

# 5 The views of other parties

5.1. The views we received from other parties are summarised in this chapter. It includes certain views of purchasers of salicylates and paracetamol, mostly given in the course of the survey of customers described in Chapter 2.

## **Department of Health**

5.2. The Department of Health expressed doubt that Rhône-Poulenc would be able to raise prices following a merger due to overcapacity in the industry world-wide. It further doubted that the paracetamol market would be affected significantly due to Monsanto's low United Kingdom market share.

5.3. There were alternatives to aspirin and paracetamol as analgesics. These were more expensive and, apart from ibuprofen, were only available on prescription.

## **The Welsh Office**

5.4. The Industrial Policy Division of the Welsh Office was familiar with the background to the proposed merger. There had been a very steep decline in employment at the works over the last 30 years which was largely the result of decisions to cease production of certain chemicals, such as phenol. There was understandable concern that, in time, salicylates would be withdrawn with a knock-on effect on the viability of the whole site. Because of the limitations of the site, its inland location and sloping nature, and the consequent constraints on development potential there had to be doubts as to whether it was realistic to expect that the introduction of new products would compensate for the ending of production of existing products.

5.5. The production of salicylic acid and related products was a mature technology. The plant at Ruabon had been modernised in recent years with the benefit of a substantial grant from the Welsh Office. The modernisation was to the plant producing salicylic acid.

5.6. But the basic economics of production in this field appeared to favour large-scale manufacture. Further investment was therefore likely to be required to make the plant fully efficient and internationally competitive. It would therefore appear to be preferable for the plant at Ruabon to be in the ownership of a company for which analgesics was a core business and one whose overall strategy was likely to favour further investment and product development in that business.

5.7. Without such investment and development the salicylates plant at Ruabon, which currently employed around a quarter of the total workforce at the site, could be in jeopardy. Were it to close, this would have a significant detrimental effect on employment in the local area. North-East Wales had suffered major job losses in recent years principally in the coal, steel and textiles industries. Over 25,000 redundancies were declared in the period 1979 to 1986, 75 per cent of the redundancies being in the manufacturing sector. Although there had been some success in attracting new industries, unemployment in the area remained a matter of concern. There had been very few new industrial locations or expansions in the Ruabon area and any loss of jobs at Monsanto would be a material blow to the area.

## **The local authorities**

### *Clwyd County Council*

5.8. The Community and Economic Development Division of Clwyd County Council described its immediate concern as being the effect, if any, on the local economy and local employment. Generally, the Council would welcome investment from European companies and if the merger were to result in improved environmental conditions and employment, it would be supportive. The danger, it foresaw, was a major rationalisation of plants which could have a significant detrimental effect on the local economy in Clwyd. It would like to see some safeguards introduced into any agreement which protected the facilities in Clwyd or, at least, maintained a major operation in the area.

### *Wrexham Maelor Borough Council*

5.9. The Chief Executive Officer of Wrexham Maelor Borough Council also expressed concern over jobs reduction and asked that the Commission should note that Wrexham was still a depressed area.

### *Cefn Community Council*

5.10. The Cefn Community Council wished to object to the proposed merger on the grounds that:

- (a) The retail price of the finished product could rise sharply, with only one manufacturer.
- (b) The Council feared that the merger could result in redundancies at Monsanto as, should the demand for product decrease, employees of Rhône-Poulenc living in France would receive preferential treatment, and this could prove detrimental to the local economy.
- (c) The Council was also concerned as to the position regarding the safety and environmental aspects, and should the merger take place, assurances should be given that the present safety and environmental conditions were maintained.

These points made by Cefn Community Council subsequently received the support of Mr Martyn Jones, Member of Parliament for Clwyd South West.

## **Trade unions**

### *The Transport and General Workers' Union (TGWU)*

5.11. The TGWU has members employed by Monsanto at Ruabon but is not recognised and has no negotiating rights. The TGWU preferred to remain neutral as regards the proposed merger.

### *The General, Municipal, Boilermakers and Allied Trades Union (GMB)*

5.12. The GMB has members employed by Rhône-Poulenc in Norwich and supported the proposed merger from the basis that Rhône-Poulenc would continue salicylates production at Ruabon whilst Monsanto would be likely to discontinue, and that Monsanto would certainly sell the rest of its world-wide salicylates business.

## **The Ruabon workforce**

5.13. Monsanto told us that a meeting had been held for all salicylates operators at Ruabon by the plant manager within 24 hours of the initial public announcement of the proposed merger. Since then a number of further ad hoc meetings had taken place at which employees had been kept informed of progress. The general reaction to the proposals of the salicylates workforce (for whom there was no change of employer involved) had been favourable.

## **Royal Pharmaceutical Society of Great Britain (RPS)**

5.14. The Council of the RPS had no comments to make on the proposed merger.

## **Trade associations**

### *Chemical Industries Association Ltd (CIA)*

5.15. Member companies of the CIA are manufacturers of chemical and allied products with business in the United Kingdom. The CIA had no evidence that the proposed merger might operate against the public interest or against the interest of suppliers or competitors in the bulk analgesics business.

