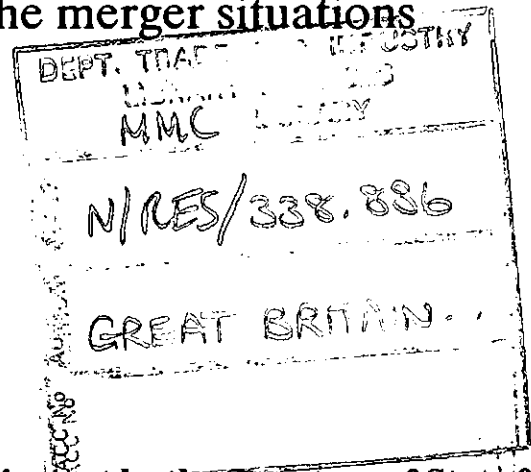




THE MONOPOLIES AND MERGERS COMMISSION

# Blue Circle Industries plc and Myson 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  
December 1989

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<sup>1</sup>These members formed the group which was responsible for this report (see Appendix 1, paragraph 3).

### **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

1.1. On 30 August 1989 the Secretary of State for Trade and Industry asked the Commission to examine the acquisition by Blue Circle Industries plc (BCI) of nearly 30 per cent of the shares of Myson Group plc (Myson), and BCI's intention to purchase the remainder of Myson shares so as to gain entire control of that company (see Appendix 1). On the same day we were also asked to investigate the bid by Yale & Valor plc to purchase Myson. Our report on that merger situation affecting Myson has also been completed today.

1.2. BCI is the United Kingdom's largest cement manufacturer. In recent years the company has diversified into a number of new activities, among them the manufacture of gas domestic central heating boilers (marketed under the Potterton brand name) and electronic central heating control systems.

1.3. Myson makes gas fires, water heaters and domestic boilers, as well as other central heating equipment, electric tumble driers, and industrial and commercial heating and air-conditioning equipment.

1.4. Our main concern was the effect of any merger on competition in the domestic gas boiler market. Five main suppliers would be reduced to four, with one – the merged group – having a share of the market (nearly 30 per cent) significantly larger than its biggest competitor. In one of the sub-markets, namely conventional wall-hung boilers, the merged group would occupy an even more prominent position, with 42 per cent of the market, while in the sub-market for floor-standing boilers its share would be 34 per cent. It is clear, however, that there is much competition between different types of gas boiler.

1.5. Gas boilers are typically distributed through merchants, a number of whom are substantial nation-wide businesses with a good deal of bargaining power. This power, taken in conjunction with the role in the market of the many installers, would make it difficult for a merged group to exploit its market position. Moreover, imports already supply some 10 per cent of the total market. In the main this reflects the strong position of manufacturers in other European Community countries in one of the sub-markets – combination boilers – but, as just stated, there is much competition between the different types of boiler. The other United Kingdom manufacturers could raise output if that were required, and switching from the production of one type of boiler to that of another would not generally create many difficulties. We therefore think that there is little danger that a merger would adversely affect competition either in the overall market for gas boilers or in any of the main sub-markets.

1.6. We do not expect that overall a merger between BCI and Myson would have any significant effect on employment. We do not think there will be significant consequences for research and development, or for any of the other parts of the BCI and Myson businesses.

1.7. We conclude unanimously that BCI's acquisition of the remainder of the shares of Myson may be expected not to operate against the public interest. Our conclusion on the existing shareholding is the same.