

Harris-Tyco combination promising for industry

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Last week's **blockbuster announcement** that Harris will pay \$675 million for Tyco Electronics Wireless System — still known by many in the industry as M/A-COM — has generated a number of responses from the public-safety sector, most of them positive.

Claims from the state of New York that the M/A-COM system didn't pass muster in numerous tests sparked many questions about the Tyco LMR unit. Meanwhile, others in the industry expressed concern that the LMR arms of both Tyco and Motorola — the two largest players in the North American market — could be impacted adversely by their parent companies' financial difficulties, with stock prices that are based on consumer-market businesses rather than mission-critical communications.

While Harris specifically excluded any assets and liabilities related to the New York deal from its acquisition, the fact that the company is willing to pay \$675 million for the Tyco LMR unit is an indication that the former M/A-COM systems do work and have considerable value.

By being part of Harris, the Tyco LMR business will not be as subject to the ebbs and flows of the mass consumer market; instead it will be part of a company that has developed a reputation as a leading defense contractor. That makes Harris appear more stable than Tyco Electronics for the moment, but those circumstances could change if the new administration makes large cuts in defense spending.

What should not change is the fact that Harris already has a mission-critical-communications mindset, given its background in the defense industry and as a provider of FAA communications. Entering the public-safety market in earnest — not just with multiband radios, as Harris has done so far — is just a "natural extension" of that philosophy, said John Vaughan, senior vice president and CTO of Tyco Electronics Wireless Systems.

Not only will mission-critical communications be the focus of the combined company, the potential to leverage the best technologies from the two groups is promising.

"We really do have a lot of technology that we are maturing and developing for the military battlefield that we see as very applicable to this market," said Kevin Kane, director of sales and business development for the **Harris RF Communications division**. "In some ways, we almost see a convergence of some of the requirements that exist, in terms of reliability."

Vaughan echoed this sentiment, noting the expertise Harris brings in the area of encrypted communications and the potential associated with combining the software-defined-radio work being done by both companies. Mobile wireless consultant Andrew Seybold said he believe such prospects are going to be noticed by others in the industry.

"I think the combination of Harris and Tyco is going to give Motorola fits," Seybold said.

Whether Motorola executives should be concerned remains to be seen. Yes, the combined intellectual property that Harris can tap is impressive, and global presence of Harris means the combined company could enter the TETRA space, whereas Tyco has been limited to the P25 market in the past.

But the litmus test for almost all corporate acquisitions is not in what could happen but what actually can get done. All too often, seemingly synergistic companies are merged on paper but never are able to become truly integrated in a manner that maximizes the potential leverage seen when the combination is made. It will be up to Harris to avoid such a pitfall.

Meanwhile, the Harris-Tyco deal should be an encouraging sign for the LMR industry. After all, Harris is a company that traditionally has been outside the market but is willing to make a significant investment to enter this market, which Harris executives believe has solid prospects for long-term growth.

That's a lot more than can be said for most other sectors of the economy.