

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

COMMISSIONERS: **Joseph J. Simons, Chairman**
 Maureen K. Ohlhausen
 Noah Joshua Phillips
 Rohit Chopra
 Rebecca Kelly Slaughter

)	
In the Matter of)	
)	
NORTHROP GRUMMAN CORPORATION,)	
a corporation;)	
)	Docket No. C-4652
and)	
)	
ORBITAL ATK, INC.)	
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 Northrop Grumman Corporation (“Northrop”), a corporation subject to the jurisdiction of the Commission, has agreed to acquire Orbital ATK, Inc. (“Orbital”), a corporation subject to the jurisdiction of the Commission, in violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, 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, 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 Northrop Grumman Corporation, is a corporation organized, existing, and doing business under, and by virtue of, the laws of the State of Delaware with its executive offices and principal place of business located at 2980 Fairview Park Drive, Falls Church, Virginia 22042.

2. Respondent Orbital ATK, Inc. is a corporation organized, existing, and doing business under, and by virtue of, the laws of the State of Delaware with its executive offices and principal place of business located at 45101 Warp Drive, Dulles, Virginia 20166.

3. Respondents, among other things, are engaged in the research, development, manufacture, and sale of missile systems. Respondent Orbital ATK is also engaged in the research, development, and manufacture of solid rocket motors (“SRMs”) for missile systems, as well as for commercial and scientific applications.

4. 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

5. Pursuant to an Agreement and Plan of Merger dated September 17, 2017, Northrop agreed to acquire 100 percent of the issued and outstanding voting securities of Orbital ATK for approximately \$7.8 billion (the “Acquisition”).

6. The Acquisition is subject to Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

III. THE RELEVANT MARKETS

7. For the purposes of this Complaint, the relevant lines of commerce in which to analyze the effects of the Acquisition are (1) SRMs and (2) missile systems.

a. SRMs provide the thrust to propel tactical, missile defense, and strategic missiles to their intended targets. SRMs are used for virtually all missile systems purchased by the United States Government because they offer numerous advantages over all other existing propulsion technologies.

b. Missile systems provide essential national defense capabilities for the United States Government. The United States armed services use multiple types of missile systems, including short-range tactical missiles, longer-range strategic missiles, and missile defense systems to intercept enemy missiles, each of which has unique capabilities and is designed to perform specific mission(s).

8. For the purposes of this Complaint, the relevant geographic areas in which to analyze the effects of the Acquisition is the United States. The missile systems that are the subject of this complaint are purchased by the United States Government, which also typically funds their development. Federal law, national security, and other considerations also usually dictate that missile system prime contractors procure the required SRMs from domestic suppliers.

IV. THE STRUCTURE OF THE MARKETS

9. The United States markets for SRMs and missile systems are highly concentrated. Orbital ATK is the world’s largest producer of SRMs and is one of only two United States companies with the capability to develop and produce SRMs for most United States Government missile systems. Northrop is one of only a few companies capable of competing as a prime

contractor in the highly concentrated missile system market. Northrop has demonstrated its technical, financial, and organizational ability to compete for complex United States Government missile systems by, among other things, being one of two suppliers awarded Technology Maturation and Risk Reduction phase contracts to develop preliminary designs for the Ground Based Strategic Deterrent program, the nation's next intercontinental ballistic missile system.

V. ENTRY CONDITIONS

10. New entry into the relevant markets would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the anticompetitive effects of the Acquisition. There are significant barriers to entry into the development, manufacture, and sale of both SRMs and missile systems in the United States. It would be extremely difficult and costly for a new entrant to establish the technological expertise and specialized facilities necessary to compete successfully in either of these markets.

VI. EFFECTS OF THE ACQUISITION

11. The effects of the Acquisition, if consummated, may be to substantially lessen competition and to tend to create a monopoly in the relevant market for missile systems 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 provide Northrop with the ability and incentive to foreclose missile system prime contractor competitors by denying them access to Northrop's SRMs or by making pricing, personnel, schedule, investment, design, and other decisions that disadvantage those competitors. If Northrop were to withhold effective access to its SRMs, or increase the price of those SRMs, to its prime contractor competitors, competition would be lessened because the foreclosed prime contractors would be forced to raise the prices of their missile systems, decide not to compete, or invest less aggressively to win missile programs, which, in turn, would decrease competitive pressure on Northrop.

12. If Northrop were to foreclose its missile system prime contractor competitors in any of these ways, the United States Government would be harmed because cost of missile systems may increase, innovation may be lessened, and/or quality would be reduced because the United States Government would be less likely to obtain the best possible combination of missile system prime contractor and SRM supplier.

VII. VIOLATIONS CHARGED

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

14. 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 June, 2018, issues its Complaint against said Respondents.

By the Commission.

Janice Podoll Frankle
Acting Secretary

SEAL: