

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Maureen K. Ohlhausen, Acting Chairman
Terrell McSweeney

In the Matter of)	
)	
EMERSON ELECTRIC CO.,)	Docket No. C-4615
a corporation)	
)	
and)	
)	
PENTAIR PLC,)	
a corporation.)	
)	

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act (“FTC Act”), and its authority thereunder, the Federal Trade Commission (“Commission”), having reason to believe that Respondent Emerson Electric Co. (“Emerson”), a corporation subject to the jurisdiction of the Commission, has agreed to acquire the equity interests of certain subsidiaries from Respondent Pentair plc (“Pentair”); that such acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, 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 Emerson is a corporation organized, existing, and doing business under and by virtue of the laws of the State of Missouri, with its offices and principal place of business located at 8000 West Florissant Avenue, St. Louis, Missouri 63136.

2. Respondent Pentair is a corporation organized, existing, and doing business under and by virtue of the laws of the Republic of Ireland, with its principal executive offices located at 43 London Wall, London, EC2M 5TF, United Kingdom. Its United States address for service of process is: Pentair plc, c/o Flow Control US Holding Corporation, 5500 Wayzata Blvd., Suite 800, Golden Valley, Minnesota 55416-1251.

3. Each Respondent is, and at all times relevant herein has been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a company whose business is in or affects commerce, as “commerce” is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

II. THE PROPOSED ACQUISITION

4. Pursuant to a Share Purchase Agreement, dated as of August 18, 2016, Emerson proposed to acquire the equity interests of certain subsidiaries of Pentair that are engaged in the valves and controls business in exchange for cash considerations of approximately \$3.15 billion (the “Acquisition”). The Acquisition is subject to Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

III. THE RELEVANT MARKETS

5. For the purposes of this Complaint, the relevant line of commerce in which to analyze the effects of the Acquisition is the development, manufacturing, marketing, distribution, and sale of switchboxes. Switchboxes monitor and control isolation valves, which control the flow of liquids or gases through pipes in numerous industrial applications, including the oil and gas, chemical, petrochemical, and power industries. A switchbox is an integral component of an “automated” isolation valve, enabling the valve to open and close automatically without manual intervention. Switchboxes detect the position of a valve, that is, whether the valve is open or closed, and communicate the valve position via a visual display and/or digital signals. Switchboxes perform a unique and essential function to the efficient and safe operation of industrial plants and facilities for which there are no practical alternatives.

6. For the purposes of this Complaint, the United States is the relevant geographic market in which to assess the competitive effects of the Acquisition in the relevant line of commerce.

IV. STRUCTURE OF THE MARKET

7. Emerson and Pentair are the two largest manufacturers of switchboxes, with a combined market share of approximately 60% in the United States. Other manufacturers of switchboxes have significantly lower market shares than Emerson or Pentair, and most have very small market shares. The Acquisition would substantially increase concentration in the already concentrated U.S. switchbox market.

V. EFFECTS OF THE ACQUISITION

8. The Acquisition, if consummated, may 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, 15 U.S.C. § 45.

9. Emerson and Pentair are each other's closest competitor in the design, development, manufacture, marketing, distribution, and sale of switchboxes. Emerson and Pentair sell the most widely used brands of switchboxes in the United States, TopWorx, and Westlock, respectively. Because switchboxes perform a critical safety function, brand reputation and product reliability are important to purchasers of switchboxes. TopWorx and Westlock are the two most highly regarded brands of switchboxes in the United States, and, for many customers, the only acceptable brands of switchboxes. The Acquisition would eliminate direct competition between Emerson and Pentair in the market for switchboxes, likely increasing prices and reducing innovation.

VI. ENTRY CONDITIONS

10. Entry into the market for switchboxes would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the Acquisition. Among other reasons, the substantial time and investment required to develop switchboxes with the requisite brand acceptance and reputation for reliability demanded by customers, which face significant costs and potential risks associated with switching suppliers, would limit or delay effective entry.

VII. VIOLATIONS CHARGED

11. The Share Purchase Agreement described in Paragraph 4 constitutes a violation of Section 5 of the FTC Act, 15 U.S.C. § 45.

12. The Acquisition described in Paragraph 4, 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, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this twenty-seventh day of April, 2017, issues its Complaint against said Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: