II

(Acts whose publication is not obligatory)

COMMISSION

COMMISSION DECISION

of 14 October 1974

authorizing the acquisition by the British Steel Corporation of the share capital of Lye Trading Company Ltd

(Only the English text is authentic)

(75/38/ECSC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community, and in particular Article 66 thereof ;

Having regard to High Authority Decision No 24/54 [1] of 6 May 1954 laying down in implementation of Article 66 (1) of the Treaty a Regulation on what constitutes control of an undertaking ;

Having regard to the application submitted on 20 May 1974 by the British Steel Corporation, London, for authority to acquire, through its subsidiary British Steel Corporation (UK) Ltd, the whole or the majority of the share capital of Lye Trading Company Ltd, Lye, Stourbridge, Worcestershire ;

Having obtained the comments of the Government of the United Kingdom of Great Britain and Northern Ireland ;

Having taken into account the considerations set out in the following paragraphs :

I

The British Steel Corporation, London (BSC), is an undertaking engaged in steel production within the meaning of Article 80 of the Treaty, with a capital of £ 500 000 000.

British Steel Corporation (UK) Ltd is a 99·9 % subsidiary of BSC, set up to hold BSC's investments in United Kingdom companies.

BSC owns the entire share capital of £ 27 004 in H. F. Spencer & Co. Ltd, Wolverhampton (Spencer), an undertaking engaged in steel distribution within the meaning of Article 80. BSC is in a position to control Spencer within the meaning of Decision No 24/54 and accordingly BSC and Spencer form a concentration within the meaning of Article 66 (1).

Lye Trading Co. Ltd, Lye, Stourbridge, is a holding company with an issued share capital of £ 813 283, which owns the entire share capital in the following undertakings mainly engaged in steel distribution :

Undertaking	Registered office	Issued share capital (£)
Lye Steel Co. Ltd	Lye, Stourbridge	300
Lye Tinplate Co. Ltd	Pontardulais, Swansea	10 000
Cummins & Cutler Ltd	Amblecoat, Stourbridge	5 000

[1] OJ of the ECSC, 11. 5. 1954, p. 345.

Lye Trading Co. Ltd controls these undertakings and with them forms a concentration (Lye).

The proposed transaction will give to BSC the control of Lye and therefore bring about a concentration between BSC and Lye.

II

BSC produced about 24 million metric tons of crude steel and delivered 16·4 million metric tons of Treaty steel products in 1973, which made BSC the largest steel producer in the Community. In the United Kingdom market for Treaty steel products, BSC's deliveries accounted for 72 % of the total, the remaining 28 % being supplied by other United Kingdom producers or by imports. BSC's turnover for Treaty steel products in its financial year 1973/74 was £ 1 336 million.

Almost all of BSC's sales of Treaty steel products are made direct from its mills to steel consumers or to steel merchants independent of BSC, many of whom engage in stockholding and processing activities before reselling the steel to consumers. BSC's own stockholding activities concerned with Treaty steel products are limited to about 1 % of its deliveries of those products, mainly handled by Spencer which stocks, processes and delivers 90 000 metric tons per year of Treaty steel products exclusively within the United Kingdom market. Spencer, which has an annual turnover of about £ 8 million, operates from warehouses at Wolverhampton and Swansea.

Lye is a stockholder of Treaty steel products, many of which it processes by slitting, shearing and cutting to customers' requirements. Lye has warehouses at Stourbridge (Worcestershire), Pontardulais (Glamorgan), East Kilbride (Lanarkshire), Staines (Middlesex) and Leeds (Yorkshire), which give it a reasonably wide coverage of the United Kingdom market. Lye, with an annual turnover of about £ 20 million, delivers about 190 000 metric tons per year of Treaty steel products, exclusively within the United Kingdom. Lye obtains the majority of its supplies (70 %) from BSC, the balance being imported.

In considering the relevant market for this case, it is appropriate to note that the steel stockholding trade in the United Kingdom is conducted by steel merchants who have specialized in supplying steel mainly to small and medium size customers whose requirements are not large enough to be supplied conveniently by producers; the latter prefer the large orders which enable them to secure the economies associated with long mill runs. Also, stockholders tend to operate on a regional basis, delivering steel products to users who find it advantageous to deal with a local supplier and to have direct contact with a stockholder. There are some stockholders, including Lye, who are able to cover most of the United Kingdom from a small number of warehouses geographically dispersed round the country. In 1973, total United Kingdom consumption of Treaty steel products from United Kingdom production and imports was 16·2 million metric tons and stockholders provided nearly 4·5 million metric tons or about 27 % of this total. Exports by stockholders outside the United Kingdom are negligible. In these circumstances, the relevant market can be regarded as that part of the United Kingdom steel market which is supplied by stockholders.

BSC/Spencer and Lye combined will account for 280 000 metric tons a year of Treaty steel products, representing 7 % of total sales of these products by stockholders on the relevant market in 1973. Another British steel producer/stockholder has a 20 % share; several stockholders have shares of 5 % to 7 % (including one steel producer/stockholder), and there are over 300 other stockholders of medium or small size in the British steel market. BSC/Spencer and Lye will not, therefore, have a particularly important position in the United Kingdom stockholders' market, but together they will be brought more into balance with some of the larger UK stockholders. BSC/Spencer and Lye have no presence in the stockholders' market elsewhere in the Community.

Having regard to the circumstances described, the proposed transaction will not give the undertakings concerned the power to determine prices, to control or restrict production or distribution or to hinder effective competition in a substantial part of the market for Treaty steel products.

The proposed transaction will give BSC a wider geographical coverage of the United Kingdom steel stockholders' market than was possible with Spencer alone. However, BSC and Lye will not be in an artificially privileged position, bearing in mind that there are several important producers in the Community who already control steel distribution undertakings, some with ex-stock sales substantially exceeding those of BSC/Spencer and Lye combined, including one in the United Kingdom.

Consequently, the proposed transaction does not give the undertakings concerned the power to evade the rules of competition instituted under the Treaty, in particular by establishing an artificially privileged position involving a substantial advantage in access to supplies or markets.

Accordingly, the Commission finds that the proposed transaction satisfies the conditions for authorization

set out in Article 66 (2) and may therefore be authorized.

HAS ADOPTED THIS DECISION :

Article 1

The acquisition by the British Steel Corporation, through British Steel Corporation (UK) Ltd, of the whole or the majority of the share capital of Lye Trading Co., Ltd, is hereby authorized.

Article 2

This Decision is addressed to the British Steel Corporation, London.

Done at Brussels, 14 October 1974.

For the Commission

The President

François-Xavier ORTOLI