The DownFall of Allis Chalmers By Glenn A Fetty

A-C timeline ------------

Before I start the timeline, let me preface it with this: I think it is appropriate to start this timeline in the 1960s, because it was during the mid-'60s that A-C was at its height. It was also at this time that the company, as a prime blue-chip industrial equipment producer, became a target for corporate takeover. ------------

1967 - James Ling, chairman of Ling-Temco-Vought Corporation(LTV), announced an offer to buy all outstanding A-C stock and make the company a part of LTV. A-C management fought this proposal and LTV eventually withdrew its offer.

1968 - A new suitor arrives on the scene: Gulf & Western Industries buys a large block of A-C stock but says it has no intentions of taking the company over. The stock price rises and falls as A-C's profits slip into the red for 1968. Gulf & Western eventually sells its stock, at a loss, to White Consolidated Industries, which then wages an all-out war for control of A-C. It was at this time that A-C management hired Colt Firearms chairman David C. Scott to turn the company around and defend it against takeover. Throughout late 1968 and all of 1969, the two companies fought in the courts, in the news media, and in mailings to A-C stockholders. The 1969 annual meeting was postponed 17 times by court order. Finally, on January 22, 1970, the 1969 annual meeting was held - without White Consolidated Industries casting the votes its block of stock wielded(by court order). During this time, A-C's monetary losses widened. It was at this time that the company decided to re-enter the steam turbine-generator market it left in 1962 by being the sales and service agent for the turbines of West Germany's Siemens AG in the United States.

1969 - A-C signs a separate agreement with West Germany's Kraftwerk Union AG, a joint-venture between West Germany's Siemens AG and AEG Telefunken to build steam turbines at West Allis. Buoyed by predictions that the electrical equipment market in the U.S. would double in the next ten years, A-C's agreement with Kraftwerk Union sets up a new company, Allis-Chalmers Power Systems, Inc. and immediately picked up five orders for new steam turbine- generators. A-C also expanded its electrical products production(transformers, transmission equipment, and the like).

1969-1971 - David Scott goes about turning the company back into a profitable one. He cut 8000 jobs(6000 were white-collar) and worked to expand markets for its goods. He also put money into modernizing some plants and shutting down others. He eliminated money-losing product lines and by 1975, the company had spent nearly $250 million modernizing its facilities. It was during this time that A-C expanded into the lawn and outdoor products business, including products such as the Terra Tiger ATV, pull-type and motorized golf carts, chain saws, and dirt bikes. In 1970, the company returned to profitability.

1971 - On June 14, 1971, the company changed its name from Allis-Chalmers Manufacturing Company to Allis-Chalmers Corporation, to symbolize a new direction and a new image.

1974 - In an attempt to conserve capital, conserve manufacturing capacity, and find the money necessary to compete, Scott signs a joint-venture agreement with Italy's Fiat SpA, forming the Fiat-Allis construction equipment company. A-C did not have the equipment sales volume to peform the research, development, and marketing required to effectively compete in the heavy construction equipment business with the likes of Caterpillar and International Harvester. A-C held 35% of the stock in Fiat-Allis, and Fiat held the rest.

1975 - Crippled by new environmental regulations, higher fuel costs, and financial hard times for U.S. electrical utilities, A-C and other electrical equipment producers(most notably General Electric and Westinghouse) take a severe beating in the electrical equipment market. When A-C management saw this, they immediately moved to transfer certain areas of turbine- generator production back to Kraftwerk Union in West Germany to save money. This move put Allis-Chalmers out of steam turbine-generator production forever. (Side note: Siemens eventually purchased the share of Kraftwerk Union it didn't already own sometime in the early 1980s and absorbed it into its corporate structure. Interestingly, there is a power station not far from my house that was built in the late 1970s/early 1980s that has two Allis-Chalmers Power Systems steam turbine-generator units. Both units were originally rated at 550 megawatts; they have since been upgraded to 650 megawatts. The production plates on the generators state that they were manufactured by Kraftwerk Union, and repair parts arrive in crates labeled "Siemens-Allis". I have a few not-very-good photos, if you are interested.)

1976-1979 - The farm equipment market booms, with more and more horsepower all the rage. Machines get bigger and bigger, with no apparent end to the boom in sight. All of the farm equipment manufacturers bring in huge profits, A-C included. Annual profits climb to $58.7 million for 1977.

