

**ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDERS
TO AID PUBLIC COMMENT**

*In the Matter of Tronox Limited, National Industrialization Company (TASNEE), National
Titanium Dioxide Company Limited (Cristal), and Cristal USA Inc.
Docket No. 9377*

1. INTRODUCTION

The Federal Trade Commission (“Commission”) has accepted, subject to final approval, an Agreement Containing Consent Orders (“Consent Agreement”) with Tronox Limited (“Tronox”), National Industrialization Company (“TASNEE”), National Titanium Dioxide Company Limited (“Cristal”), and Cristal USA Inc. The purpose of the Consent Agreement is to remedy the anticompetitive effects that would result from Tronox’s proposed acquisition of Cristal’s titanium dioxide (“TiO₂”) business.

On February 21, 2017, Tronox announced that it had entered into a definitive agreement to acquire all of Cristal’s TiO₂ business for \$1.67 billion and a 24 percent stake in the combined entity (“Acquisition”). The proposed Acquisition would combine two of the three largest producers of TiO₂ manufactured through the chloride process (“chloride TiO₂”) in the United States and Canada (“North America”). On December 5, 2017, the Commission issued an administrative Complaint challenging the proposed Acquisition and authorized staff to seek, if necessary, a preliminary injunction in federal district court. The Commission’s Complaint alleged that the proposed 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, by substantially lessening competition in the market for the sale of chloride TiO₂ to North American customers (“North American chloride TiO₂ market”). After extensive pre-trial discovery, the administrative trial before the Administrative Law Judge (“ALJ”) began on May 18, 2018 and was conducted over sixteen hearing days until June 22, 2018.

In July 2018, because Tronox could have closed the transaction before the ALJ could issue a decision, however, the Commission filed a federal complaint in the U.S. District Court for the District of Columbia to seek a preliminary injunction. After a three-day hearing at the federal district court, Judge Trevor N. McFadden ruled for the Commission and issued an opinion and order granting the motion for a preliminary injunction on September 12, 2018. In his opinion, Judge McFadden found that the Commission established a strong presumption of anticompetitive effects in the market for chloride TiO₂ in North America and the parties

thereafter engaged with Commission staff on concerns relating to lost competition in

To remedy the anticompetitive effects in the North American chloride TiO₂ market

in the Consent Agreement requires Tronox to divest Cristal's North American TiO₂ business to INEOS Enterprises ("Ineos") no later than 30 days from the close of the Acquisition. The divestiture package includes all of Cristal's North American TiO₂ production assets, including two chloride TiO₂ manufacturing plants located in Ashtabula, Ohio, a research, development, and administrative support facility near Baltimore, Maryland, necessary intellectual property associated with the manufacture and sale of chloride TiO₂ in and from North America, an option to acquire rights to use the licensed intellectual property to produce chloride TiO₂ products at a new manufacturing facility outside North America, customer contracts in North America with respect to chloride TiO₂, the ability to hire all Cristal personnel necessary to operate the business, and access to various transitional services. In short, the Consent Agreement provides Ineos with everything it needs to compete effectively in the North American chloride TiO₂ market, along with the ability to produce globally in the future if the business opportunity arises.

The Commission has placed the Consent Agreement on the public record for 30 days to solicit comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will again review the Consent Agreement and the comments received, and decide whether it should withdraw from the Consent Agreement, modify it, or make the Order final.

2. THE PARTIES

Tronox, a publicly traded company headquartered in Stamford, Connecticut, is one of the top three manufacturers of chloride TiO₂ in North America. Tronox operates one TiO₂ pigment manufacturing plant in Hamilton, Mississippi, and two other plants in Botlek, the Netherlands, and Kwinana, Australia. Tronox's three plants produce chloride TiO₂ exclusively.

Cristal, headquartered in Jeddah, Saudi Arabia, is a corporation majority-owned by National Industrialization Company ("TASNEE"), a limited company, headquartered in Riyadh, Saudi Arabia. Cristal's primary U.S. subsidiary is Cristal USA Inc., a corporation with its executive offices and principal place of business located in Glen Burnie, Maryland. Cristal, through various subsidiaries, owns and operates chloride TiO₂ manufacturing plants in Ashtabula, Ohio, the United Kingdom, Australia, and Saudi Arabia. Cristal also produces sulfate TiO₂ at plants in Brazil, China, and France. All of Cristal's TiO₂ production in North America is chloride TiO₂.

3. THE RELEVANT MARKET FOR CHLORIDE TIO₂ IN NORTH AMERICA

The relevant product market in which to assess the competitive effects of the proposed Acquisition is chloride TiO₂. TiO₂ is a white pigment used to provide opacity, whiteness, and brightness to a vast array of products, including paint, industrial coatings, plastics, paper, and other products. Chloride TiO₂ has distinct, superior characteristics that cannot be provided by any other type of TiO₂, including sulfate TiO₂. Most North American customers would not substitute sulfate TiO₂ for chloride TiO₂ in response to a small but significant increase in price.

The relevant geographic market is North America, defined as the United States and Canada. The North American market has competitive dynamics, including pricing and demand

characteristics, that differ from other geographic regions and limit the ability of North American customers

The proposed divestiture package provides everything needed for Ineos to compete effectively in the North American chloride TiO₂ market.

Under the Order, Tronox is required to divest Cristal's North American TiO₂ business to Ineos no later than 30 days from the close of the Acquisition. The divestiture package consists of the following: two chloride TiO₂ manufacturing plants and all related facilities in Ashtabula, Ohio; other physical assets in North America, such as a research and development, and administrative support facility near Baltimore ("Baltimore Administration and Technical Center" or "BATC") and research and development equipment located at BATC; the ability to hire the relevant Cristal personnel located in North America, including all employees at the Ashtabula complex and almost all of the support personnel located at BATC; transfer or license of all intellectual property right necessary to manufacture chloride TiO₂ products at Ashtabula; an option, exercisable by Ineos during a ten-year period after closing, to acquire rights to use the licensed intellectual property to produce chloride TiO₂ products at a new manufacturing facility outside North America; and customer contracts related to Cristal's chloride TiO₂ sales in North America. The Order also provides that, during a discrete period, the Commission has a limited ability to modify the lists of excluded assets and retained employees if needed for Ineos to run the business effectively.

The Order requires that, at the request of Ineos, Tronox must provide transition assistance for a period of at least two years, and imposes other terms designed to ensure the viability of the divested business. The Commission also requires the parties to maintain all of the assets in the ordinary course of business pending divestiture to Ineos, and is issuing a separate Order to Maintain Assets at the time it accepts the Consent Agreement for public comment.

A Monitor will oversee Tronox's compliance with the obligations set forth in the Order, the Order to Maintain Assets, and the divestiture agreements. If Tronox does not fully comply with the divestiture requirements of the Order, the Commission may appoint a Divestiture Trustee to divest Cristal's North American TiO₂ business and perform Tronox's other obligations consistent with the Order.

The purpose of this analysis is to facilitate public comment on the Consent Agreement to aid the Commission in determining whether it should make the Consent Agreement final. This analysis is not an official interpretation of the proposed Consent Agreement and does not modify its terms in any way.