

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,  
U.S. Department of Justice  
Washington, D.C. 20530  
(202) 724-7974

Plaintiff,

v.

ALLIED CORPORATION,  
Columbia Road and Park Avenue  
Morris Township, N.J. 07960  
(201) 455-4212

Defendant.

Civ. No. 85-2475

Filed: August 2, 1985

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 and other relief against the defendant 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 the violation by the defendant, as hereinafter alleged, of Section 7 of the Clayton Act, as amended (15 U.S.C. § 18).

2. Allied Corporation transacts business, maintains offices, and is found within the District of Columbia.

## II.

### DEFINITIONS

3. "Air turbine starter" means a pneumatic motor used to start a gas turbine aircraft engine.

4. "HHI" means the Herfindahl-Hirschman Index, a measure of market concentration calculated by squaring the market shares 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, which takes into account the relative size and distribution of the firms in a market, can range from virtually zero to 10,000. The index approaches zero when a market is occupied by a large number of firms of relatively equal size. The index increases as the number of firms in the market decreases and as the disparity in size between the leading firms and the remaining firms increases.

## III.

### DEFENDANT

5. Allied Corporation (hereinafter "Allied") is made a defendant herein. Allied is a corporation organized and existing under the laws of the State of New York. Allied maintains its principal offices in Morris Township, New Jersey. In 1984, Allied reported worldwide sales of approximately \$10.7 billion. Allied produces air turbine starters for sale in the United States and outside the United States at its Bendix Fluid Power

Division based in Utica, New York. Allied is the second largest producer of air turbine starters sold in noncommunist countries. In 1984, it had air turbine starter sales of approximately \$10 million, about 19 percent of all air turbine starter sales in noncommunist countries.

6. The Signal Companies, Inc. (hereinafter "Signal") is a corporation organized and existing under the laws of the State of Delaware. Signal maintains its principal offices in La Jolla, California. In 1984, Signal reported sales of approximately \$6 billion. Signal produces air turbine starters for sale in the United States and outside the United States at its Garrett Pneumatic Systems Division based in Phoenix, Arizona. The Garrett Pneumatic Systems Division is a part of Signal's subsidiary, The Garrett Corporation. Signal is the largest producer of air turbine starters in the world. In 1984, it accounted for more than 50 percent of all air turbine starter sales in noncommunist countries.

#### IV.

#### TRADE AND COMMERCE

7. Air turbine starters are used to start the large gas turbine engines on all large commercial aircraft as well as many military airplanes and helicopters. An air turbine starter is mounted to each of the aircraft's engines. The air turbine starter starts the engine by rotating the engine's compressor fans and accelerating them to a self-sustaining speed. The fuel-air mixture in the engine then can be ignited, allowing the engine to operate on its own. The energy source for an air

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

8. Other types of starters are not competitive substitutes for the air turbine starters used to start large commercial and many military aircraft due to size, weight, cost, safety, and reliability factors. Electric and hydraulic starters are used for starting small gas turbine engines on small aircraft. Cartridge, hydrazine, and jet fuel starters are used only by the military on certain aircraft requiring quick starting capability or where a high pressure air source for operating an air turbine starter may not be readily available. The manufacture and sale of air turbine starters comprises a relevant product market for antitrust purposes.

9. An air turbine starter must be approved before it can be used on a particular engine on a particular commercial or military aircraft. In the case of each commercial aircraft and engine combination, the starter must meet certain performance criteria established by the aircraft manufacturer and certain safety criteria established by the Federal Aviation Administration of the United States Department of Transportation. Similarly, an air turbine starter may be used on a specific military aircraft only if it meets certain performance and safety criteria established by the aircraft manufacturer and by the military branch that will use the aircraft.

10. In almost all situations, only one or two air turbine starters are approved for use on a specific aircraft and engine combination. When two competing makers of air turbine starters

are approved to supply an air turbine starter on a specific aircraft, a purchaser of starters for that aircraft may select the approved starter of either supplier.

