UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

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)
  In the Matter of   )
)
AUTOMATIC DATA PROCESSING, INC.,   )   Docket No. 9282
)
  a corporation.   )
_____)

COMPLAINT

The Federal Trade Commission ("Commission"), having reason to believe that respondent Automatic Data Processing, Inc. ("

THE ACQUISITION

3.   Pursuant to a letter of intent entered in December 1994 and an asset purchase agreement dated January 31, 1995, ADP agreed to acquire assets of AutoInfo, a company that, like ADP, provided information services to automotive salvage yards and insurance companies. In 1994, prior to ADP's acquisition of AutoInfo assets, AutoInfo had sales in excess of $20 million. The acquired assets consisted of several business units of AutoInfo described in the January 31, 1995, asset purchase agreement and included all rights to the AutoInfo interchange, the Checkmate Computer Inventory System for salvage yards, the ORION Communications Network, the AutoInfo Locator, a computerized on-line service offered to insurance companies to locate salvage yard parts, and the assumption of the data collector responsibilities for the Automotive Recyclers Association ("ARA") International Database. These assets constituted substantially all of AutoInfo's assets involved in the development and sale of information services and products for the automotive salvage industry.

4.   ADP and AutoInfo submitted Premerger Notification and Report Forms to the Federal Trade Commission and Department of Justice pursuant to the Hart-Scott-Rodino Act ("HSR"), Section 7A of the Clayton Act, 15 U.S.C. § 18a, on December 7, 1994. ADP's filing, however, was deficient because it failed to include documents responsive to Item 4(c) of the Premerger Notification and Report Form.

5.

THE SALVAGE INDUSTRY

9.   Salvage yards use the ADP and former-AutoInfo products in buying and selling used parts and parts-assemblies for automobiles and small trucks. Salvage yards obtain used parts by purchasing wrecked vehicles and dismantling the purchased wrecks into discrete parts or aggregations of parts called parts-assemblies. Salvage yards sell used parts and parts-assemblies (hereafter collectively referred to as "parts") to automotive repair shops, "do-it-yourself" consumers, other salvage yards, and other customers.

10.   Salvage yards use computerized information systems to help them with buying and selling parts. Computerized information systems automate the process of managing inventories of parts and the process of making exchange sales with other salvage yards. Computer hardware and software are used, among other things, to compile records on parts in stock, to locate requested parts in yard facilities, to prepare invoices and customer records, and to compile reports on sales activity. In addition, these computer systems are linked to electronic communications networks that enable yards to search for parts in the inventories of yards linked together on the network. Combined, these functions enabled by computerized information systems increase efficiency, lower costs, and increase sales volume for yards that use them.

11.   One of the principal inventory-management functions -- locating requested parts in stock -- is facilitated within computerized information systems by an automobile and truck parts interchange, a numbering system that is unique to the salvage industry ("interchange"). An interchange is the product of a compilation of data about parts interchangeability cross-indexed by a numbering system, which provides a convention or code for assigning numbers to parts so as to identify groups of parts that are interchangeable. Automobile manufacturers ("OEMs") design and manufacture parts to be used across several models and over a number of years; hence, parts in a given vehicle share identical or virtually identical designs with parts of at least some other models and years. A number in the interchange represents a unique identifier for a class of parts that can be substituted for each other (i.e., make a perfect or near-perfect fit when used as a replacement part). This coding system allows salvage yards to substitute parts built for a given model and year of a vehicle with interchangeable parts built for different models and years.

12.   Extensive research and time is necessary to create a useful interchange because there are thousands of parts in a car or truck, numerous models from each manufacturer, a number of years of models with parts that are interchangeable -- yet a different range for each model and each part -- and a number of manufacturers. With each new model every year, OEMs often will use a unique OEM number for each individual part, regardless of the individual part's interchangeability.

