customers.

## **X. CONDITIONS OF ENTRY**

15. Entry into the relevant markets has not been, and would not be, timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the acquisition.

## **XI. EFFECTS OF THE AGREEMENT**

16. The effect of the agreement has been a substantial lessening of competition in the relevant markets in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45. Specifically, the agreement has:
  - a. eliminated actual, direct, and substantial competition between Charlotte Pipe and Star Pipe in the relevant markets;
  - b. substantially increased the level of concentration in the relevant markets;
  - c. eliminated a maverick firm;

- d. increased the ability of Charlotte Pipe unilaterally to exercise market power; and
- e. prevented Star Pipe and certain Star Pipe employees from re-entering the cast iron soil pipe products market for a period of six years.

## **XII. VIOLATIONS CHARGED**

- 17. The allegations contained in Paragraphs 1 through 16 above are hereby incorporated by reference as though fully set forth here.
- 18. The transaction described in Paragraphs 10 and 11 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

**WHEREFORE, THE PREMISES CONSIDERED**, the Federal Trade Commission on this ninth day of May, 2013, issues its Complaint against said Respondents.

By the Commission.

Donald S. Clark  
Secretary

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