



Department of Justice

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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN MERGER BETWEEN GENERAL ELECTRIC AND HONEYWELL

Parties Required to Divest Helicopter Engine Business and to Authorize New Service Provider for Engines and Auxiliary Power Units

WASHINGTON, D.C. -- The Department of Justice today announced that it has reached an agreement in principle with General Electric Company (GE) and Honeywell International Inc. resolving the Department's antitrust concerns with the companies' proposed \$42 billion merger.

According to the Department, the merger as originally proposed would have substantially lessened competition in the production of U.S. military helicopter engines and in the provision of heavy maintenance, repair and overhaul (MRO) services for certain Honeywell aircraft engines and auxiliary power units (APUs). The Department is requiring the companies to divest Honeywell's helicopter engine business and to authorize a new third-party MRO service provider for certain models of Honeywell aircraft engines and APUs. Honeywell's helicopter engine business accounted for revenues approximating \$200 million in 2000.

"Without this divestiture, the U.S. military would likely have faced higher prices, lower quality and reduced innovation in the design, development, and production of the next generation of advanced U.S. military helicopter engines," said Constance K. Robinson, Director of Operations and Merger Enforcement for the Antitrust Division. "Moreover, a range of commercial business aircraft users would likely have suffered increased prices and reduced

quality in the repair and overhaul of Honeywell aircraft engines and APUs. The divestiture of Honeywell's helicopter engine business and the creation of a new authorized MRO service provider will ensure that competition will continue to flourish in these markets."

Final approval of the transaction by the Department is conditioned upon the negotiation of an acceptable consent decree with the merging companies and entry of the decree by the United States District Court for the District of Columbia.

GE and Honeywell are the two premier manufacturers of U.S. military helicopter engines, collectively accounting for a substantial majority of all engines powering U.S. military helicopters flying today. GE and Honeywell have also received virtually all of the applicable research and development funding provided by the U.S. Department of Defense (DOD) through its Joint Turbine Advanced Gas Generator (JTAGG) program. The JTAGG program, which began in 1988, funds technology developments intended to advance efficiencies in helicopter engine fuel consumption and power to weight ratios, among other goals.

DOD plans to start its \$5 billion, 20-year Common Engine Program to develop the next generation helicopter engine no later than 2004. The Department of Justice worked closely with DOD throughout this investigation.

GE and Honeywell are two of the three firms authorized to service TFE731 turbofan engines and related auxiliary power units manufactured by Honeywell. Honeywell's TFE731 turbofan engine is used on a range of small to mid-sized business jets. APUs are small engines used to power an aircraft's electrical systems while the aircraft is on the ground.

GE, based in Fairfield, Connecticut, is a diversified manufacturing and services company in such areas as aircraft engines, household appliances, lighting, power generation, industrial

controls, medical imaging equipment, and engineering plastics. GE reported revenues of approximately \$130 billion in 2000.

Honeywell, headquartered in Morristown, New Jersey, is a diversified technology and manufacturing company producing avionic products and services, home, building and industrial controls, automotive products, power generation systems, specialty chemicals, fibers, plastics and electronic and advanced materials. The company reported total sales of approximately \$25 billion in 2000.

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