



Department of Justice

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The Department of Justice announced today it has reached an agreement in principle with Allied Corporation of Morris Township, New Jersey, to settle an antitrust suit that the Department intends to file challenging Allied's proposed merger with The Signal Companies, Inc., of La Jolla, California. Under the agreement, Allied will sell its air turbine starter business to resolve antitrust concerns resulting from the proposed merger.

Acting Assistant Attorney General Charles F. Rule, in charge of the Antitrust Division, said that a consent decree will be filed in the next few days in U.S. District Court in Washington, D.C., along with a complaint alleging that the merger of the air turbine starter businesses of the two firms would violate Section 7 of the Clayton Act, which prohibits anticompetitive mergers. As a result of the agreement in principle, the Department will not seek to block Allied's acquisition of 20 percent of Signal's stock, due to take place next week, or take any other steps to prevent the combination of the two firms.

An air turbine starter is a pneumatic motor used to start the large gas turbine engines on most commercial aircraft as well as many military airplanes and helicopters. The energy source

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for an air turbine starter is high pressure air from another operating engine located either on the aircraft or on a ground cart.

"The proposed merger would eliminate competition between the two largest manufacturers of air turbine starters," Rule said.

Signal, through its Garrett Pneumatic Systems Division in Phoenix, Arizona, has long been the leading producer of air turbine starters. Allied's Bendix Fluid Power Division, located in Utica, New York, is the second largest producer and had air turbine starter sales of about \$9 million in 1984. The two firms together accounted for more than 70 percent of all air turbine starter sales in 1984. Annual sales of air turbine starters are approximately \$40 million in the United States and \$50 million in non-Communist world.

"Allied and Signal are the only approved suppliers of air turbine starters on certain commercial and military aircraft," Rule said. "Further, each firm is in a preferred position to compete for sales of air turbine starters for certain other aircraft for which the other firm currently is the only approved supplier."

Under the consent decree, Allied will attempt to sell its air turbine starter business by the end of 1985. If Allied does not sell its air turbine starter business by then, it must sell its entire Bendix Fluid Power Division by March 31, 1986. The Bendix Fluid Power Division had total sales of about \$50 million in 1984.

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"With this change in the transaction," Rule said, "I am confident the merger of Allied and Signal presents no competitive concern."

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