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High costs incite ice suits

Package deal, price-fixing focus of federal probe

BY DAVID ASHENFELTER • FREE PRESS STAFF WRITER • JUNE 30, 2008

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A federal grand jury in Detroit is investigating North America's three largest packaged-ice producers, which have been accused in a flood of lawsuits of conspiring to carve the United States into territories to force gas stations, convenience stores and other retailers to pay artificially high prices for bagged or block ice.

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One of the companies, Home City Ice Co. of Cincinnati, has pleaded guilty in the federal investigation, and two others -- Reddy Ice Holdings Inc. of Dallas and Arctic Glacier of Winnipeg, Manitoba -- have acknowledged they were, respectively, raided by the FBI and subpoenaed for records.

Together, the companies account for 70% of the nation's \$1.8-billion annual packaged-ice market, the suits said.

"This type of conduct deprives consumers of the benefits of free and open competition," Assistant Attorney General Thomas Barnett, head of the Justice Department's Antitrust Division, said June 17 in announcing Home City's plea, which took place in November.

The announcement went largely unnoticed in Detroit, even though Home City admitted that it conspired with other ice producers to allocate customers and territories of packaged ice sold in metro Detroit and southeast Michigan. It did not plead guilty to price fixing and didn't admit to allegations raised in retailer suits.

Home City, which with the other companies pledged to cooperate with

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investigators, is facing a fine that could range from less than \$24 million to more than \$100 million in its Sherman Antitrust Act violation.

Lawyers for one of the companies said the industrywide probe could involve other producers.

It came to light in March when Reddy Ice said it had been raided by agents and Arctic Glacier said it had been subpoenaed for records.

Four days later, lawyers filed the first of 70 class actions nationwide on behalf of retailers who are seeking damages on the grounds that they paid excessively high prices for ice. The cases were assigned last month to U.S. District Judge Paul Borman in Detroit. It is not clear why a grand jury in Detroit is investigating.

"The ice companies behaved as you would expect market allocators to behave: They basically charged whatever they wanted for ice because there was no competition," said Kendall Zylstra, a suburban Philadelphia lawyer who filed the first suit in Detroit on behalf of suburban Philadelphia gas retailers that sell ice.

Like the other suits, Zylstra's accuses the three companies of dividing the United States into territories and of agreeing not to compete with each other.

Reddy Ice controls the Sunbelt states, Arctic Glacier the central and northeastern United States and California, and Home City the Midwest, the suit said. The suits seek triple the amount of money they said retailers overpaid. They also want an end to the practice.

Contact **DAVID ASHENFELTER** at dashenfelter@freepress.com.

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TimeRanger wrote:

I guess that they were just mimicking the practices of the Michigan Liquor Control Commission where each distributor has a specified area and NO competition.
6/30/2008 2:08:54 PM

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nonclown wrote:

Whatever. What makes them any different from any of these other grubby industries and companies??? In particular, GAS STATIONS AND CONVENIENCE STORES?
6/30/2008 12:24:05 PM

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conradsgrandson wrote:

Replying to TimDaddyO:

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Chilling story

That's cold!

Cool it.

Your reply was a little frosty, don't you think?

6/30/2008 12:04:17 PM

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DetroitBilly wrote:

Wow, i guess of all of the things in life i thought i was over paying for, Ice wasnt on the list. You figure Nestle takes water from the great lakes region, puts it in a plastic bottle and sells it for (the smallest size) \$1.29. you get twice as much water in a bag of ice, and it needs to be kept frozen and such... I understand the bust, but is the FBI really going to help the world busting the Ice companies?

6/30/2008 11:30:13 AM

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