13.   Using an interchange, salvage yard personnel will be able to know whether they can satisfy a customer's request for a replacement part from the yard's inventory of parts even if they do not have a part from the exact model and year of the damaged vehicle. In this way, use of an interchange enables yards to increase their sales by identifying interchangeable parts for customer requests, which effectively expands their inventories.

14.   Many salvage yards use a computerized inventory-control and database system called a yard management system, which employs an electronic version of the interchange. The interchange is built into the inventory database and designed to interact with it to automate the process of finding parts in stock. The salesperson can type in a part description, and the computer's internal database, utilizing the interchange in electronic form, will bring up a display on the computer monitor of the interchangeable parts that are in stock, along with their location in the storage facility.

15.   Using an electronic communications network that is directly linked to its yard management system, a salvage yard can also automatically locate interchangeable parts in the inventories of other salvage yards that use the same yard management system and are linked to the same electronic network. The provider of the computerized information system creates a central inventory database pooling the inventory of the yard management systems customers. This central database can be searched by yards using the yard management system and the electronic network hook-up that transmits the search requests to the database and the search results back to the yard management system. These search results are displayed on the computer screen (and can be printed out in hard-copy) like searches done within the yard's own inventory. As with searches performed in-house, searches of the central database utilize the electronic interchange to locate interchangeable parts in other yards' inventories.

THE RELEVANT MARKETS

Salvage Yard Information Systems Market

16.   A relevant line of commerce in which to assess the effects of the Acquisition is the integrated group of information products and services that form the complete salvage yard information systems network, consisting of an interchange integrated with yard management systems and electronic communications systems, described in Paragraphs 9-15 and incorporated

AutoInfo were fierce competitors and the only competitors offering integrated systems. ADP and AutoInfo competed for new and existing customers to whom they could sell and service salvage yard information systems.

18.   There are no economic substitutes for the integrated group of products that makes up the salvage yard information systems market.

19.   In addition to the salvage yard information systems market, each of the individual components constituting the salvage yard information systems market, described below, may be sold in separate lines of commerce that can be analyzed for purposes of determining the effects of the Acquisition.

Interchange Market

20.   Another relevant line of commerce in which to analyze the effects of the Acquisition is the development and sale of automotive parts and assemblies interchanges.

21.   There are no economic substitutes for an interchange. Automobile manufacturers do not make public data on parts interchangeability and do not provide a cross-indexing system to parts numbers between models or model years.

22.   Before the Acquisition, ADP owned the Hollander Interchange, one of only two interchanges used by the salvage industry. AutoInfo owned the AutoInfo Interchange, the only other interchange used by the salvage industry.

Salvage Yard Management Systems Market

23.   Another relevant line of commerce in which to analyze the effects of the Acquisition is the development and sale of yard management systems integrated with interchange.

24.   ADP sells its yard management system under the name Hollander Yard Management System and HYMS Lite. The HYMS and HYMS Lite products integrated the Hollander Interchange. Prior to the Acquisition, AutoInfo sold yard management systems called "Checkmate," "Checkmate Jr." and "Classic." AutoInfo's yard management systems integrated the AutoInfo Interchange. After the Acquisition, ADP announced that it would not sell Checkmate, Checkmate Jr. or Classic for new installations, and has not sold any new units of these products.

Electronic Communications Systems Market

25.   Another relevant line of commerce in which to assess the effects of the Acquisition is the development and sale of electronic communications systems used by salvage yards to locate parts through searches of a central database of parts.
26.   Other communications methods, such as the use of either ordinary public-switched

effective substitutes for the electronic communication systems.

27.   ADP sells a fee-based service using an electronic network called EDEN. Customers can use EDEN to link their HYMS yard management system into a central database, maintained by ADP, which is linked to other HYMS units that utilize EDEN. Prior to the Acquisition, AutoInfo sold a fee-based service using an electronic network called ORION/RTS. Customers used ORION/RTS to link their Checkmate yard management system into a central database, which was linked to other Checkmate units that utilized ORION. These electronic communications services can be used as standalone products by salvage yards that want access to the central database of

provider of yard management systems, with a market share of at least 80%, and the only provider of electronic communications systems that enable parts locating through a central database of parts.

