

APPENDIX 1.1
(referred to in paragraph 1.1)

The reference

1. On 5 April 1988 the Department of Trade and Industry sent to the Commission the following reference:

Whereas it appears to the Secretary of State that it is or may be the fact that a merger situation qualifying for investigation, as defined in Section 64(8) of the Fair Trading Act 1973 ('the Act'), has been created in that:

- (a) enterprises carried on by or under the control of Gang-Nail Systems Inc (of which one at least was carried on in the United Kingdom) have within the six months preceding the date of this reference ceased to be distinct from enterprises carried on by or under the control of MiTek Industries Inc; and
- (b) as a result, the condition specified in Section 64(2) of the Act prevails, or does so to a greater extent, with respect to the supply by a manufacturer in the United Kingdom of punched metal connector plates and related machinery used in the manufacture of prefabricated timber roof trusses.

Now, therefore, the Secretary of State, in exercise of his powers under Sections 64 and 68 of the Act, hereby refers the matter to the Monopolies and Mergers Commission ('the Commission') for investigation and report within a period of three months beginning with the date of this reference.

(Signed) S W TREADGOLD
An Under-Secretary

5 April 1988

Department of Trade and Industry

2. On 6 April 1988 the Chairman of the Commission, acting under section 4 of the Fair Trading Act 1973 and part II of Schedule 3 thereto, directed that the functions of the Commission in relation to the reference should be discharged through a group consisting of six members of the Commission. He appointed Mr H H Hunt, being one of those members, to act as Chairman of the group. The composition of the group is indicated in the list of members which prefaces this report.

3. Notices inviting interested parties to submit evidence to the Commission were placed in:

<i>Financial Times</i>	<i>Construction News</i>
<i>The Independent</i>	<i>Master Builder</i>
<i>Architects' Journal</i>	<i>Roofing, Cladding and Insulation</i>
<i>Building</i>	<i>Roofing Contractor</i>

4. In addition we sought evidence and views from other makers of connector plates, truss rafter fabricators, building contractors, the relevant trade associations, the Trades Union Congress, the Confederation of British Industry, and the Department of the Environment. We sent a questionnaire to 122 truss rafter fabricators, and received 58 replies. They are analysed in Chapter 2. The views given to us in general on the merger are summarised in Chapter 4.

5. We received written submissions from MiTek Industries Inc (MiTek), which attended two hearings, accompanied by representatives of Hydro-Air International (UK) and Gang-Nail Systems Ltd. Members of the Group and staff visited the Hydro-Air and Gang-Nail plants at Halesowen and Aldershot respectively, and the truss fabricators, William Gimson and Sons Ltd at Leicester, and Merronbrook Ltd at Hartley Wintney.

6. We held a number of hearings with, amongst others, the Department of the Environment and the British Board of Agrément; the Timber Research and Development Association; and enterprises concerned with the manufacture of connector plates and of prefabricated roof trusses.

7. Some of the evidence obtained in the course of our inquiry was of a confidential nature; our report contains only such information as we consider necessary for an understanding of our conclusion.

8. We should like to place on record our thanks to all those who helped us in our inquiry, and particularly to the representatives of MiTek and its subsidiaries.

5. How satisfied are you in general with the supply and prices of these products (please tick relevant boxes):

	<i>Completely satisfied</i>	<i>Satisfied</i>	<i>Not satisfied</i>
Connector plates			
Truss assembly machinery			

If you are not satisfied, please explain why.

6. When assembling timber roof trusses, do you fit connector plates acquired from the supplier of the truss assembly machinery?

Always	
Usually	
Sometimes	
Never	

7. When assembling timber roof trusses do you use (please tick relevant boxes):

	<i>Always</i>	<i>Usually</i>	<i>Sometimes</i>	<i>Never</i>
(a) standard truss designs;				
(b) designs supplied by the plate manufacturer;				
(c) designs supplied by a company other than the plate manufacturer;				
(d) your own designs using software supplied by the plate manufacturer;				
(e) your own designs using software supplied by others;				
(f) other designs — please specify				

8. Have you any objections to this merger involving Hydro-Air and Gang-Nail?

YES	
NO	

If YES, please let us know what your objections are.

9. Do you expect to encounter any difficulties in obtaining supplies of these products in future years?

YES	
NO	

If YES, please tell us what difficulties you have in mind.

Name..... Position

Company.....

Address.....

..... Tel no.....

APPENDIX 2.2

(referred to in paragraphs 2.41, 2.42 and 2.57)

Results of questionnaire survey

1. We sent questionnaires to all the major customers of Hydro-Air and Gang-Nail, and to a number of other truss fabricators. Of the 122 questionnaires sent out, 58 (or 47.5 per cent) were returned. The value of purchases made by the respondents amounted to £7.9 million (or 65.3 per cent) out of a total market value of about £12.1 million. The results are summarised below.

2. Almost 70 per cent of respondents to the questionnaire were private limited companies and the remainder were mostly public limited companies.

3. Over two-thirds of the respondents bought both connector plates and truss assembly machinery from the same supplier. Very few companies bought only truss assembly machinery from a supplier while buying their connector plates elsewhere. A significant number have not bought any truss machinery in the last 12 months. Thirteen respondents bought their supplies from more than one supplier.

Question 2—Suppliers of punched metal connector plates and truss assembly machinery in the last 12 months

Suppliers	Number of responses			
	Connector plates only	Truss machinery only	Both	Total
Hydro-Air	8	0	11	19
Gang-Nail	7	0	16	23
Twinaplate	6	0	9	15
Bevplate	2	1	2	5
Truswal	3	0	2	5
Other	1	2	1	4
Total	27	3	41	71

4. The responses to Question 3 concerning the total values of purchases of plates and machines in 1987 are incorporated into the analysis of the results of Question 8 below.

5. Over 30 per cent of respondents have changed their supplier in recent years (see paragraph 2.42).

Question 4—Have you changed your supplier of these products in recent years?

Answer	Total value of purchases in 1987					
	Number of respondents		Connector plates		Total	
	No.	%	£	%	£	%
Yes	18	31.0	2,050,751	28.9	2,313,103	29.3
No	40	69.0	5,039,776	71.1	5,575,940	70.7

6. Almost 95 per cent of respondents are in general 'Satisfied' or 'Completely satisfied' with the supply and prices of connector plates, and almost 85 per cent are with the supply and prices of truss assembly machinery. Those who are 'Not satisfied' gave reasons as being: a lack of development in the industry due to little competition; and that prices in other European countries were generally lower than in the United Kingdom. About 12 per cent of respondents gave no answer to this question in relation to their purchases of truss assembly machinery.

Question 5—How satisfied are you in general with the supply and prices of these products?

	per cent			
	Completely satisfied	Satisfied	Not satisfied	No response
Connector plates	34.5	60.3	5.2	0
Truss assembly machinery	25.9	58.6	3.5	12.1

7. Over 50 per cent of the respondents indicated that they always use the connector plates from their supplier of truss assembly machinery, and about 24 per cent said that they usually do. Almost 9 per cent said they never do, and 5 per cent did not answer the question.

8. Designs always or usually used by companies when assembling timber roof trusses were indicated as being:

- '(d)' by 59 per cent of respondents;
- '(a)' by 50 per cent of respondents; and
- '(b)' by 36 per cent of respondents.

Question 7—When assembling timber roof trusses do you use:

	<i>per cent</i>				
	<i>Always</i>	<i>Usually</i>	<i>Some-times</i>	<i>Never</i>	<i>No response</i>
(a) Standard truss designs	17.2	32.8	22.4	5.2	22.4
(b) Designs supplied by the plate manufacturer	27.6	8.6	48.3	0	15.5
(c) Designs supplied by a company other than the plate manufacturer	1.7	0	5.2	63.8	29.3
(d) Your own designs using software supplied by the plate manufacturer	24.1	34.5	22.4	10.3	8.6
(e) Your own designs using software supplied by others	0	0	1.7	69.0	29.3
(f) Other designs	1.7	0	3.5	48.3	46.6

9. Almost 60 per cent of the respondents objected to the merger (see paragraph 2.43). Of those who *object*, 41 per cent buy from Hydro-Air and 44 per cent from Gang-Nail, and 32 per cent buy from other suppliers. These figures include 18 per cent who use more than one supplier. Of those who *do not object*, 42 per cent buy from Hydro-Air and 33 per cent from Gang-Nail, and 42 per cent buy from other suppliers. These figures include 17 per cent who use more than one supplier. The 59 per cent of respondents who object to the merger represent 73 per cent of the total value of purchases by respondents of connector plates and truss assembly machinery in 1987.

Question 8—Have you any objection to this merger involving Hydro-Air and Gang-Nail?

	<i>Number</i>	<i>Per cent</i>
Yes	34	58.6
No	24	41.4

Question 2—Suppliers of punched metal connector plates in the last 12 months.

