

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA,)
)
) Plaintiff,) Civil Action No. C-2-82-436
)
 v.) Filed: April 26, 1982
)
 ARA SERVICES, INC. and)
 MEANS SERVICES, INC.,)
)
 Defendants.)

COMPLAINT

The United States of America, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the defendants named herein and complains and alleges as follows:

I

JURISDICTION AND VENUE

1. This Complaint is filed and this action is instituted under Section 15 of the Clayton Act, as amended (15 U.S.C. § 25), to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act, as amended (15 U.S.C. § 18).

2. ARA Services, Inc. transacts business, maintains offices, and is found within the Southern District of Ohio.

3. Means Services, Inc. transacts business, maintains offices, and is found within the Southern District of Ohio.

II

DEFINITIONS

4. "Textile rental services" means the rental and laundering or dry cleaning of a variety of textile products, including but not limited to, work garments, wiping cloths, dust control items, continuous roll towels, fender and seat covers, bed linen, table linen, and face and hand towels.

5. "SMSA" means Standard Metropolitan Statistical Area as defined in Appendix II of the U.S. Bureau of the Census, Statistical Abstract of the United States, 1980 (101st ed.).

6. "SCSA" means Standard Consolidated Statistical Area as defined in Appendix II of the U.S. Bureau of the Census, Statistical Abstract of the United States, 1980 (101st ed.).

7. "HHI" means the Herfindahl-Hirschman Index, a measure of market concentration calculated by squaring the market share of each firm competing in the market, and then summing the resulting numbers. For example, for a market consisting of four firms with shares of 30, 30, 20, and 20 percent, the HHI is 2600 ($30^2 + 30^2 + 20^2 + 20^2 = 2600$). The HHI takes into account the relative size and distribution of the firms in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

III

THE DEFENDANTS

8. ARA Services, Inc. (hereinafter "ARA") is made a defendant herein. ARA is a corporation organized and existing under the laws of the State of Delaware. It maintains its principal offices at Independence Square West, South 6th and Walnut Streets, Philadelphia, Pennsylvania.

9. Means Services, Inc. (hereinafter "Means") is made a defendant herein. Means is a corporation organized and existing under the laws of the State of Illinois. It maintains its principal offices at 35 East Wacker Drive, Chicago, Illinois.

IV

TRADE AND COMMERCE

10. The textile rental services business involves the rental of various textile items to industrial, institutional and commercial establishments. Some of the textile items which are rented are work garments (pants and shirts, overalls, shop coats, and career apparel); wiping cloths used as wiping material for hands, surfaces, and machinery; dust control items (mops, dust cloths, and walk-off mats); continuous roll towels used to clean or dry hands; fender and seat covers used to protect automotive fenders and seats from scratches and soiling during repair work; bed linen; table linen; and face and hand towels.

11. A textile rental services firm delivers clean items to a customer on a regular basis. At each delivery of clean items, the company picks up soiled items and transports them to a processing plant for cleaning (and finishing and repair, if needed). Some items, such as work garments, are specially measured to fit individual employees and tagged for identification.

12. Textile rental services firms generally own the textile items and provide the items and their services on a contract basis. Contracts for textile rental services are typically for a term of one to three years.

13. ARA is the second largest textile rental services firm in the United States. ARA has made 15 acquisitions of textile rental services firms since mid-1977. In the fiscal year ending October 2, 1981, ARA's sales of textile rental services were approximately \$168 million. The company operates 39 processing plants, with its facilities and sales concentrated in the Midwest, California, Texas, Florida, and on the East Coast.

14. Means is the largest textile rental services firm in the Midwest. The company operates 27 processing plants in 18 states. Its sales of textile rental services in 1981 were approximately \$115.5 million.

15. ARA and Means are direct competitors in the sale of textile rental services in a number of local geographic markets in the United States, including the Cleveland-Akron-Lorain SCSA, the Columbus SMSA, and the Southern West Virginia-Eastern Kentucky area.

16. Cleveland-Akron-Lorain SCSA: The Cleveland-Akron-Lorain SCSA consists of the Cleveland SMSA, the Akron SMSA, and the Lorain-Elyria SMSA. The Cleveland-Akron-Lorain SCSA consists of Cuyahoga, Geauga, Lake, Lorain, Medina, Portage and Summit Counties. In 1981, total sales of textile rental services in the Cleveland-Akron-Lorain SCSA were approximately \$40.4 million. ARA was the second largest seller, with sales of approximately \$7.5 million, accounting for approximately 18.6 percent of total sales. Means was the seventh largest seller, with sales of approximately \$2.7 million, accounting for approximately 6.6 percent of total sales. ARA and Means had a combined share of approximately 25.2 percent. In 1981, the four largest firms accounted for more than 59 percent of total sales, and the HHI was approximately 1160. ARA's acquisition of and merger with Means would increase the HHI by approximately 245.

17. Columbus SMSA: The Columbus SMSA consists of Delaware, Fairfield, Franklin, Madison and Pickaway Counties. In 1981, total sales of textile rental services in the Columbus SMSA were approximately \$18.4 million. ARA was the second largest seller, with sales of approximately \$2.9 million, accounting for approximately 15.5 percent of total sales. Means was the third largest seller, with sales of approximately \$1.7 million, accounting for approximately 9.3 percent of total sales. ARA and Means had a combined share of approximately 24.8 percent. In 1981, the four largest firms accounted for more than 60 percent of total sales, and the HHI was approximately 1350. ARA's acquisition of and merger with Means would increase the HHI by approximately 290.

