

UNITED STATES OF AMERICA  
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Edith Ramirez, Chairwoman  
Julie Brill  
Maureen K. Ohlhausen  
Joshua D. Wright  
Terrell McSweeney

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<b>In the Matter of</b>	)	
	)	
	)	
<b>ZF Friedrichshafen AG,</b>	)	
<b>a corporation; and,</b>	)	
	)	<b>Docket No. C-4520</b>
	)	
	)	
<b>TRW Automotive Holdings Corp.,</b>	)	
<b>a corporation.</b>	)	
	)	
_____	)	

**COMPLAINT**

Pursuant to the Clayton Act and the Federal Trade Commission Act, and its authority thereunder, the Federal Trade Commission (“Commission”), having reason to believe that Respondent ZF Friedrichshafen AG (“ZF”), a corporation subject to the jurisdiction of the Commission, has agreed to acquire Respondent TRW Automotive Holdings Corp. (“TRW”), a corporation subject to the jurisdiction of the Commission, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act (“FTC Act”), as amended, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its Complaint, stating its charges as follows:

**I. RESPONDENTS**

1. Respondent ZF Friedrichshafen AG is a stock corporation organized, existing and doing business under and by virtue of the laws of the Federal Republic of Germany, with its office and principal place of business located at Friedrichshafen, Germany.

2. Respondent TRW Automotive Holdings Corp. is a public corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 12001 Tech Center Drive, Livonia, MI 48150.

3. Respondent ZF is engaged in, among other activities, the design, manufacture, and sale of powertrain, chassis, and driveline automobile components for both light and heavy vehicles.

4. Respondent TRW is engaged in, among other activities, the design, manufacture, and sale of chassis systems, electronic systems, and passive occupant safety systems for both light and heavy vehicles.

5. Respondents 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 FTC Act, as amended, 15 U.S.C. § 44.

## **II. THE PROPOSED ACQUISITION**

6. Pursuant to an Agreement and Plan of Merger dated September 15, 2014, the parties agreed that ZF would acquire TRW for \$105.60 per share in an all-cash deal valued at approximately \$12.4 billion (“the Acquisition”). The Acquisition is subject to Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

## **III. THE RELEVANT MARKET**

7. For the purposes of this Complaint, the relevant line of commerce in which to analyze the effects of the Acquisition is heavy vehicle tie rods. A heavy vehicle is generally defined as one that weighs six tons or more, and a tie rod is a rigid connector that links a vehicle’s individual wheels with the steering control mechanism.

8. For the purposes of this Complaint, the relevant geographic market in which to analyze the effects of the Acquisition on the heavy vehicle tie rod market is North America. The size and weight of heavy vehicle tie rods generally make it uneconomical to ship them long distances.

## **IV. STRUCTURE OF THE MARKET**

9. The market for heavy vehicle tie rods in North America is already highly concentrated. The North American heavy vehicle tie rod market is served primarily by ZF, TRW, and USK Internacional S.A. DE C.V. (“Urresko”). These three firms have a combined share of nearly 99% of the market based on unit sales. The merger would increase the Herfindahl-Hirschman Index from 4,218 to 5,046, an increase of 828 points.

10. Firms other than ZF, TRW, and Urresko account for approximately 1% of the North American heavy vehicle tie rod market.

## V. ENTRY CONDITIONS

11. Entry into the heavy vehicle tie rod market is not likely to deter or counteract any anticompetitive effects created by the Acquisition. Entry is unlikely in light of the relatively small market size, extremely strong position of incumbents, capital costs, switching costs, and knowledge barriers that exist.

## VI. EFFECTS OF THE ACQUISITION

12. The effects of the Acquisition, if consummated, may be to substantially lessen competition 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. The Acquisition would increase the likelihood of coordinated interaction among the remaining competitors in the North American heavy vehicle tie rod market and eliminate direct competition between ZF and TRW, resulting in the increased probability that customers would pay higher prices for heavy vehicle tie rods.

## VII. VIOLATIONS CHARGED

13. The allegations contained in Paragraphs 1 through 12 above are hereby incorporated by reference as though fully set forth here.

14. The Agreement described in Paragraph 6 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

15. The Acquisition described in Paragraph 6, if consummated, would constitute a 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.

**WHEREFORE, THE PREMISES CONSIDERED,** the Federal Trade Commission on this fifth day of May, 2015, issues its Complaint against said Respondents.

By the Commission, Commissioner Wright dissenting.

Donald S. Clark  
Secretary

SEAL: