



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, DECEMBER 11, 2014
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JUSTICE DEPARTMENT REQUIRES DIVESTITURE OF COMMERCIAL AIR SPRINGS BUSINESS IN CONNECTION WITH CONTINENTAL AG ACQUISITION OF VEYANCE TECHNOLOGIES, INC.

Divestiture Will Maintain Competition in the North American Commercial Vehicle Air Springs Markets

WASHINGTON – The Department of Justice announced today that it will require the divestiture of the North American commercial vehicle air springs business of Veyance Technologies, Inc. in order for Continental AG to proceed with its proposed \$1.8 billion acquisition of Veyance. The department said that, without the divestiture, the proposed acquisition likely would leave just two dominant firms and risk higher prices and decreased service for commercial vehicle air springs customers in North America.

The Antitrust Division filed a civil antitrust lawsuit today in the U.S. District Court for the District of Columbia to block the proposed transaction. At the same time, the department filed a proposed settlement that, if approved by the court, would resolve the department's competitive concerns alleged in the lawsuit.

“The proposed acquisition would have eliminated one of only three significant suppliers of air springs for commercial vehicles in North America,” said Bill Baer, Assistant Attorney General in charge of the department’s Antitrust Division. “Today’s proposed settlement will ensure competitive marketplaces for both North American commercial vehicle manufacturers and vehicle owners who purchase replacement air springs.” Baer also noted the close cooperation between the department and foreign competition colleagues. “We are pleased to have worked closely with our counterparts in Canada, Brazil and Mexico to coordinate our analyses and the formulation of our respective remedies.”

Commercial vehicle air springs are used in trucks, trailers and buses to provide stability to the suspension system, keep the tires in contact with the road and provide comfort and reduced driver fatigue in cabins and seats.

According to the complaint, the proposed acquisition would have reduced the number of suppliers of air springs to North American commercial vehicle manufacturers from three to two. The creation of a virtual duopoly would have facilitated anticompetitive coordination between the two remaining suppliers and risked price increases and reductions in the quality of service by limiting availability or delivery options to original equipment manufacturers. Similarly, the

proposed acquisition would have reduced the number of significant suppliers of replacement air springs to commercial vehicle owners, which likely would have lessened competition in the North American aftermarket for commercial vehicle air springs.

Under the terms of the proposed consent decree, Continental must divest Veyance's North American air springs business, which includes air spring manufacturing and assembly facilities in San Luis Potosi, Mexico; research, development, engineering, and administrative assets in Fairlawn, Ohio; and certain other tangible and intangible assets.

In addition to the department's competitive concerns relating to commercial vehicle air springs, the department was concerned that the proposed acquisition would reduce competition in the market for automotive air conditioning barrier hose ("barrier hose"), which is used to carry refrigerant in automotive air conditioning systems. Veyance manufactures barrier hose. Continental does not itself manufacture barrier hose, but does manufacture hose assemblies that incorporate barrier hose supplied by a third party. Because Continental had an exclusive supply agreement with the only significant firm that competes with Veyance in the manufacture and sale of barrier hose in North America, the proposed acquisition raised additional competitive concerns. Continental, however, has waived the exclusivity requirement in its supply agreement, so its supplier now may sell air conditioning hose products to any third party.

The department's Antitrust Division, the Canadian Competition Bureau, the Administrative Council for Economic Defense in Brazil, and the Federal Competition Commission in Mexico cooperated closely throughout the course of their respective investigations.

Continental is a corporation organized and existing under the laws of Germany, with headquarters in Hanover, Germany. Continental is a leading German automotive manufacturing company, specializing in tires, brake systems, and components, and it is one of the world's largest producers of rubber products. Its annual sales for 2013 were approximately \$40 billion. ContiTech North America Inc., of Montvale, New Jersey, is a part of ContiTech AG, a division of Continental. ContiTech North America produces and sells parts, components, and systems, including commercial vehicle air springs, for the automotive engineering industry in North America.

Veyance, incorporated in Delaware, is headquartered in Fairlawn, Ohio. Veyance manufactures engineered rubber products for heavy-duty industrial, automotive, and military applications. Veyance also produces and sells automotive and commercial vehicle parts, including commercial vehicle air springs, in North America. In 2013, Veyance had \$2.1 billion in sales.

As required by the Tunney Act, the proposed consent decree, along with the department's competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed settlement within 60 days of its publication to Maribeth Petrizzi, Chief, Litigation II Section, Antitrust Division, U.S. Department of Justice, 450 Fifth Street, N.W., Suite 8700, Washington, D.C. 20530. At the conclusion of the 60-day

comment period, the court may enter the final judgment upon a finding that it serves the public interest.

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