33.   ADP's acquisition of AutoInfo assets was part of a plan to acquire the leading information service providers to the salvage industry and thereby acquire market power. By 1992, ADP had formulated a plan of sequential acquisitions of Hollander, Inc. ("Hollander"), a provider of salvage yard information services with the largest customer base, and AutoInfo, which had the second largest customer base. ADP acquired Hollander in 1992. Acquiring both companies in sequence was a part of ADP

develop and would be difficult and time-consuming to attempt to reproduce. The interchange is also the key input into yard management systems and electronic communication systems and without entry into the interchange market, it is also unlikely that timely or sufficient entry will occur into these other product markets. It is also unlikely that timely or sufficient entry will occur in the collection and dissemination of salvage yard inventory data largely because of the time, expense and difficulty in collecting that salvage yard inventory data independently of ADP and because ADP is the gatekeeper of the salvage yard inventory data through its control of the interchange, integrated yard management systems, electronic communications systems and salvage yard information systems.

40.   Entry into the market for yard management systems and electronic communications networks or, alternatively, into the salvage yard information systems market is also difficult, time-consuming, and unlikely because of the large number of customers ADP currently has using these products and services. Yard management systems and electronic communication systems are used to create a network for buying and selling used parts, and salvage yards are reluctant to rely upon a new entrant without a significant number of other salvage yard customers participating in the network.

ANTICOMPETITIVE EFFECTS OF THE ACQUISITION

41.   The Acquisition substantially lessened or may substantially lessen competition in the following ways, among others:

a.   it has eliminated AutoInfo as a substantial independent competitor;
b.   it has eliminated actual, direct and substantial competition between ADP and AutoInfo;
c.   it has increased the level of concentration in the relevant product markets;
d.   it has led or may lead to increases in price for the relevant products;
e.   it has led or may lead to the reduction in maintenance and service for the relevant products;
f.   it has led or may lead to reductions in technological improvement or innovations in the relevant products;
g.

VIOLATIONS ALLEGED

COUNT I -- ILLEGAL ACQUISITION

42.   The allegations contained in Paragraphs 1-41 are repeated and realleged as though fully set forth here.

43.   The effect of the Acquisition may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act, 15 U.S.C. §.18, and Section 5 of the Federal Trade Commission Act, 15 U.S.C § 45.

COUNT II -- ILLEGAL ACQUISITION AGREEMENT

44.   The allegations contained in Paragraphs 1-41 are repeated and realleged as though fully set forth here.

45.   ADP, through the acquisition agreements described in Paragraph 3, has engaged in unfair methods of competition in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

COUNT III -- ATTEMPT TO MONOPOLIZE

46.   The allegations contained in Paragraphs 1-41 are repeated and realleged as though fully set forth here.

47.   Through the acquisition of Hollander and the acquisition of AutoInfo assets, ADP has engaged in unfair methods of competition in or affecting commerce by attempting to monopolize the relevant product markets in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

COUNT IV -- MONOPOLIZATION

48.   The allegations contained in Paragraphs 1-41 are repeated and realleged as though fully set forth here.

49.   Through the acquisition of Hollander and the acquisition of AutoInfo assets, ADP has engaged in unfair methods of competition in or affecting commerce by monopolizing the relevant product markets in violation of Section 5 of the Federal Trade Commission Act, U5.C. § 45.

NOTICE

Notice is hereby given to the respondent Automatic Data Processing, Inc. that the eleventh day of December, 1996, at 10:00 a.m. o'clock, or such later date as determined by an Administrative Law Judge of the Federal Trade Commission, is hereby fixed as the time and the Federal Trade Commission Offices, Sixth Street and Pennsylvania Avenue, N.W., Room 532, Washington, D.C. 20580, as the place when and where a hearing will be had before an Administrative Law Judge, on the charges set forth in this complaint, at which time and place you will have the right under said Act to appear and show cause why an order should not be entered requiring you to cease and desist from the violations of law charged in the complaint.