Yes, object to merger

<i>Buy from:</i>	<i>Number</i>	
Hydro-Air	14	of those who object: 41.2% buy from Hydro-Air 44.1% buy from Gang-Nail and 32.4% buy from others. Number who use more than one supplier: 17.7%
Gang-Nail	15	
Twinaplate	7	
Truswal	4	

No objection to merger

<i>Buy from:</i>	<i>Number</i>	
Hydro-Air	10	Of those who do not object: 41.7% buy from Hydro-Air 33.3% buy from Gang-Nail and 41.7% buy from others. Number who use more than one supplier: 16.7%
Gang-Nail	8	
Twinaplate	8	
Truswal	2	

Question 3—Total value of purchases of connector plates and truss machinery in 1987

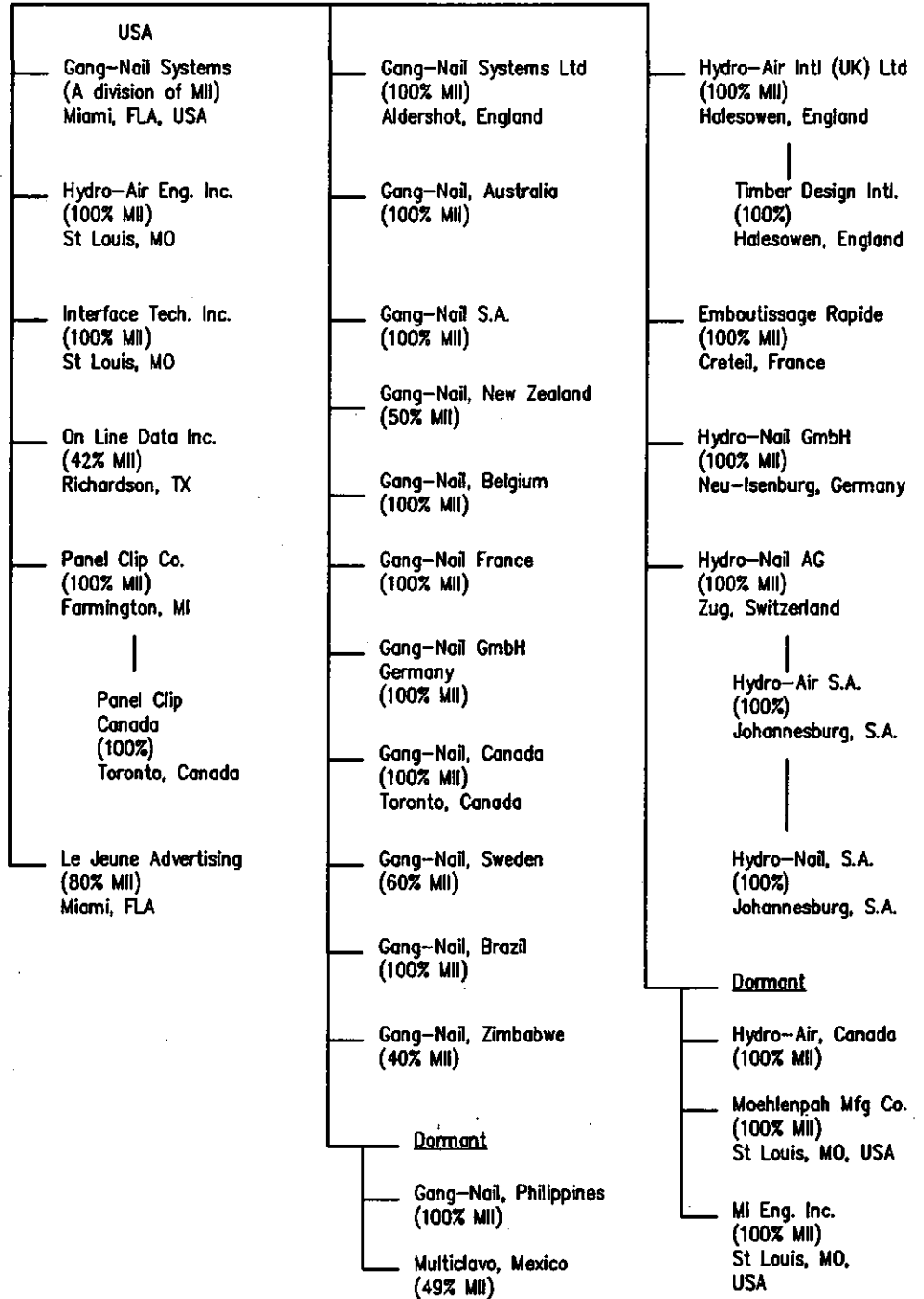
	<i>Object to merger</i>		<i>No objection to merger</i>		<i>Total</i>
	<i>£</i>	<i>%</i>	<i>£</i>	<i>%</i>	
Connector plates	5,154,336	72.7	1,936,181	27.3	7,090,517
Truss assembly machinery	576,785	72.2	221,731	27.8	798,516
Total	5,731,121	72.7	2,157,912	27.4	7,889,033

10. In response to Question 9, about 70 per cent thought that there would *not* be any difficulty in obtaining supplies of connector plates and truss assembly machinery in future years. Of those who did expect difficulties, a significant number mentioned that there might be a rationalisation of plate sizes and reduced stockholding resulting in shortages in times of peak demand.

APPENDIX 3.1
 (referred to in paragraph 3.13)

MiTek corporate structure as at 27 April 1988

MiTek Industries Inc. (MII)
 St Louis, Missouri, USA



Source: MiTek