

ITT Stirs Suspicion in Divestiture

Washington

The Justice Department asked a Federal Court yesterday to order an inquiry into the possibility that the International Telephone and Telegraph Corp. is attempting to thwart the terms of the already controversial settlement of three antitrust cases against it.

Specifically, the Justice Department raised the question of whether ITT had tampered with the assets of one of the relatively smaller businesses that it was ordered to sell off under the 1971 settlement, the fire protection division of Grinnell Corp.

The settlement, which has become a cause celebre because of allegations of improper political influence, permitted ITT to retain control of the largest of a string of companies it had recently acquired, the Hartford Fire Insurance Co., if it divested itself of five smaller ones, including part of Grinnell.*

DEADLINE

The divestiture of Grinnell was supposed to have taken place by Monday, but ITT apparently is claiming that it cannot find a buyer.

Divestiture of the division of the Grinnell Corp. that installs fire-protection systems was one of several divestitures required by the 1971 agreement that critics have attacked as too easy on ITT and as a settlement that was engineered through improper political influence. The settlement permitted ITT to retain control of the Hartford Fire Insurance Co., while ridding itself of several much smaller businesses, including the fire protection division of Grinnell.

*Fourth paragraph, as carried by NYTimes, same date (filed Watergate):

The settlement has produced allegations that Administration officials, up to and including President Nixon, directly or indirectly pressured the Justice Department's Antitrust Division to settle the case on terms that would allow I.T.T. to retain control of Hartford. Numerous internal I.T.T. memos and a memo by Charles W. Colson, former White House aide, charged former Attorney General John N. Mitchell, former Commerce Secretary Peter G. Peterson, White House Assistant Peter M. Flanigan and others with direct interference.

The divestiture

REQUEST

ITT and the Justice Department went into Federal Court in Hartford yesterday and asked the court to appoint a trustee to take over management of that portion of the old Grinnell Co. that is subject to divestiture under the 1971 settlement.

What is at issue between the Justice Department and ITT is whether the company has illegally made some changes in the part of Grinnell which was to be divested, which included the manufacturing of automatic sprinkler devices and the installation of fire-protection devices. ITT was to be permitted to retain control of the manufacturing of fire-protection devices other than automatic sprinklers.

SPLIT

After the settlement was reached, ITT split Grinnell in two and named the part destined for divestiture as Grinnell Fire Protection Service.

What the Justice Department wants to know is whether the assets of this new entity are exactly the same as those of the old fire protection division of Grinnell.

The old fire protection division was extremely profitable, one department official said, whereas the new Grinnell Fire Protection Service, for reasons that are unclear to the Justice Department, is losing money.

The trustee that both the Justice Department and ITT asked the court to appoint would be asked to report within 90 days on whether the assets that were turned over to him were exactly those covered by the 1971 settlement.

New York Times