1978 - A-C, having had a hard time making money on its electrical distribution products, enters into a joint venture with Siemens to form Siemens-Allis. A-C placed all of its electrical products business in this venture. A-C holds 50% of the stock in the venture, with Siemens holding the rest.

1978 - A-C acquires American Air Filter, based in Louisville, Kentucky. AAF manufactures heating & air-conditioning systems and air filtration systems ranging from home furnace air filters to flyash precipitators for power stations.

1980 - A-C becomes a $2 BILLION corporation. Annual profits for 1980 were $47.6 million; however, the boom in farm equipment begins falling apart. A-C shuts down its tractor line and foundry for two months, laying off nearly 900 employees. Total company employment is 3500. A-C breaks ground at an Illinois Power Company generating station near East Alton, IL for the KILnGAS Commercial Module. KILnGAS is a subsidiary of A-C that will use ported rotary-kiln technology to take coal, turn it into a gas, and pipe it into boilers to burn for the generation of electricity. KILnGAS holds the promise of very clean-burning power stations, significantly reducing air pollution. KILnGAS also holds the promise of huge profits for A-C, as the technology, once proven and put into commercial production, will open up a market of $5 billion to $12 billion in the United States alone. The technology is slated to go into full commercial production by late 1983 or early 1984. A-C also projects a $4 billion to $6 billion annual market for KILnGAS related to the construction of new power generation plants, since the technology essentially replaces the flue-gas "scrubbers" currently used to remove pollutants from the gases released during the burning of coal.

1981 - A-C, in an effort to cut costs, begins talks with its foundry workers for a wage reduction. The union representing the workers refuses to take a pay cut. To create the savings necessary, A-C makes the difficult decision to permanently shut down its West Allis foundry - from which so much of America's industrial equipment and might originated. The foundry will be shut down by the end of 1982, and it will eventually be flattened. Interest rates on some of A-C's capital credit exceed 15%. All production was cut; more layoffs occurred, reducing total hourly employment to 1600. A-C lost $28.8 million for the year. A-C sells 35% of its interest in Siemens-Allis to Siemens, reducing its stake in the joint-venture to 15%.

1982 - Interest rates continue to pummell the American economy and especially industry. The nature of A-C's businesses require large outlays of capital to build the equipment it sells; that capital is generally provide by banks(such a business is called "capital-intensive"). In response to the Federal Reserve's interest rate increases to combat inflation, the banks raise rates for its loan holders, with the interest rates in some cases exceeding 20%. This absolutely kills the capital-intensive corporations, including A-C, IH, Deere, Caterpillar, Ford, and other industrial giants. A-C cuts hourly employment by 150 more employees. The company loses over $200 million for the year. A-C introduces its 8000-series line of large farm equipment, and construction continues on the KILnGAS Commercial Module.

1983 - David C. Scott, unable to turn the company around, resigns his position as chairman of the board and is replaced by Wendell Bueche. The company posted another huge loss exceeding $130 million. A group of managers in the A-C Simplicity lawn-and-garden subsidiary, along with an investment group of Wesray Corporation, purchase Simplicity from A-C. In 1985, the part of Simplicity that Wesray owns is put into an employee stock ownership trust, resulting in Simplicity being employee-owned.

1984 - The losses continue at A-C. The company celebrates its 70th anniversary in the farm equipment business; later that year, its agricultural equipment production, including combines, comes to a screeching halt. The company posts another big loss - $103 million. In just three years, A-C has lost nearly half a billion dollars. The company is drowning in debt due to the interest rates its creditors are charging.

1985 - The sad year: on March 28, 1985, another American farm equipment manufacturer fades into history. A-C announces the sale of its agricultural equipment business to Kloeckner-Humboldt-Deutz AG of West Germany. K.H. Duetz has been in the farm equipment business for many years, and its history of engine production stretches back over 100 years to the early 1870s. Included in the sale is the Allis-Chalmers Credit Corporation and the A-C tractor assembly line at West Allis Works. In the purchase, Deutz agrees to name the new company Deutz-Allis, continue the production of A-C tractors at West Allis through the end of the year under the Deutz-Allis name, and share the profits of the new company with A-C. The purchase price is $107 million; the combined value of the agricultural equipment business and the A-C Credit Corporation is $260 million, handing A-C a $153 million loss on the sale. The company also states that it intends to terminate eleven of the forty pension plans it funds due to its inability to cover retirement costs. The termination affecting 6800 current and retired employees; A-C plans to hand the pension plans over to the Pension Benefit Guaranty Corporation(PBGC), an independent pension-insuring agency of the federal government. The terminated plans have a combined unfunded pension liability of nearly $200 million.

