



Department of Justice

FOR IMMEDIATE RELEASE
WEDNESDAY, JULY 2, 1997

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**JUSTICE DEPARTMENT REQUIRES RAYTHEON AND TEXAS INSTRUMENTS TO
DIVEST KEY UNIT BEFORE APPROVAL OF THEIR \$2.9 BILLION MERGER**

**Justice says Merger as Originally Structured Would Have Resulted
in Monopoly of Important Radar Component for Defense Market**

WASHINGTON, D.C. -- The Department of Justice reached a settlement today with the Raytheon Company that will allow the company to go forward with its \$2.9 billion acquisition of Texas Instruments' Defense Systems and Electronics Unit, as long as Raytheon sells the Texas Instruments business unit that produces a key component for radar systems. The merger as originally proposed would have resulted in higher prices paid by the Department of Defense--and ultimately by taxpayers--for advanced military radars used in major weapon systems.

Today's divestiture is the largest since the post-Cold War effort to consolidate the defense industry began.

"Our action today demonstrates that we're not going to give carte blanche approval to mergers in the defense industry," said Joel I. Klein, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "While industry downsizing can be desirable, or even necessary, we will do what it takes to preserve effective competition."

"This settlement requires the divestiture of an entire business unit. We looked at a number of narrower alternative remedies but neither we nor the Department of Defense would accept a band-aid solution to fix this serious competitive problem," added Klein.

The Department's Antitrust Division filed a lawsuit and a proposed settlement today in U.S. District Court in Washington, D.C. If approved by the court, the proposed consent decree would settle the suit.

According to the complaint, the Department said that Raytheon and Texas Instruments have competed aggressively in the past to develop leading edge high power amplifier monolithic microwave integrated circuits (MMICs), and their research and development efforts have positioned them as the only firms able to supply competitive MMICs for major Defense Department radar programs. These high power amplifier MMICs extend the power and range of radars, enabling them to scan the airspace quickly and efficiently, with a lower probability of detection by enemies.

The complaint further stated that Raytheon also is a leading producer of the radar systems that incorporate high power amplifier MMICs. Because of this, without the settlement Raytheon might have tried to disadvantage its radar competitors--such as Northrup Grumman, Lockheed Martin and Hughes Aircraft--by refusing to sell, or selling on unfair terms, its state-of-the-art high power amplifier MMICs, and thus would have harmed competition for critical military radar programs.

Under the terms of the settlement, Raytheon is required to sell Texas Instruments' MMIC business within 180 days, or within five days from the time the court approves the settlement, to a firm having both the capability and intent to continue to develop, make and sell MMICs that meet Defense Department requirements.

Raytheon and Texas Instruments currently are the only firms able to develop and produce high power amplifier MMICs that will be critical for the more than \$10 billion investment the Defense Department will make in the next two to three years for the next generation of radar systems. Defense Department programs such as the Joint Strike Fighter, the Medium-Extended Air Defense System, the Navy Multifunction Radar and the Theater High Altitude Area Defense System use these high power amplifier MMICs.

Today's settlement will ensure that a viable competitor to Raytheon will be in position to provide the MMICs necessary for these programs, the Department said.

"We greatly appreciate the work done by the Department of Defense in this matter. This settlement, along with the investigation leading up to its filing, was a model for inter-agency cooperation. The U.S. government has a uniform view that competition has a key role to play in protecting our national security interests," added Klein.

Raytheon is a Delaware corporation headquartered in Lexington, Massachusetts, with 1996 sales of about \$12 billion. Raytheon produces aircraft, guided missiles, space vehicles, radar systems, and defense electronics equipment.

Texas Instruments is a Delaware corporation headquartered in Dallas, with total sales in 1996 of about \$13 billion. Texas Instruments' Defense Systems and Electronics Unit produces guided missiles, electro-optical systems, and defense electronics equipment. That unit's 1996 sales were about \$1.3 billion.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register, along with the Department's competitive impact statement. Any person may submit written comments concerning the proposed decree during a 60-day comment period to J. Robert Kramer, Litigation II Section, Antitrust Division, U.S. Department of Justice, 1401 H St., N.W., Suite 3000, Washington, D.C. 20530.

At the conclusion of the 60-day comment period, the court may enter the consent decree upon its finding that it serves the public interest.

The Antitrust Division's review of the proposed Raytheon/Hughes acquisition is continuing.

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