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DTI press notice

Proposed acquisition by British Steel PLC of C Walker & Sons (Holdings) Ltd

Nicholas Ridley, Secretary of State for Trade and Industry, has decided to refer the proposed acquisition by British Steel plc of C Walker & Sons (Holdings) Ltd to the Monopolies and Mergers Commission (MMC) for investigation and report under the provisions of the Fair Trading Act 1973. The decision has been made in accordance with the recommendation of the Director General of Fair Trading. The MMC are being asked to make their report by 9 April 1990.

The Secretary of State considers that there are possible effects on competition in the United Kingdom steel stockholding market which deserve investigation by the MMC. The decision to make a reference to the MMC does not in any way prejudice the question of whether or not the merger concerned would be against the public interest. It is for the MMC to report on this after investigation.

Treaty of Paris

The merger falls to be considered by the European Commission under the Treaty of Paris (European Coal and Steel Community). Some 90 per cent of the products of British Steel and Walker fall under the Treaty of Paris. Under the Treaty authorisation is required for any merger in the steel sector. The EC Commission is still considering the merger.

The Secretary of State accepts that predominant responsibility for this merger lies with the EC Commission. He has taken this into account in making his decision to refer the merger to the MMC. He considers that there are competition concerns attached to the aspects of the merger that are not covered by the Treaty of Paris that merit an MMC investigation. For those aspects, he will have powers to require undertakings regarding conduct, and also possibly regarding divestment, if the MMC find that the merger may be expected to operate against the public interest.

Prohibition on share purchases

Under Section 75(4A) of the Fair Trading Act 1973, the parties to a proposed merger which is referred to the MMC are prohibited from acquiring each other's shares for the duration of the reference, except with the consent of the Secretary of State.

If the EC Commission authorise the merger during the course of the MMC investigation, an appropriate consent will be given.

Notes for editors

1. The Fair Trading Act 1973 empowers the Secretary of State to refer to the Monopolies and Mergers Commission for investigation and report actual or proposed mergers which create or intensify a 'monopoly' (25 per cent of the supply in the United Kingdom or in a substantial part of the United Kingdom of particular goods or services) or involve the takeover of a company with assets exceeding £30 million. The Commission are required to investigate and report to the Secretary of State whether the merger operates or may be expected to operate against the public interest.

2. Under Section 75(4A) of the Fair Trading Act 1973 (inserted by the Companies Act 1989) the parties to a proposed merger which is referred to the MMC are prohibited from acquiring each other's shares for the duration of the reference except with the consent of the Secretary of State.

3. The Secretary of State issued a general consent on 24 November 1989 permitting intra-group transactions in shares in members of the group in the course of an MMC merger reference.

Source: DTI.