11. Allied and Signal are the only approved suppliers of air turbine starters on a number of the same commercial and military aircraft and engine combinations. In addition, Allied is in a preferred position to obtain approval to supply its air turbine starters for certain aircraft and engine combinations for which Signal is currently the only approved air turbine starter supplier. Moreover, Signal is in a preferred position to obtain approval to supply its air turbine starters for certain aircraft and engine combinations for which Allied is currently the only approved air turbine starter supplier.

12. In 1984, total sales of air turbine starters in noncommunist countries were approximately \$52 million, of which approximately \$40 million were made in the United States. Allied and Signal together accounted for more than 70 percent of the total air turbine starter sales in 1984 in noncommunist countries.

13. The primary purchasers of air turbine starters are the military, aircraft manufacturers, airline companies, and gas turbine engine manufacturers. Only one firm in addition to Signal and Allied currently supplies air turbine starters to the United States military, Sundstrand Corporation (hereinafter "Sundstrand"), and only one firm in addition to Signal and Allied currently supplies air turbine starters for commercial aircraft manufactured in the United States, the Hamilton-Standard Division of United Technologies Corporation (hereinafter "Hamilton-Standard").

14. The production and sale of air turbine starters is highly concentrated. In 1984, the four largest air turbine starter manufacturers -- Signal, Allied, Hamilton-Standard, and Sundstrand -- accounted for about 90 percent of total air turbine starter sales in noncommunist countries, and the HHI in the market for air turbine starters was about 3335. The merger of Allied and Signal would increase the combined market share of the four largest air turbine starter suppliers to about 96 percent and increase the HHI by about 1975 to 5310.

15. Allied, through, its Bendix Fluid Power Division, sells and ships large quantities of air turbine starters to domestic and foreign customers located outside the state in which the starters are manufactured. Signal, through its Garrett Pneumatic Systems Division, supplies large quantities of air turbine starters to domestic and foreign customers located outside the state in which the starters are manufactured. The sales transactions in which Allied and Signal engage regularly result in interstate transfers of equipment and funds. Allied and Signal both are engaged in interstate and foreign commerce and their activities substantially affect interstate and foreign commerce.

V.

VIOLATION ALLEGED

16. On or about May 15, 1985, Allied and Signal entered into an Agreement and Plan of Reorganization in which they agreed to accomplish, in several steps, the merger of Allied and Signal. First, pursuant to a cash tender offer by Allied on May 17, 1985, Allied would purchase up to 20 percent of the outstanding common

stock of Signal. Second, in an exchange of common stock, each firm would acquire about 15 percent of the other firm's common stock. Finally, Allied and Signal would be merged into a new company, and all outstanding shares of Allied and Signal would be exchanged for shares in the new company on a one-for-one basis. The merger of Allied and Signal is now scheduled to be fully consummated in mid-September. The proposed merger would result in common control and ownership of the competing air turbine starter businesses currently operated separately by Allied and by Signal.

17. The effect of the proposed merger of Allied and Signal may be substantially to lessen competition in the United States in the manufacture and sale of air turbine starters in violation of Section 7 of the Clayton Act, in the following ways, among others:

- a. actual and potential competition between Allied and Signal will be eliminated; and
- b. competition generally in the manufacture and sale of air turbine starters may be substantially lessened.

PRAYER

WHEREFORE, plaintiff prays:

1. That the proposed merger of Allied and Signal be adjudged to be in violation of Section 7 of the Clayton Act;
2. That Allied be ordered and directed to divest itself of its Bendix Fluid Power Division or its air turbine starter business to a purchaser that is able to assume the competitive posture of Allied as of the date of this Complaint in the market for air turbine starters;

That, until Allied completely divests its air turbine starter business, Allied be ordered and directed to continue to operate its air turbine starter business in active competition with General's air turbine starter business; and

3. That plaintiff recover the costs of this action.

  
Charles F. Rule  
Acting Assistant Attorney General

  
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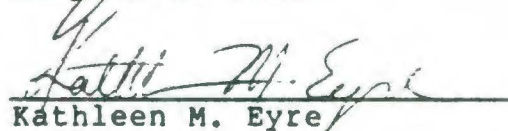
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