18. Southern West Virginia-Eastern Kentucky Area: The Southern West Virginia-Eastern Kentucky area consists of Boone,

Cabell, Clay, Fayette, Greenbrier, Kanawha, Lincoln, Logan, McDowell, Mercer, Mingo, Monroe, Nicholas, Putnam, Raleigh, Summers, Wayne, and Wyoming Counties in West Virginia; Boyd, Carter, Elliott, Floyd, Greenup, Johnson, Knott, Lawrence, Letcher, Lewis, Magoffin, Martin, Morgan and Pike Counties in Kentucky; and Lawrence County in Ohio. In 1981, total sales of textile rental services in the Southern West Virginia-Eastern Kentucky area were approximately \$19.1 million. ARA was the second largest seller, with sales of approximately \$3.5 million, accounting for approximately 18.2 percent of total sales. Means was the largest seller, with sales of approximately \$5.8 million, accounting for approximately 30.2 percent of total sales. ARA and Means had a combined share of 48.4 percent. In 1981, the four largest firms accounted for more than 68 percent of total sales, and the HHI was 1560. ARA's acquisition of and merger with Means would increase the HHI by approximately 1100.

19. Successful new entry into the textile rental services business involves significant costs. For successful entry, a textile rental services firm must, among other things, establish a reputation for quality and reliability in the local market it seeks to enter, a task which is time consuming and costly.

20. ARA and Means each has offices and personnel throughout the United States. Each regularly purchases and sells substantial quantities of products and services in interstate commerce. Both companies operate processing plants that provide services to customers in adjacent states. Each provides managerial and financial resources from corporate offices located in one state to processing plants or branches located in other states. ARA and Means are each engaged in interstate commerce and their activities substantially affect interstate commerce.

VIOLATION ALLEGED

21. On or about March 2, 1982, ARA and Means entered into a Merger Agreement pursuant to which ARA caused ARA SUB, Inc., a wholly-owned subsidiary of ARA, to make a tender offer for all of the outstanding common stock of Means, after which Means would be merged into ARA or a subsidiary thereof. As of April 1, 1982, at least 51 percent of Means' common stock had been tendered to ARA SUB, Inc. ARA has stated its intention to consummate the proposed acquisition and merger sometime after April 26, 1982.

22. The effect of ARA's proposed acquisition of and merger with Means may be substantially to lessen competition in the aforesaid trade and commerce in violation of Section 7 of the Clayton Act in the following ways, among others:

- (a) existing competition and the potential for increased competition between ARA and Means in the sale of textile rental services will be eliminated in the Cleveland-Akron-Lorain SCSA, the Columbus SMSA, and the Southern West Virginia-Eastern Kentucky area.
- (b) concentration in the sale of textile rental services in these geographic markets will be substantially increased; and
- (c) competition in the sale of textile rental services in these geographic markets may be substantially lessened.

PRAYER

WHEREFORE, plaintiff prays:

1. That, pending final adjudication of the merits of this Complaint, a temporary restraining order and preliminary injunction be issued against the defendants ARA and Means preventing and restraining each of them, any subsidiary, direct or indirect, of ARA or Means, including ARA SUB, Inc., and all

other persons acting on their behalf, from taking any action, directly or indirectly, in furtherance of ARA's proposed acquisition of Means' common stock and merger of Means into ARA or a subsidiary thereof;

2. That the aforesaid proposed acquisition by ARA of all Means' common stock and merger of Means into ARA be adjudged to be in violation of Section 7 of the Clayton Act;

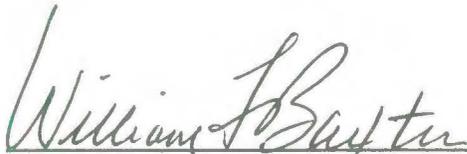
3. That the defendants ARA and Means, any subsidiary, direct or indirect, of ARA or Means, and all other persons acting on their behalf be permanently enjoined from carrying out the aforesaid agreement relating to ARA's proposed acquisition of and merger with Means, or any similar agreement, understanding, or plan the effect of which would be to combine the businesses of ARA and Means;

4. That the plaintiff have such other and further relief as the nature of the case may require and the Court may deem just and proper; and

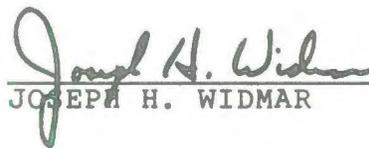
5. That the plaintiff recover its costs of this action.

Dated: April , 1982

Respectfully submitted,


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County of Cuyahoga)
) :SS
State of Ohio)

RICHARD E. REED, being first duly sworn, says that he is an attorney employed by the United States Department of Justice, Antitrust Division; that he is in charge of and has actively participated in the investigation for and the preparation of this proceeding on behalf of the plaintiff; that he has read the foregoing Complaint, knows the contents and is familiar with the subject matter thereof; and that the allegations of fact therein are based upon the information obtained through such investigation and are true to the best of his knowledge and belief.

RICHARD E. REED

Subscribed and sworn to before me
this day of April, 1982.

NOTARY PUBLIC