

# **Coats Viyella Plc and Total Group plc**

A report on the merger situations



THE MONOPOLIES AND MERGERS COMMISSION

Coats Viyella Plc  
and  
Tootal Group plc

A report on the merger situations

**Presented to Parliament by the Secretary of State for  
Trade and Industry by Command of Her Majesty  
October 1989**

**Members of the Monopolies and Mergers Commission as at  
23 November 1989**

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Mr H H Hunt CBE (*Deputy Chairman*)  
Mr D G Richards CBE (*Deputy Chairman*)  
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Mr D P Thomson  
Mr C A Unwin  
Mr S Wainwright CBE  
Professor G Whittington  
Mr R Young

Mr S N Burbridge (*Secretary*)

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<sup>1</sup>These members formed the group which was responsible for this report (see Appendix 1.1, paragraph 2).

## **Note by the Department of Trade and Industry**

In accordance with section 83(3) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest. The omission is indicated by a note in the text.

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# 1 Summary

## **The merger situations**

1.1. On 12 May 1989 Coats Viyella Plc (Coats) acquired 25.1 per cent of the equity of the Tootal Group plc (Tootal), a purchase which took Coats' total holding to 29.9 per cent. On the same date Coats and Tootal announced an agreed bid by which Coats would acquire all the issued share capital of Tootal. On 26 June 1989 the Secretary of State for Trade and Industry asked the Commission (see Appendix 1.1) to investigate and report on whether the existing shareholding ('the merger in being') and the proposals for a full merger ('the merger in contemplation') gave rise to effects which would be adverse to the public interest. Coats and Tootal are among the largest textile groups in the United Kingdom and, if the full merger took place, the merged group would be one of the largest textile companies in the world.

## **The markets involved**

1.2. The production, distribution and retail sales of textiles and clothing are important to the economies of many developed and developing countries, though the United Kingdom, in common with many other developed countries, has in recent decades faced increasing competition from imports, especially from low-cost sources of supply. Coats and Tootal told us that they regarded the merger as a unique opportunity to create a broadly-based and efficient international textile group.

1.3. We have examined the effects of the merger on competition in the United Kingdom and found that in many of the individual textile markets in which it would be operating, the merged group, despite its overall size, would have a relatively small market share. In those markets we do not consider the proposed merger would have any adverse effect on competition.

1.4. The new group would be the world's largest producer of industrial sewing thread with over 40 per cent of the United Kingdom market. It would also have well over 50 per cent of the United Kingdom market for the sale of domestic thread used for home needlework.

1.5. After careful consideration of the market for industrial thread and an examination of the ability of the other suppliers to compete with the combined group, offering thread manufactured in the United Kingdom or imported from elsewhere in Europe or the rest of the world, we have decided that the merger would not have a serious adverse effect on competition for the supply of industrial thread.

1.6. In the market for domestic thread there are at present only three major competitors. Tootal, the market leader, has 37 per cent of the market. Gütermann, a Swiss/German group, has 20 per cent and Coats 18 per cent. Coats owns 20 per cent of the share capital of Gütermann, has a seat on the supervisory board and a pre-emptive right over the remaining shares. Branded thread is often sold through merchandising units and the three major competitors dominate that market. We have decided that, if the merger were allowed, there would be a reduction of competition to the extent that the public interest in maintaining choice and supply of domestic thread at reasonable price levels would be adversely affected.

## **Conclusions**

1.7. We found no adverse effects arising from the proposed merger except those that would occur in the domestic thread market. We have recommended that if Coats disposed of its existing United Kingdom interests in domestic thread supply and sold its shares in Gütermann, Coats should be allowed to retain all its current holding in Tootal which gives rise to the merger in being and proceed if it so decides with the arrangements for the merger in contemplation.