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BOEING COMPANY TO SETTLE CHARGES IN ROCKWELL ACQUISITION

The Boeing Company will settle Federal Trade Commission charges that its $3.025 billion acquisition of Rockwell International Corporation's Aerospace and Defense business would violate antitrust laws. The FTC charged that the proposed deal would violate antitrust laws by reducing competition in two markets: high altitude endurance unmanned air vehicles and space launch vehicles, including the Department of Defense’s Evolved Expendable Launch Vehicle Program.

Boeing and Rockwell are two of the largest defense and space contractors in the U.S. In July 1996, Boeing proposed to buy Rockwell's Aerospace and Defense business. Boeing and Rockwell are members of the only two teams currently competing to develop high-altitude endurance unmanned air vehicles for the Department of Defense's Advance Research Projects Agency. Boeing, together with Lockheed Martin, is developing Tier III Minus, a stealthy, high-altitude endurance unmanned air vehicle, while Rockwell is supplying wings to a team headed up by Teledyne Ryan, which is developing Tier II Plus, a non-stealthy, high-altitude endurance unmanned air vehicle. According to the FTC complaint detailing the charges, the proposed acquisition would position Boeing as a member of both high-altitude endurance unmanned air vehicle teams and would likely lead to anticompetitive effects by allowing Boeing to increase the price of the components it is supplying or reduce its investment in technology and/or quality.

The terms of the proposed settlement, announced today for public comment, enable Teledyne Ryan, if it so chooses, to replace Rockwell, which will be owned by Boeing, as the Tier II Plus wing supplier without incurring any significant costs or risk. Under the proposed order, Boeing would be required to deliver to business locations designated by Teledyne Ryan, and at no cost to Teledyne Ryan, all of the assets needed to produce Tier II Plus wings, including the special tooling, special test equipment, engineering data and design data. The proposed order also prohibits Boeing from asserting or enforcing any proprietary rights in such equipment or data, or from holding Teledyne Ryan liable for any damages or costs resulting from the replacement of Boeing as the Tier II Plus wing supplier.

If Teledyne Ryan chooses to replace Boeing as the Tier II Plus wing supplier, the proposed order would further require Boeing to provide technical assistance, not to exceed four-man years over a one year period, at no cost to Teledyne Ryan, and would require Boeing to provide additional technical assistance through the duration of the upcoming Tier II Plus Phase II flight tests. The order also establishes a "firewall" between Boeing's Tier III Minus business and the Rockwell North American Aircraft Division that is currently providing Tier II Plus wings.

As a result of the proposed acquisition, Boeing would also be positioned as both a competitor in the market for space launch vehicles, including the Department of Defense’s Evolved Expendable Launch Vehicle program, and a provider of space launch vehicle propulsion systems used by Boeing and its space launch vehicle competitors. Because space launch vehicle manufacturers provide a wide-range of proprietary information to their space launch vehicle propulsion system supplier, the FTC complaint alleges that Boeing's position as both supplier and competitor would allow it access to
competitively sensitive, non-public information of its space launch vehicle competitors which could affect prices and reduce innovation and quality.

The agreement to settle the charges would forbid Boeing from making any space launch vehicle manufacturer’s non-public information available to its launch vehicle division and would allow Boeing to use a competitor's proprietary, non-public information only in its capacity as a provider of launch vehicle propulsion systems.

Commission staff consulted closely with the Department of Defense during the course of this investigation in identifying appropriate relief for the competitive concerns that were identified. The Department of Defense has stated its support of the proposed consent order.

An analysis of the proposed consent agreement will be published in the Federal Register shortly and will be subject to public comment for 60 days, after which the Commission will decide whether to make it final. Comments should be addressed to the FTC, Office of the Secretary, 6th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20580. The Commission vote to accept the agreement for public comment was 5-0.

**NOTE:** A consent agreement is for settlement purposes only and does not constitute an admission of a law violation. When the Commission issues a consent order on a final basis, it carries the force of law with respect to future actions. Each violation of such an order may result in a civil penalty of $11,000.

Copies of the complaint, proposed consent agreement and an analysis of the agreement to assist the public in commenting will be available on the Internet at the FTC’s World Wide Web Site at: [http://www.ftc.gov](http://www.ftc.gov) or by calling 202-326-3627 on December 6, 1996. FTC documents are also available from the FTC’s Public Reference Branch, Room 130, 6th Street and Pennsylvania Avenue, N.W., Washington D.C. 20580; 202-326-2222; TTY for the hearing impaired 1-866-653-4261. To find out the latest news as it is announced, call the FTC’s NewsPhone recording at 202-326-2710.

**MEDIA CONTACT:**

*Office of Public Affairs*
Victoria Streitfeld or Brenda A. Mack
202-326-2718 or 202-326-2182

**STAFF CONTACT:**

William J. Baer or George S. Cary
*Bureau of Competition*
202-326-2932 or 202-326-3741

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(Boeing)