



THE MONOPOLIES AND MERGERS COMMISSION

**The British Electric Traction
Company PLC
and
Initial PLC**

A report on the proposed merger

*Presented to Parliament
by the Secretary of State for Trade and Industry
by Command of Her Majesty
February 1985*

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Mr N E D Burton (*Secretary*)

*These members formed the Group which was responsible for this inquiry (see paragraph 1.2).

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CHAPTER 1

Introduction

1.1. On 26 July 1984 the Department of Trade and Industry sent to the Commission the following reference:

Whereas it appears to the Secretary of State that it is or may be the fact that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a merger situation qualifying for investigation as defined in section 64(8) of the Fair Trading Act 1973 ('the Act'), in that:

(a) enterprises carried on by or under the control of Initial PLC (a body corporate incorporated in the United Kingdom) will cease to be distinct from enterprises carried on by or under the control of the British Electric Traction Company PLC; and

(b) the value of the assets which will be taken over exceeds £30 million.

Now, therefore, the Secretary of State in exercise of his powers under section 69(2) and 75 of the Act hereby refers the matter to the Monopolies and Mergers Commission for investigation and report within a period of six months beginning with the date of this reference.

In relation to the question whether a merger situation qualifying for investigation will be created if the arrangements herein referred to are carried into effect the Commission shall exclude from consideration section 64(1) (a) of the Act.

(Signed) M J VILE

An Assistant Secretary

Department of Trade and Industry

26 July 1984

1.2. On 28 August 1984 the Chairman of the Commission, acting under section 4 of the Fair Trading Act 1973 and Part II of Schedule 3 thereto, directed that the functions of the Commission in relation to this reference should be discharged through a group consisting of six members of the Commission, under the Chairmanship of Sir Alan Neale, a Deputy Chairman of the Commission. Mr Ackers resigned from the group on 1 October and was replaced by Sir Ronald Swayne on 5 October 1984. We record with regret that Professor Alan Prest became gravely ill in the course of our inquiry and died on 22 December before the report was completed. The composition of the group which completed and signed the report is indicated in the list of members which prefaces this report.

1.3. Notices inviting evidence were placed in:

The Daily Telegraph

The Guardian

Financial Times

The Times

British Hotelier and Restaurateur

Laundry and Cleaning News

1.4. Written submissions were made by British Electric Traction Company PLC (BET) and Initial PLC (Initial). Other written evidence was received from Government departments; from the Union of Shop Distributive and Allied Workers (USDAW); from trade associations; from BET's and Initial's competitors, and from suppliers and customers in the market. Hearings were held with BET, Initial, the TUC and trade union representatives, and with Sketchley PLC (Sketchley).

1.5. Some of the evidence obtained in the course of our inquiry was of a confidential nature; our report contains only such information as we consider necessary for an understanding of our conclusions.

1.6. We record our thanks to all those who helped us in the inquiry and particularly to the two companies principally concerned.