Japanese Suppliers To Pay Price-Fixing Fine

Nedra Pickler, Associated Press

WASHINGTON (AP) — Two Japanese auto suppliers have agreed to pay more than half a billion dollars in criminal fines for a price-fixing conspiracy in the sale of parts to U.S. automakers, the Justice Department announced Monday.

Yazaki Corp. agreed to pay a $470 million fine, the second-largest criminal fine obtained for an antitrust violation. The second company, DENSO Corp., agreed to pay a $78 million fine. Four Yazaki executives, all Japanese citizens, will serve up to two years in U.S. prison as part of the deal to plead guilty to one felony count.

The pleas are part of an ongoing investigation that is the largest ever in the Justice Department antitrust division. Sharis Pozen, the division's acting head, told reporters in a briefing that "pernicious cartel conduct" in the auto parts industry has harmed car buyers and auto manufacturing businesses nationwide. "The numbers that we are talking about here are astronomical," she said.

Court documents filed in federal court in Detroit say the Japanese companies and executives sold automotive electrical components to automakers in the United States and elsewhere at inflated prices. The Justice Department says they met to monitor and enforce adherence to the bid-rigging and price-fixing scheme from at least January 2000 through February 2010.

"This criminal activity has a significant impact on the automotive manufacturers in the United States, Canada, Japan and Europe and had been occurring at least a decade," the FBI's Special Agent in Charge Andrew Arena said in a statement. "The conduct had also affected commerce on a global scale in almost every market where automobiles are manufactured and/or sold."

The Justice Department would not comment on which automakers were affected by the conspiracy, how many models were affected and how much the price-fixing scheme inflated vehicle prices because the investigation continues. But Pozen said there's no doubt consumers were hurt financially.

Prosecutors say Yazaki's bid rigging included automotive wire harnesses used to direct and control a vehicle's electronic components, instrument panel clusters that drivers use on the dashboard to gauge vehicle performance and fuel senders that measure the amount of gas in the tank. DENSO's alleged price-fixing involved electronic control units that control electronic systems and heater control panels that control temperature inside the vehicle from the center console.

It's almost impossible to calculate how much more automakers had to pay for the parts, said Jim Gillette, an analyst with the firm IHS Automotive. But the scheme likely drove up costs for consumers since the prices were illegally fixed on expensive electrical parts and have risen in cost as cars have become more

complex in recent years, he said.

Gillette estimated that price-fixing of wiring harnesses alone cost carmakers hundreds of millions of dollars. Climate control units are even more expensive because they have become more than just dials and switches in recent years. Even entry-level cars have digital controls that allow drivers and passengers to set their own temperatures, he said.

The two-year sentences against the executives would be the longest term of imprisonment ever imposed on a foreign national voluntarily submitting to U.S. jurisdiction for a Sherman Act antitrust violation, the Justice Department said.

The executives are Tsuneaki Hanamura, a branch manager at Yazaki North America in Columbus, Ohio, and a Honda division sales manager in Japan; Ryoji Kawai, director of Toyota Sales of Yazaki North America in Lexington, Ky., and vice division head of Yazaki's Toyota Business Unit in Japan; Shigeru Ogawa, assistant section manager and later section manager in Yazaki's Honda Business Unit in Japan and branch manager in Yazaki's Honda Sales Unit and later director at Yazaki North America in Columbus; and Hisamitsu Takada, assistant manager in Yazaki's Toyota Business Unit, director of Yazaki North America in Lexington, and manager of a sales department of Yazaki's Toyota Business Unit in Japan.

Hanamura and Kawai have each agreed to serve two years, and Ogawa and Takada have each agreed to serve 15 months. Each of the four has also agreed to pay a $20,000 criminal fine.

In November, Furukawa Electric Co. Ltd. pleaded guilty and was sentenced to pay a $200 million fine for its role in the wire harnesses price-fixing and bid-rigging conspiracy. Three Furukawa executives also pleaded guilty and serve prison terms in the United States.

The largest fine in antitrust history was $500 million in 1999 against Swiss drug company F. Hoffmann-La Roche Ltd. for leading a worldwide conspiracy to raise and fix prices for vitamins.

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