

**UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION**

In the Matter of

Siemens AG,
a corporation;

and

Vodafone Group Plc,
a corporation.

Docket No. C-4011

COMPLAINT

The Federal Trade Commission (“Commission”), having reason to believe that Respondent Siemens AG (“Siemens”), a corporation subject to the jurisdiction of the Commission, has agreed to acquire certain voting securities of Atecs Mannesmann AG (“Atecs”), a subsidiary of Respondent Vodafone Group Plc (“Vodafone”), 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, 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 Siemens is a corporation organized, existing and doing business under and by virtue of the laws of Germany, with its office and principal place of business located at Wittelsbacherplatz 2, D-80333 Munich, Germany. Siemens’s principal subsidiary in the United States is located at 153 East 53rd Street, New York, NY 10022.

2. Respondent Vodafone is a corporation organized, existing and doing business under and by virtue of the laws of the United Kingdom, with its office and principal place of business located at The Courtyard, 2-4 London Road, Newbury, Berkshire, RG14 IJX, England. Vodafone’s Atecs subsidiary is comprised of Mannesmann Rexroth AG (“Rexroth”), Mannesmann Dematic AG (“Dematic”), Mannesmann Demag Krauss-Maffei Kunststofftechnik GmbH (“Demag Krauss-Maffei”), Mannesmann VDO AG (“VDO”) and Mannesmann Sachs AG

("Sachs"). Vodafone's principal subsidiary in the United States is located at 2999 Oak Road, Walnut Creek, CA 94596.

3. Respondent Siemens and Respondent Vodafone, through its Dematic subsidiary, are engaged in, among other things, the research, development, manufacture, integration, sale and service of postal automation systems.

4. 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 Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

II. THE ACQUISITION

5. Pursuant to an April 14, 2000 Share Purchase Agreement and related amendments, Siemens agreed to acquire over 50% of the voting securities of Atecs from Vodafone, and Siemens agreed to subsequently purchase the remainder of the Atecs voting securities through the exercise of an option ("Acquisition"). The total value of the transaction is expected to exceed \$9 billion. Under the terms of the agreement, Siemens will operate and retain ownership of four Atecs subsidiaries, Dematic, VDO, Demag Krauss-Maffei and Sachs. Robert Bosch GmbH will lease from Siemens the right to operate the fifth Atecs subsidiary, Rexroth.

III. THE RELEVANT MARKET

6. For purposes of this Complaint, the relevant line of commerce in which to analyze the effects of the Acquisition is the research, development, manufacture, integration, sale and service of postal automation systems. Postal automation systems are used by public postal offices throughout the world to automate the handling of letter mail and flat mail, which includes oversized letters, catalogs, magazines, circulars and newspapers. These highly integrated and sophisticated systems are able to cancel stamps or meter marks, read addresses using optical character recognition technology, translate addresses into destination barcodes, and use these barcodes to sort the mail by country, state, city and/or street.

7. For purposes of this Complaint, the world is the relevant geographic area in which to analyze the effects of the Acquisition in the relevant line of commerce.

IV. STRUCTURE OF THE MARKET

8. The market for the research, development, manufacture, integration, sale and service of Postal Automation Systems is highly concentrated as measured by the Herfindahl-Hirschman Index ("HHI"). Siemens and Vodafone's Dematic subsidiary are the leading suppliers of postal automation systems in the world. Post-acquisition, the HHI would be 2,808 points, 1,024 points higher than the pre-acquisition HHI.

9. Siemens and Vodafone are actual competitors in the relevant market for the research, development, manufacture, integration, sale and service of postal automation systems.

V. BARRIERS TO ENTRY

10. Entry into the research, development, manufacture, integration, sale and service of postal automation systems is unlikely and would not occur in a timely manner to deter or counteract the adverse competitive effects described in Paragraph 11 because of, among other things, the time, expense and difficulty associated with developing a new system, gaining a track record for reliability and participating in lengthy public postal competitions.

VI. EFFECTS OF THE ACQUISITION

11. The effects of the Acquisition, if consummated, may be substantially to lessen competition and to tend to create a monopoly in the relevant market 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, in the following ways, among others:

- (a) by eliminating actual, direct, and substantial competition between Siemens and Vodafone in the relevant market;
- (b) by increasing the likelihood that Siemens will unilaterally exercise market power in the relevant market;
- (c) by increasing the likelihood of coordinated interaction in the relevant market;
- (d) by increasing the likelihood that customers of postal automation systems would be forced to pay higher prices; and
- (e) by increasing the likelihood that innovation and service levels would be reduced in the relevant market.

VII. VIOLATIONS CHARGED

12. The Acquisition agreement described in Paragraph 5 constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

13. The Acquisition described in Paragraph 5, 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 fifteenth day of May, 2001, issues its Complaint against said Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: