

security printing business (see paragraph 54) and a slower but no less inevitable decline in the earnings of the laminates business. De La Rue has produced for our inspection figures based on the inflow represented by exports of goods, royalties, dividends, technical fees, etc., and the outflow represented by payments, dividends to American Cyanamid Company and capital in the form of loans and shares. These figures exclude the cost of imported raw materials and of machinery on the grounds that such goods are only imported if it is impossible to obtain them more economically or efficiently in the United Kingdom. The effect on the figures of De La Rue's withdrawals from unprofitable activities is also excluded. All in all, De La Rue estimates that the annual net inflow to this country over the five years 1965-69 has averaged £7½m and is expected to increase to £9½m in 1970. (Exports of coinage by the Royal Mint under De La Rue's agency arrangement are not included here.) Against that inflow, it has estimated that the effect of the proposed acquisition by Rank would be an eventual annual reduction of somewhere between £3.3m to £5.3m according to the extent to which unfavourable consequences, e.g. immediate loss of business, loss of dividends, and acceleration of the eventual establishment of national banknote printing presses by overseas governments, were to materialise. The foregoing estimate takes no account of any loss of potential dividends from De La Rue Giori S.A. if that association were to break up. (See paragraphs 33 and 48.)

### **Productivity**

69. Rank and De La Rue both produced evidence as to their labour productivity performance in recent years. In each case the evidence appeared to show that the company had a better performance than the national average for manufacturing industry.

## **CHAPTER 5**

### **The Industrial Background**

70. Both Rank and De La Rue carry on a wide range of diverse activities and there is virtually no overlap between their product ranges at any point. Lists of their various activities are to be found at Appendices 4 and 5.

71. In evidence Rank stated that it would not go *de novo* into any of the markets in which De La Rue is engaged because in each case there is an established market with entrenched market leaders. While Rank independently might enter a completely new field, as it had done in the case of fibre optics, it would need a base from which to work in the case of an established market. In the laminates industry, Formica International Ltd would provide the base. In the field of security services the base would be provided by Security Express Ltd.

72. We found that there was no evidence that De La Rue was likely to enter independently any of the markets in which Rank is engaged.

73. The industries which could be affected by the proposed acquisition would be the four main activities in which De La Rue is engaged, viz., security printing, security services, decorative and industrial laminates, and central heating. The immediate and ultimate effects would be determined by Rank's own policy in

relation to conditions as it found them in each of those activities following the proposed acquisition. Rank told us in evidence that its primary motive in endeavouring to acquire De La Rue was its interest in Formica International Ltd and particularly in the latter's well-established activities in overseas markets for decorative laminates. Rank also told us that while it regarded De La Rue's security printing operations as a good "solid business" it would not have tried to acquire De La Rue for this alone since it did not see the necessary prospects for expansion in that particular industry. Neither would Rank originally have gone into the acquisition for the sake of either the central heating activities or the security services business of De La Rue, although, as it learned more about these activities after the initial acquisition bid had been made, it began to form the view that there were prospects in these industries which it had not originally appreciated. We discussed with Rank the possibility that after the proposed acquisition it might wish to dispose of one or other of these businesses; it appeared, however, from what Rank told us, that it would not be in any position to express firm opinions as to these possibilities before it had had a chance to examine them from the inside. It seemed likely, however, that Rank would allow the security printing business to continue its operations undisturbed in view of its sound basis and prestige.

74. There is a high degree of concentration in the security printing industry in the United Kingdom and particularly in that of banknote printing. We were informed that apart from De La Rue itself there is only one other substantial banknote printer, a subsidiary of an American company. De La Rue also told us that whilst an assessment of the total banknote market is difficult to make it is satisfied that taking one year with another it has 75 per cent of the world market.

75. In the case of security services, the degree of concentration in the industry also appeared to be high. De La Rue's Security Express Ltd, with approximately 1,000 employees, appeared to be the smallest of the three main companies in this field, providing for armoured car cash transport, the guarding of buildings, installations and factories, and so on.

76. In the field of decorative plastic laminates the degree of concentration in the industry is much less than that of the two industries just referred to. In the United Kingdom, FORMICA laminates, the products of De La Rue's subsidiary, Formica International Ltd, face two main competitive products (Warerite and Arborite) and there are also at least four other producers. Further, a notable feature of this market appears to be the scale of imports into the United Kingdom. We were informed for example that in 1967 these amounted to 37 per cent of the total of consumption, representing imports mainly from Italy but also from Sweden, Norway, Germany and Israel. In this field Formica Ltd now has a second brand of decorative laminate to compete with the lower-priced imported products, particularly those from Italy. We were informed that a total of approximately 5 million square feet of this second brand material was sold in the year 1968.

77. In the central heating industry there are over 100 companies offering a wide variety of solid-fuel, gas-fired, oil-fired and electrical central heating appliances. We were informed that the number of installers of these appliances runs into thousands. The appliances market appeared to be dominated by approximately a dozen firms.