

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

COMMISSIONERS: Timothy J. Muris, Chairman
Mozelle W. Thompson
Orson Swindle
Thomas B. Leary
Pamela Jones Harbour

_____)
In the Matter of)
)
ITRON, INC.,)
a corporation;)
)
and) Docket No. C-4114
)
SCHLUMBERGER ELECTRICITY, INC.,)
a corporation.)
)
_____)

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 Itron, Inc. (“Itron”), a corporation subject to the jurisdiction of the Commission, has agreed to acquire Respondent Schlumberger Electricity, Inc. (“Schlumberger Electricity”) 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, 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 Itron is a corporation organized, existing, and doing business under and by virtue of the laws of the state of Washington, with its office and principal place of business located at 2818 N. Sullivan Rd., Spokane, WA 99216.

2. Respondent Schlumberger Electricity is a 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 313-B North Highway 11, West Union, South Carolina 29696.

3. Itron and Schlumberger Electricity are, among other things, engaged in the research development, manufacture and sale of automatic meter reading (“AMR”) systems for electric utilities, including, but not limited to mobile radio frequency (“RF”) AMR systems for electric utilities. Mobile RF AMR systems allow electric utilities to automatically and remotely obtain energy consumption data from an electricity meter.

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 business is in or affects commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

II. THE PROPOSED ACQUISITION

5. Itron and Schlumberger Electricity (and affiliates of Schlumberger Electricity) entered into a stock and asset purchase agreement dated July 16, 2003 (the “Purchase Agreement”) whereby Itron agreed to acquire Schlumberger Electricity and 51 percent of the shares of Walsin Schlumberger Electricity Measurement Corporation (a Taiwan corporation), and certain foreign assets of Schlumberger Canada Limited, Schlumberger Distribucion S.A. de C.V., Schlumberger Servicios S.A. de C.V., and Axalto S.A. (formerly Schlumberger Systemes S.A.), all owned indirectly by Schlumberger Limited, in a cash transaction for approximately \$255 million (the “Acquisition”).

III. THE RELEVANT MARKET

6. For the purposes of this Complaint, the relevant line of commerce in which to analyze the effects of the Acquisition is the research, development, manufacture, and sale of mobile RF AMR systems for electric utilities.

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

IV. THE STRUCTURE OF THE MARKET

8. Itron and Schlumberger Electricity are, by a large margin, the two largest suppliers in the United States of mobile RF AMR systems for electric utilities. Consequently, the U.S. market for mobile RF AMR systems for electric utilities is highly concentrated whether measured by the Herfindal-Hirshman Index or two-firm or four-firm concentration ratios.

9. Itron and Schlumberger Electricity are actual competitors in the relevant market.

V. ENTRY CONDITIONS

10. New entry into the relevant market is a difficult process because of, among other things, the time and cost associated with researching and developing a mobile RF AMR system for electric utilities, the lengthy period necessary to attain customer acceptance with electric utilities, and the exclusionary effect of proprietary communication protocols utilized by Itron and Schlumberger Electricity.

11. New entry into the relevant market sufficient to deter or counteract the anticompetitive effects described in Paragraph 13 would not occur in a timely manner because it would take over two years to enter and achieve a significant market impact.

12. Expansion by smaller competitors in the relevant market sufficient to deter or counteract the anticompetitive effects described in Paragraph 13 is unlikely to occur in a timely manner because of, among other things, the lengthy period necessary to attain sufficient customer acceptance with electric utilities and the inability of smaller competitors to sell a mobile RF AMR system for electric utilities that is interoperable with the proprietary communication protocols utilized by Itron and Schlumberger Electricity.

VI. EFFECTS OF THE ACQUISITION

13. The effects of the Acquisition, if consummated, may be to substantially lessen competition and to tend to create a monopoly in the relevant markets 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 Itron and Schlumberger Electricity in the U.S. market for mobile RF AMR systems for electric utilities;
- b. by increasing the likelihood that Itron will unilaterally exercise market power in the U.S. market for mobile RF AMR systems for electric utilities;
- c. by reducing incentives to improve service or product quality or to pursue further innovation in the U.S. market for mobile RF AMR systems for electric utilities; and
- d. by increasing the likelihood that electric utilities would be forced to pay higher prices for mobile RF AMR systems.

VII. VIOLATIONS CHARGED

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

15. 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 fifth day of August, 2004, issues its Complaint against said Respondents.

By the Commission, Commissioner Harbour recused.

C. Landis Plummer
Acting Secretary

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