The workers' union, the UAW, denounces the plan and claims the plan is in violation of its contract with A-C. On November 14, A-C announces that it has sold its remaining stake in the Fiat-Allis construction-equipment joint-venture to its partner, Fiat SpA. This sale puts A-C out of the construction-equipment business for good. On December 12, A-C announces that its KILnGAS coal-gasification technology has received congressional approval for a $14.1 million federal grant, contingent upon President Reagan's signature. This funding would continue the project into 1987. (I do not know if this was signed or not; so far, all of the information I have found seems to indicate that A-C inactivated the KILnGAS subsidiary shortly after this. I have found an EPA document from around 1989 in which a question concerning the feasibility of converting the KILnGAS Commercial Module into an incinerator is posed.)

1986 - A-C continues to downsize. It reaches a settlement with the PBGC over the termination of the 11 pension plans, agreeing to pay $37 million to the agency, with $21.2 million to be paid over ten years. Former A-C construction equipment manager W.R. Hildebrand is named president and chief operating officer of the renamed Fiat-Allis construction-equipment company; the company is now known as Fiatallis North America, or FANA. It is based in Carol Stream, IL, and is now a part of Fiatallis, the parent of FANA. A-C sold its twin office towers and parking lot at its 1126 South 70th Street headquarters in West Allis, WI to Milwaukee-based S70 Limited Partnership. A-C also sold its lift truck(forklift) business to AC Material Handling Corporation, a privately- held company. The new owners promptly move manufacturing from the plant in Matteson, IL to Columbus, OH, putting some 400 people out of work. The Matteson plant was built in the early 1970s as part of former chairman David C. Scott's reorganization of A-C. A-C also agrees to sell its York, PA hydro-turbine business to J.M. Voith GmbH of Heidenheim, West Germany. The company is still stumbling.

1987 - On February 11, it was reported that A-C intended to split itself into two separate companies as part of its turnaround effort. Chairman Wendell F. Bueche states that world markets have changed dramatically, and A-C needed to reposition itself accordingly. The breakup will create a new company, Svedala Allis AB, to be headquarted to Europe. The company will take over many aspects of A-C's mineral-handling business, including the crusher division. On March 6, A-C announces a "clean sweep" reorganization: the plan is to sell nearly the entire company, save its American Air Filter subsidiary in Louisville, KY. Included in the reorganization are plans to raise over $100 million through public financing, slashing of health benefits for current and retired employees, and conversion of its institutional debt into other financial vehicles. Sweden's Boliden AB purchases A-C's solids-processing and mineral systems operations for $90 million as part of A-C's "clean sweep". Chicago-based financier Samuel Zell makes an uninvited offer of $150 million to acquire A-C's process equipment, pump, power generation systems(I'm thinking either repair or hydro-generators), and its Stephens-Adamson bulk materials-handling subsidiary. The offer is one of many received for the four subsidiaries of A-C, and is later spurned by A-C. On June 29, 1987, A-C, along with 17 of its domestic subsidiaries, files for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in an effort to prevent the company from failing outright. A-C stated the bankruptcy filing was necessary because it cannot generate enough cash from its existing operations to meet its obligations, including its high debt load and its retiree health-care costs. The court would create the A-C Reorganization Trust to distribute proceeds to creditors, two trust funds to take care of health care and life insurance plans for retired employees, and another fund to take care of future product liability claims related to A-C's pre-bankruptcy operations. Four months later, an agreement was reached with 53 financial institutions to provide A-C with $63 million in financing to continue its accounts receivable; Citibank headed up the agreement, which extends to May 24, 1989. On November 10, A-C announced a reorganization plan that involves selling its remaining businesses would be sold together or individually. On December 8, A-C receives an offer from Peers & Co. to acquire all of A-C's assets for $385 million; this offer was turned down by A-C due to pending completion of the sale of its solids-processing and material-handling businesses.

