II

(Acts whose publication is not obligatory)

COMMISSION

COMMISSION DECISION

of 26 July 1979

authorizing British Steel Corporation to acquire the share capital of Dunlop & Ranken Ltd, the Hall Brothers group of companies and Herringshaw Steels Ltd

(Only the English text is authentic)

(79/818/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 Decison No 24-54 of 6 May 1954 laying down in implementation of Article 66 (1) of the Treaty a Regulation on what constitutes control of an undertaking [1],

Having regard to the application dated 12 April 1979 by British Steel Corporation, London, for authorization to acquire the entire share capital of Dunlop & Ranken, Ltd, the Hall Brothers group of companies and Herringshaw Steels Ltd,

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

WHEREAS :

I

1. The British Steel Corporation, London, (BSC) is an undertaking which is engaged in steel production and steel distribution within the meaning of Article 80 of the Treaty and which also controls a number of undertakings which are not subject to Article 80.

2. British Steel Service Centres (BSSC) is that part of the BSC which carries out BSC's activities in the field of steel stockholding. BSSC is engaged in the distribution both of products covered by the Treaty and of products not so covered.

3. Dunlop & Ranken Ltd, Leeds, (D&R) is an undertaking engaged in the distribution of steel products within the meaning of Article 80, with a capital of £ 10 000. D&R is a wholly-owned subsidiary of The 600 Group Ltd, London, (600 Group) the holding company of a group engaged in scrap processing, the distribution of steel and other goods and the manufacture of plant and equipment. The 600 Group has the power to control D&R within the meaning of Decision 24-54 ; there is therefore a concentration within the meaning of Article 66 (1) of the Treaty between The 600 Group and D&R.

4. BSC and The 600 Group exercise joint control over Six Hundred Metal Holdings Ltd, London (SHMH), a company engaged in the steel scrap industry. There is therefore a concentration between BSC and SHMH and a concentration between The 600 Group and SHMH [2]. There is, however, no concentration between BSC on the one hand and The 600 Group and D&R on the other hand.

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[1] Official Journal of the European Coal and Steel Community, 11 May 1954, p. 345.

[2] This concentration was authorized by Decision No C (76) 1160 of the Commission, dated 20 July 1976. See Bulletin of the European Communities No 7/8 of 1976, p. 31.

5. The following undertakings are engaged in steel distribution and are concentrated with each other by virtue of interlocking shareholdings, common shareholders and common directors :

	Issued share capital £
— Hall Brothers (West Bromwich) Ltd	75 000
— William Hall Steel Stockholders Ltd (WHSS)	25 000
— J. Arthur Farrington & Son Ltd (subsidiary of WHSS)	17 500
— A. C. & S. Green Ltd	10 004
— William Naylor Ltd	10 046

The abovementioned undertakings (Hall Brothers Group) have their registered office in Oldbury, West Midlands.

6. Herringshaw Steels Ltd, Birmingham, (Herringshaw) is also an undertaking engaged in steel distribution. Herringshaw is a wholly-owned subsidiary of Thorn Electrical Industries Ltd (Thorn), which is mainly engaged in the manufacture and distribution of electrical, electronic and engineering goods. There is therefore a concentration between Thorn and Herringshaw.

7. BSC is proposing to acquire the entire share capital of D&R, the Hall Brothers Group and Herringshaw. These transactions will give BSC control over D&R, the Hall Brothers Group and Herringshaw and will thus lead to a concentration between BSC and those undertakings within the meaning of Article 66 (1).

II

8. The majority of BSC's sales of Treaty steel products are made direct from its mills to steel consumers or to independent steel merchants, many of whom engage in stockholding and processing activities before reselling the steel to consumers. BSC's own stockholding and merchanting activities, carried out by BSSC, accounted for a turnover of £ 93 million in 1977/78, which represented about 3·5 % of BSC's total turnover of £ 2 600 million for iron and steel products.

9. D&R, the Hall Brothers Group and Herringshaw are all steel stockholders. They had a combined turnover of about £ 40 million in 1977/78 concerned mainly with general steel plates, bars and sections but also with sheets, alloy bars and non-Treaty products such as bright bars. Their deliveries of Treaty steel products amounted to 136 000 tonnes, dispatched from about 10 depots situated in England and Scotland.