### *The British Chemical Distributors and Traders Association Ltd (BCDTA)*

5.16. The BCDTA gave us a list of those of its members having a direct interest in salicylates and paracetamol. We approached them as part of our survey. Consequently, the Association itself decided not to comment on the proposed merger.

### *The Association of the British Pharmaceutical Industry (ABPI)*

5.17. The ABPI represents manufacturers of medicines not advertised to the public and chose not to submit any evidence in relation to the proposed merger.

### *The Proprietary Association of Great Britain (PAGB)*

5.18. The PAGB, representing pharmaceutical manufacturers of non-prescription items, supplied information on the size of the market for the various categories of over-the-counter (OTC) medicines and preferred to remain neutral as far as the proposed merger was concerned.

## **Other suppliers**

5.19. A number of suppliers and potential suppliers of bulk analgesics to the United Kingdom market were invited to express their views on the proposed merger. These included the United Kingdom subsidiaries of two multinational chemical companies and several importers and traders.

### *Merrel Dow Pharmaceuticals Ltd*

5.20. Merrel Dow is the United Kingdom subsidiary of the United States-based Dow Chemical Company which manufactures both salicylic acid and bulk aspirin in a plant commissioned in the mid-1980s. Merrel Dow told us that it was responsible for sales by Dow into the United Kingdom but it had not made any sales so far and preferred to adopt a neutral stance to the proposed merger.

## *Bayer UK Ltd*

5.21. Bayer UK is a marketing subsidiary of Bayer AG, a West German-based company which, inter alia, manufactures salicylates. Bayer AG closed its bulk aspirin plant in Germany in 1988 and now manufactures in Spain for use into its finished products. Bayer UK said that it did not currently market bulk analgesics into the United Kingdom but did market Bayer Aspirin and Alka Seltzer as finished products. Bayer AG had given evidence to the Directorate-General for Competition of the EEC in relation to the proposed merger which included its view that the need for constant quality was and would be a barrier to entry for some companies. It also had the view that competition in this market was not only a question of price but also depended on brand. Bayer UK expressed no view on the proposed merger.

## **Importers/traders**

5.22. We received information from several United Kingdom-based importers and traders with experience of importing salicylates and paracetamol from around the world. Generally their imported material found its way into exported product rather than into the United Kingdom market. One importer told us that the 12 per cent EC import duty on aspirin and, particularly, the 15 per cent EC anti-dumping duty on Chinese paracetamol made imports into the United Kingdom market very difficult.

## **Customers**

5.23. The main analysis of customers' evidence is in Chapter 3 which analyses our customer survey. When asked about the likely effects of the proposed merger, the most commonly expressed opinion was that it would lead to higher prices in the United Kingdom. Many firms also said that it would give Rhône-Poulenc control of the United Kingdom market. Three firms mentioned Rhône-Poulenc's downstream activities in manufacturing from salicylates and said that the merger would increase its power in those activities. There were fears expressed about the availability of certain grades, the possibility of the close-down of United Kingdom production of salicylates, the effect on product development in the consumer market, and the effect on export competitiveness. One firm thought that prices in the short term might reduce slightly but might increase in the longer term. The same firm thought that the object of the merger might be rationalisation which could result in improved efficiency. Some further specific comments are detailed below.

5.24. A purchaser of salicylic acid suggested that, following the proposed merger, Rhône-Poulenc would be in a position to dictate market prices. Imports would not be competitive because of long lead times and lower quality. The quality it needed was critical and not produced by most manufacturers.

5.25. An aromachemical manufacturer said that suppliers of salicylic acid would effectively be reduced to Rhône-Poulenc as the only viable producer in terms of quality, price and reliability. Prices would inevitably rise. It would be unhappy to see the reduction of free competition in the market with its raw material supply effectively limited to one producer. Furthermore Rhône-Poulenc produced similar aromachemicals which meant that it would be purchasing raw materials from a primary competitor.

5.26. A pharmaceutical manufacturer's prime concerns were in relation to grade availability and price. It believed that Rhône-Poulenc might have difficulty in meeting its specification of bulk aspirin at the French facility and it would have concerns over Rhône-Poulenc's long-term strategy with regard to grade availability and manufacturing site. The merger would most probably lead to higher price levels.

5.27. A manufacturer of pharmaceuticals and health care products told us that its assumption would be that, following the proposed merger, Rhône-Poulenc would close down Ruabon salicylates production and concentrate in France. Competition would be likely to reduce and aspirin prices would increase faster than the rate of inflation. The manufacturer's basic problem would be the time available to it to pursue alternatives.

5.28. A manufacturer of OTC medicines told us that the effect of the merger would be the creation of a monopolistic bulk producer for the two main pain-killing products. Competition would be severely restricted and it would result in higher price levels. There would be grade rationalisation, sooner or later, with discrimination in favour of Rhône-Poulenc's own consumer product development. It would like to see some guarantee of production availability of grades.

5.29. Another pharmaceutical manufacturer indicated that it would be concerned if the merger did result in a reduction in competition with a consequent possible increase in price and restriction in availability. Aspirin and paracetamol were key, high-volume pain killers of proven efficiency. Consequently, unjustified price increases would be a health tax on many millions of customers who obtained relief from pain or headache, without the necessity of visiting their doctors.