1988 - A-C closes on the sale of its solids-processing and mineral systems businesses to Boliden AB of Sweden for $97.9 million. These businesses had total sales of $250 million and employed 4300 people worldwide. A-C agrees to sell its American Air Filter subsidiary to SnyderGeneral Corporation for $245 million in cash, subject to approval by the U.S. Bankruptcy Court and federal regulators. A-C announced another agreement, subject to approval by the Bankruptcy Court, to sell its power generation services operations, including a 350,000 square-foot facility(which is part of West Allis Works), to a group of the operation's managers for $14.5 million. The new company is called A-C Power Generation Services Acquisition Corp. That company, later known as A-C Equipment Services Corp., sold itself to Siemens AG in 1991. On June 23, A-C agreed to sell, pending approval, its pump business to ITT Corporation for $71 million in cash. On July 2, A-C submits its reorgan- ization plan to the bankruptcy court. It calls for the sale of A-C's main businesses and the distribution of the proceeds to creditors and the trust funds. This plan will downsize A-C from a company of 4400 employees to a company of 97 employees. The plan calls for creditors to receive between 16 and 21 cents on the dollar for claims. On July 5, A-C announces that it has sold its Stephens-Adamson bulk-materials handling business to Sweden's Trelleborg AB for $16 million. On August 5, A-C announces that it turned a $951,000 profit for the second quarter of 1988, compared to a loss of $837,000 in the same period one year earlier on flat sales of $104 million. The company shows a loss of $8.76 million, compared to $12.28 million one year earlier. The company also said it turned a $1.4 million profit for 1987 from discontinued operations. On October 12, the company receives bankruptcy court approval to sell its pump division to ITT Corporation for $71 million; the sale is completed on November 11. The Bankruptcy Court approves A-C's reorganization plan on October 31, 1988, and the bankruptcy proceedings are consummated after shareholder and creditor approval on December 2, 1988. Pur- suant to its Plan of Reorganization, A-C's stock was cancelled and new stock was issued to its stockholders. Over the next year, the members of the Board of Directors would be replaced, with some of the new members representing the interests of the trusts that were created as a result of the bankruptcy. The company's stock becomes basically worthless at $0.61/share when A-C emerges from bankruptcy.

1989 - Ever since A-C began its rapid downsizing in the early 1980s, the company had been trying to lease out empty industrial space in the West Allis plant complex; but the company had few takers. Few businesses wanted to locate in the empty shell of a dying corporation. However, the company did begin redevelopment of the complex, which over many years would finally result in the complex becoming home to dozens of small businesses. A-C itself officially turned out the lights and locked the gates to the West Allis plant on January 29, 1989 - closing out a very long and storied chapter in American industrial history. The plant and adjoining properties that had not already been sold were turned over to the A-C Reorganization Trust, which took possession and disposed of the property to satisfy creditors. The city of West Allis began a long and at times difficult redevelopment process that would come to full fruition by the late 1990s. A-C itself signed a short-term lease to maintain its corporate offices in one of its former office towers. Total company employment was less than 100, down from a peak of well over 20,000 when A-C was at its peak. On December 20, A-C acquires BRB Industries of Hoboken, NJ, a manufacturer of molded fabric for the apparel, lingerie, home sewing, and notions markets(a far cry from farm tractors and steam turbines).

1990 - A-C's Houston, Texas subsidiary, Houston Dynamic Services(or HDS), purchases a new building for operations. This subsidiary becomes the primary income-generating part of the company. HDS services and repairs various types of mechanical equipment, including compressors (centrifugal, rotary, axial and reciprocating), pumps, turbines, engines, heat exchangers, centrifuges, rollers, gears, valves, blowers, kilns, crushers, and mills. HDS's services also include emergency repair, disassembly, inspection, repair testing, parts duplication, machining, balancing, metalizing, milling, grinding, boring, welding, modification, reassembly, field machining, maintenance, alignment, field service, installation, startup and training. The company's primary market is along the Texas Gulf coast. (I do not know when A-C purchased this company; 1990 is the first reference to HDS that I have found so far.) Two of A-C's other subsidiaries, KILnGAS R&D and U.S. Fluidcarbon, have both been deactivated.