10. The steel stockholding trade in the United Kingdom is conducted by several hundred merchants who specialize in supplying steel mainly to small and medium-size customers whose requirements are not large enough to be supplied conveniently by producers. The existence of stockholders helps producers to concentrate on the larger orders which enable them to secure the economies derived from long mill runs. Also, stockholders can supply larger customers from buffer stocks. The trade is characterized generally by the ability to supply promptly from stock. Stockholders tend to operate mainly on a regional basis, delivering steel products to consumers who find it convenient to deal with a local supplier and to have direct contact with a stockholder. Because of this situation several stockholders have a certain number of depots geographically dispersed round the country so that they can cover a large part of the United Kingdom market. In 1978 total supplies of Treaty steel products to the UK market from UK production and imports were 11·8 million tonnes. Of this total about 5·2 million tonnes, or 44 %, was received by stockholders. Net deliveries of Treaty products by UK stockholders, i. e. after conversion by them of part of the tonnage into non-Treaty products such as cold-rolled strip or reinforcement mesh, are estimated at 4·3 million tonnes, or 42 % of total net deliveries of Treaty products in the UK. Exports by stockholders outside the UK are negligible. In these circumstances the relevant market can be regarded as that part of the UK steel market which is supplied by stockholders.

III

11. The following table shows the BSSC shares of total UK stockholders' deliveries of the main Treaty product groups as they are now and as they would be after the proposed acquisition of D&R, Hall Brothers

Group and Herringshaw — assuming that all the business of the acquired undertakings could be retained:

	Total UK stockholders' market	BSSC before acquisitions		BSSC after acquisitions	
	KT	KT	%	KT	%
Ingots/billets	..(*)	..(*)	..	..(*)	..
Rails	..	..	..	..	..
Plates	..	..	..	..	..
Heavy/light sections and bars	..	..	..	..	..
Reinforcement bars	..	..	..	..	..
Hot-rolled strip	..	..	..	..	..
Sheets and tinplate	..		..	..	..
Total	4 341	360	8·3	496	11·4

(*) The figures concerning the deliveries of the individual products and the commentary on them cannot be published for reasons of professional secrecy (Article 47 of the ECSC Treaty).

It can be seen from the above table that the BSC's share (through BSSC) of the UK stockholders' market would rise from 8 to 11 % as a result of the proposed transactions.

12. The general effect of the proposed transactions will be to give BSC a more complete and better-balanced range of products to offer as a stockholder. The stockholding industry has increased its importance as a supplier of steel in the UK market during recent years, largely at the expense of BSC, which has lost contact with some of its former customers and end users of its products. Although the transactions will result in BSC having a share of 11 % in the UK stockholders' market, it will remain less important in this field than another British steel producer/stockholders, which already has an 18 % share of this market with a well-balanced range of products. There are three or four other stockholders with shares of 4 to 7 % (including two producer/stockholders) and there are several hundred other stockholders of medium or small size in the UK steel market.

13. Having regard to the circumstances described the proposed transactions 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.

IV

14. As a result of the proposed transactions BSC can secure outlets for over 100 000 tonnes of Treaty steel products. In practice, however, the stockholding undertakings concerned already secure most of their supplies from BSC. This is not typical of the UK stockholding industry in general, which relies on imports for one third of its supplies and on UK private sector producers for about 17 % of its supplies. BSC no longer has the dominant position as supplier to UK consumers and stockholders that it had a few years ago. In 1973, BSC's deliveries accounted for 72 % of supplies to the UK market for Treaty steel products; in 1978 this figure had dropped to 56 %. As regards supplies to the stockholding industry, whereas BSC was responsible for two-thirds in 1973, its share in 1978 was a half.

15. Further, BSC will not be placed in an artificially privileged position as a result of the proposed transactions, bearing in mind the part of the British stockholding market acquired by BSC and the fact that most of the large producers elsewhere in the Community control their own steel distribution undertakings, some with ex-stock sales substantially exceeding those of BSC.

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

17. Accordingly the Commission finds that the proposed transactions satisfy 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 of the entire share capital of the following undertakings :

— Dunlop & Ranken Ltd
— Hall Brothers (West Bromwich) Ltd
— William Hall Steel Stockholders Ltd
— J. Arthur Farrington & Son Ltd
— A. C. & S. Green Ltd
— William Naylor Ltd.
— Herringshaw Steels Ltd

is hereby authorized.

Article 2

This Decision is addressed to the British Steel Corporation, 33 Grosvenor Place, London SW1.

Done at Brussels, 26 July 1979.

For the Commission

Raymond VOUEL

Member of the Commission