From the London End

Amalgamations and Take-Over Bids

INDUSTRIAL mergers and take-over bids have been a feature of the British economy in recent years. In 1961 alone there were 21 proposals for mergers or take-overs involving big companies in such diverse industries as pharmaceuticals plastics, engineering, electricals, communications, textiles, paints, brewing, newspaper, tobacco, mining, stores and property. Earlier this month news came of mergers in the shoe industry. A merger was also arranged between two glass companies United Glass and Key Glass, which, if it goes through, will create a new organisation which will produce 35 per cent to 40 per cent of all the glass bottles made hi the U K.

As a result of the mergers and take-overs a wide, variety of industries has become concentrated in die hands of fewer and fewer companies. In a list, prepared by the U S business magazine, *"Fortune* last year, of the 100 largest corporations outside the U S, British or Anglo-Dutch companies occupied the first four positions and accounted for five of the first ten. These were:

Royal Dutch Shell (British-Dutch I; assets $ 8,900 million m .

Unilever (British-Dutch): assets £ 2,259 million (2).

British Petroleum (British); assets £ 2,019 million (3).

I C I (British); assets £, 23,311.6 million (4).

British Motor Corporation (British) ; assets £ 422.5 million (9).

The ranks of British companies among the next 90 are:

Hawker Siddeley 11, British American Tobacco 12. Dunlop Rubber 18, Ford Motor 19,' Tube Investment 20, Guest Keen 21, Associated Electrical Industries 32. Courtaulds 47, Vickers 53, English Electric 54, Distillers 55, Steel Company of Wales 62, Associated British Foods 63, British Insulated Calendars Cable 64, Bo water Paper 65, Stewarts and Lloyd 66. United Steel 67, Turner and Newall 69, Hanks 70, J & P Coates 73, Joseph Lucas 77. Tate and Lyle 79. Imperial Tobacco 80, General Electric 82, Rolls Royce 87, Richard Thomas and Baldwins 92 and Spillers 97.

Will Be a Lusting Trend

There are many reasons which had one lo believe that the spate of mergers represents a new and lasting trend in British industry:

(1) The British legal system encourages amalgamations. The Restrictive Practices Court, by making price fixing agreement difficult, has stimulated amalgamations and mergers.

(2) Because of sharper competition at home and overseas British manufacturers are finding that many export markets have been lost, either to local manufacturers or to low-cost producers of the Far East. Amalgamations which have taken place in the Lancashire cotton industry leading to the creation of several large units like the Lancashire Cotton Corporation and the Calico Printers' Association, have been motivated by the need to protect, export markets. Another trend has been for amalgamations to cover a greater number of products and operations with a view to achieving a greater degree of "verticalisation". Thus the spinners and weavers are taking more interest in the merchanting and converting side of the industry, sometimes extending to the retail trade.

(3) In the consumer industries, mergers have resulted from decline in sales of traditional commodities as a result of competition from more exotic ones. For example, bread consumption has been falling steadily for several years and there have been numerous amalgamations in the milling and baking industries. Amalgamations have taken place in the brewing industry because while the cost of production has continued to rise, consumption has remained static. In the last 15 years, the number of brewers has been halved and it is quite likely that it will diminish further.

(4) The high cost of research is another reason for amalgamations *e* g, in the air-craft and the pharmaceutical industries Manufacturers of boilers, nuclear power stations and steel-making plants — to take btit a few other examples — have all found it necessary to substitute co-operation for competition.

(5) The Chancellor's little budget in July and the severe economic measures, including raising the Bank Rate to 7 per cent, to lessen speculative pressure, on the pound, meant that profit margins in British industry were squeezed. This gave a further impetus to large-scale amalgam at ionA.

(6) The possibility that Britain might join the Common Market and the need to set up bigger organisations to compete with the large Europea'n firms have also stimulated amalgamations.

Government Supports Monopolies

file Government is lending its full support to the growth of monopolies and. despite the obvious inadequacies of the present legal system, is doing nothing to curtail the harmful effects of the growth of monopolies. Indeed. it recently decided to reject the Monopolies Commission's recommendation on the British tobacco industry. The Commission had recommended that Imperial Tobacco should sell its holdings in Gallaher. but the Board of Trade decided to allow Imperial Tobacco to continue to hold these shares. Imperial Tobacco already controls around two-thirds of the tobacco market in the *V K.* It is clearly not in the public interest that it should also have the largest shareholding in its only serious competitor. This case has also shown up the weakness of the Monopolies Commission. The Commission's decisions are not enfoceable and bargaining between the manufacturer and the Government can get (hem reversed. The Odhams-Mirror merger in the spring of last year and the Governments reaction to the possibility of the Courlauhls-I C f link-up make it clear that in the United Kingdom mergers are in no sense subject to the public interest.