1992 - A-C's stockholders approve a 1-for-15 reverse stock split that exchanges every 15 shares of A-C stock(par value: $0.01/share) for one new share of stock(par value: $0.15/share). Occurring on July 8, the reverse split reduces A-C's total stock from 15,000,000 shares to 1,000,000 shares. The purpose of the reverse split allows the company to preserve and carry forward its substantial net operating loss, giving the company a tax advantage. The stock, however, is not traded on any stock exchange, making A-C a privately- held company for the first time in nearly 100 years.

1993 - A-C's total employment stands at 136 employees on December 31, 1993.

1994 - A-C sells its BRB Industries subsidiary on September 22, taking a loss of $2.9 million. The sale leaves HDS as the sole income-generating area of the company, save a small amount of income from investments. At the end of the year, A-C's total employment stands at 41 employees. In a development that will have a huge impact on the company in the near future, Congress passes the Retirement Income Act of 1994, pursuant to the Unites States participation in the General Agreement on Tariffs and Trade(GATT). This law requires that a company's underfunded pension plan to be fully-funded at a faster rate. A-C lost $4.2 million.

1995 - Because of retirees outliving the expectations set by the A-C Consolidated Pension Plan's actuaries, the Plan experiences an $11.9 million underfunding that must be quickly refunded according to the Retirement Income Act of 1994. A-C makes a required contribution of $205,000 to the Plan as determined by the PBGC, but lacks the resources to make any more contributions. Company employment slips to 34 employees by the end of the year, and the company experiences a $1.44 million loss.

1996 - Due to the demands placed on its cash resources by the PBGC, A-C warns that it may have to file for bankruptcy protection. The company is unable to meet the funding requirements placed on it by the shortfall in the Consolidated Pension Plan. Because of the funding requirements, A-C enters into discussions with the PBGC concerning funding the Plan. Including its past-due payments to the Plan, A-C lost $1.7 million for 1996. The loss was in spite of improved financial performance from its HDS operations. Total employment at the end of the year was 44 employees.

1997 - On February 12, A-C announces that it has filed plans to terminate and turn over responsibility for its Consolidated Pension Plan to the PBGC. This "distress" termination was approved by the PBGC on September 30, with an effective termination date of April 14. The PBGC became trustee of the Plan on September 30. This discharge of responsibility for the Plan comes at a heavy price for A-C; the PBGC files a lien against the company in the amount of $67.9 million, the total amount the PBGC estimates the Plan is liable for. The lien is accounted for in a total net loss of $66,545,000(including recognition of pension expense of $65,926,000), or $66.34 per common share, in 1997. This loss is many, many times what the company is worth. In addition, the PBGC is given 35% of the Company's outstanding stock as collateral for taking over the Plan. Total employment is at 42 employees.

1998 - The HDS division continues to improve its performance with annual sales of $5.021 million. A-C actually shows a profit of $618,000, or $0.62 per share, for 1998. The company's net worth is still well in the red, with the $66.5 million dollar loss the previous year. At the end of the year, A-C employed 41 people.

1999 - The nearly 150-year story of Allis-Chalmers in Wisconsin comes to an end on January 30, when the last remaining A-C employee in West Allis closes the company's rented offices in its former West Allis office tower on South 70th Street. The last remaining employee in West Allis spends the day packing up the last remaining documents and putting them into storage; the company still gets calls from old customers seeking spare parts for long-running Allis-Chalmers machinery and equipment, as if the company never went bankrupt. A-C issues 585,000 new shares, or 35%, of stock and gives them to the PBGC, as agreed to in the termination of the Consolidated Pension Plan termination. HDS suffers a decline in annual sales of $650,000 to $4,370,000, due to low oil prices and resulting softness in the oil-related fields of refining, processing, chemicals, and petrochemical operations throughout the Gulf Coast. HDS's customers are not producing oil-related products and do not need HDS's services as much. HDS lays off employees and A-C has a total net employment of 34 people on December 31. The company shows a loss of $113,000, or $0.08 per share, for 1999.

Home	Farm Equipment Pictures	Construction Equipment Pictures	Advertising Items and Etc.
Allis Chalmers Links	The 2003 Orange Spectacular	My Family's Allis Chalmers History	Joe Koch's Allis Chalmers History
My Allis Chalmers Collection	More of My Allis Chalmers Collection	The Down Fall of Allis Chalmers	1962 Minnesota Dealer List
Allis Chalmers Movies	E-Mail Me