You are notified that the opportunity is afforded you to file with the Commission an answer to this complaint on or before the twentieth (20th) day after service of it upon you. An answer in which the allegations of this complaint are contested shall contain a concise statement of the facts constituting each ground of defense; and specific admission, denial, or explanation of each fact alleged in the complaint or, if you are without knowledge thereof, a statement to that effect. Allegations of the complaint not thus answered shall be deemed to have been admitted.

If you elect not to contest the allegations of fact set forth in the complaint, the answer shall consist of a statement that you admit all of the material allegations to be true. Such an answer shall constitute a waiver of hearings as to the facts alleged in the complaint, and together with the complaint will provide a record basis on which the Administrative Law Judge shall file an initial decision containing appropriate findings and conclusions and an appropriate order disposing of the proceeding. In such answer you may, however, reserve the right to submit proposed findings and conclusions and the right to appeal the initial decision to the Commission under Section 3.52 of the Commission's Rules of Practice for Adjudicative Proceedings.

Failure to answer within the time above provided shall be deemed to constitute a waiver of your right to appear and contest the allegations of the complaint and shall authorize the Administrative Law Judge, without further notice to you, to find the facts to be as alleged in the complaint and to enter an initial decision containing such findings, appropriate conclusions and order.

NOTICE OF CONTEMPLATED RELIEF

Should the Commission conclude from the record developed in any adjudicative proceedings in this matter that the proposed acquisitions challenged in this proceeding violate Section 7 of the Clayton Act, as amended, or Section 5 of the Federal Trade Commission Act, as amended, the Commission may order such relief against respondent as is supported by the record and is necessary and appropriate, including, but not limited to:

1.   Divestiture of an ongoing, operating business, including all assets, tangible and intangible, including but not limited to, all intellectual property, knowhow, trademarks, trade names, research and development, customer contracts, and including all improvements to existing products and new products developed by ADP subsequent to its acquisition of AutoInfo, through divestiture of one or more of the following as appropriate and necessary to restore competition:

     a.   all assets and businesses acquired from AutoInfo, including but not limited to the AutoInfo Interchange, the Checkmate Yard Management System, the ORION communications network assets, assignment of the position as data collecter for the Automotive Recyclers Association International Database, and a royalty-free license to the Hollander Interchange including all updates and improvements to that interchange;

     b.   all ADP assets and businesses that, prior to the acquisition, competed with the assets and businesses acquired from AutoInfo, including but not limited to the Hollander Interchange, the Hollander Yard Management System, and Electronic Data Exchange Network ("EDEN"), and Parts Exchange Salvage (PXS) assets;

     c.   at the option of the acquirer, either of two ongoing operating businesses, to be created by division of ADP's salvage yard information services business, including its interchange, yard management system, communications network and salvage part database businesses, and including all assets and businesses acquired by ADP from AutoInfo and ADP assets and businesses that competed therewith, into two equal operating businesses, with equal rights to all existing data, intellectual property, knowhow, trademarks, trade names, and research and development, and including customer contracts representing one-half of all business in each MSA or other geographic region in the United States;

     d.   divestiture of the Hollander Interchange or licensing of the Hollander Interchange, including updates and improvements; and

     e.   divestiture of the AutoInfo Interchange or licensing of the AutoInfo Interchange, including updates and improvements.

2.   Prohibition on ADP from entering into, continuing, or enforcing agreements or otherwise imposing or threatening restrictions, limitations or punishment on any of its yard management system customers, communication network customers or interchange licensees for switching suppliers or transferring or receiving inventory data to any other company.

3.   Such other or additional relief as is necessary to ensure the creation of a viable, competitive, independent entity to compete against ADP for the provision of salvage yard