

GM selling Allison unit for \$5.6B

By Ted Evanoff

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Allison Transmission's new owners say they intend to keep the head office in Indianapolis, hire more salaried employees and increase exports.

Onex Corp. of Toronto and Carlyle Group of Washington, D.C., agreed today to buy the 3,400-employee business from General Motors for \$5.575 billion.

Onex and Carlyle officials said they will add more engineers, lawyers, finance and administrative employees. Lawrence Dewey, president of GM's Allison operation, will stay with the new owner as the chief executive of the business.

The sale agreement covers substantially all of Allison, including multiple manufacturing facilities in the Indianapolis area and distribution network and sales offices.

The company's production facility in Baltimore will remain with GM.

The company, headquartered in Speedway, employs 3,400 and generates revenues of \$2 billion annually through sales of transmissions in North America, South America, Europe, Africa and Asia.

The equity investment of approximately \$1.5 billion will be split equally between Onex and The Carlyle Group.

The transaction is subject to regulatory approvals and closing is anticipated in the third quarter of this year.

General Motors expects to complete the sale by October.

"Our intent is for most Allison employees to transfer to the new entity as part of the sale," GM spokeswoman Melisa Tezanos said.

The companies did not disclose who would be responsible for pension obligations. GM spokesman Melisa Tezanos said human resources matters are still under discussion.

Industry analysts expects the pension plan bankrupt auto-parts maker Delphi works out with the United Auto Workers union and General Motors will be the model for the plan at Allison.

David Kudla of Mainstay Capital, a financial manager for Allison employees' 401(k) retirement plans, said he expects a shared arrangement in which GM and the new owners of Allison are responsible for the pensions.