

editorial

Mid-Term Review

Our August editorial seems a good opportunity to take stock of some of the issues raised in recent editorials. Over the last month there have been a number of developments, mostly positive, on those issues.

The petition by a shareholder to wind up St Piran Ltd (June editorial) has raised questions of legal principle. Can a Department of Trade inspectors' report (under ss 165 and 172 of the Companies Act 1948) be used to support a contributory's winding-up petition to the same extent that it could be used to support a petition by the Secretary of State? Dillon J ruled (*The Times*, July 11) that the petitioner can indeed rely on the report – subject to the company's right to adduce evidence to challenge the inspectors' conclusions. Dillon J also went on to hold that the "just and equitable" ground for winding up was to be construed generally and to be taken at its face value. The City Code set out fair and reasonable standards of conduct in relation to companies listed on The Stock Exchange. If directors or principal shareholders chose to flout the Code and rulings of the Takeover Panel and minority shareholders were damaged by the suspension of the company's listing, it could well be just and equitable to wind up the company if the facts warranted this course. This judgment gives strong support to the self-regulatory system.

Further relaxations have been made in the business start-up scheme in the Finance Bill. The remaining problem area mentioned in last month's editorial has now been rectified and tax relief will be available for investments in companies whose trade is retail or wholesale distribution, provided that the company takes actual possession of the relevant goods. The relief is therefore still denied for investments in commodity traders.

The Commons Committee Stage of the Companies (No 2) Bill was completed on July 9. Clauses covering

disclosure by concert parties (July editorial) have been approved. The clauses have not been materially shortened but have been amended to take account of various points of detail raised by the CSI and other commentators.

Finally, to return to a topic mentioned in the January editorial, there are some hopeful developments in the EEC. Most importantly, there now seems to be a real prospect of carrying through the necessary budgetary reforms and the Foreign Secretary, Lord Carrington, has made it clear that this will be a major priority during the current UK presidency of the Council of Ministers.

Cut Price Dangers?

It is not our function to comment on the economic or political rationale of the Government's recent decision to require British Gas to divest itself of its chain of retail showrooms as recommended by the Monopolies and Mergers Commission. We do, however, have reservations from a commercial point of view regarding the decision. Although the Government intends to maintain strict safety standards we query whether, in effect, handing over this market to "cut price" combines will secure the required standards of safety and service. Markets in other products are also under scrutiny by the Commission following complaints that manufacturers are refusing to supply some price cutting retailers. However, the level of pre-sale advice and after-sales service which can be offered to customers by such retailers is necessarily limited. Further, sales by these retailers inevitably undermine the existing manufacturers' networks of dealerships offering advice and after sales service. While the customer may make short term savings through this form of marketing, we believe that, in the long run, consumers will be the poorer for its being given official backing in this way.