

5 Views of other parties

5.1. We received evidence from manufacturers of gas fires; British Gas plc, builders' and plumbers' merchants, retailers and other distributors (referred to collectively as distributors); stockists of spare parts; and the Builders Merchants Federation. Their evidence is summarised below.

MANUFACTURERS

5.2. Hepworth plc (Hepworth), owner of Glow-worm Ltd, told us that a merger between Yale & Valor and Myson would probably not have a detrimental effect on price, availability, range of choice, quality and service. Manufacturers, as well as British Gas, wanted a wider product range, innovation and more customer appeal.

5.3. Hepworth believed that a merger would result in some rationalisation and thus some erosion of the market share of a combined group. Also, the entry of smaller specialist manufacturers and changes in fashion were increasingly undermining the position of the leaders in the gas fire market. Hepworth noted in particular that British Gas was the controlling force in the market.

5.4. Ravenheat Ltd told us that a merger would not have much effect in general as there would still be healthy competition throughout the industry. It considered that there was great growth potential for the industry in the next few years.

5.5. Grundfos Pumps Ltd (Grundfos) said that, in principle, it was in favour of a merger. Grundfos told us that there was an over-capacity for heating equipment in the United Kingdom and that some rationalisation and consolidation were essential. However, it was concerned about the lack of established links by Yale & Valor with distribution channels.

5.6. Saunier Duval Ltd told us that a merged group would have a dominant stance in the market-place, which could be prejudicial to the needs of consumers. A merged group would also have a very large commercial network which would give it a very strong position, particularly in the area of after-sales support.

DISTRIBUTORS

5.7. In response to a question in our survey of distributors (see paragraph 3.4 and Appendix 3) two told us that they thought the merger would be in the public interest, 11 thought it would be against and 23 thought that a merger would make no difference. Separately from the survey we received views from other distributors. The position of British Gas is outlined in paragraphs 5.8 and 5.9 and the opinions of other distributors are summarised under topic headings in paragraphs 5.10 to 5.26.

British Gas

5.8. British Gas told us that a merger would have a minimal effect on the supply of gas fires in the United Kingdom. Although a merged group would have, by British Gas's estimation, approximately 47 per cent of the total market for gas fires, competition would remain strong in all sectors of the fire market and the activities of other manufacturers to secure market share would

ensure the continued introduction of innovative products. British Gas also thought it likely that some rationalisation would follow a merger.

5.9. British Gas told us that it was not difficult for a manufacturer to set up and produce a gas fire. Although few new manufacturers of traditional and LFE fires had entered the market in the past few years there was no reason why they should not, if they had a product to offer. However, a number of new manufacturers had appeared in the market for DFES. Also, there were some export possibilities opening up elsewhere in Europe and in America.

Other distributors

(a) Competition in gas fires

5.10. Wolseley Distribution Ltd (Wolseley) believed that a merged group's combined share in the United Kingdom market for gas fires, water and wall heaters would make it vulnerable to greater exploitation by British Gas. This would be to the detriment of the merchants, the independent installer and the general public. However, it believed that there would not be monopolistic pricing as there was fierce competition and some over-capacity within the industry.

5.11. Tricom Supplies Ltd (Tricom) told us that even though it did not oppose a merger it was concerned about any further concentration in the distribution of gas fires. Distributors found gas fires difficult to handle because of the very dominant position of British Gas as the major purchaser. In particular, Tricom would like assurances that any preferential purchasing arrangements with British Gas on gas fires would not be extended to any other appliances.

5.12. One company said that Yale & Valor was already a brand leader and a merger would increase its dominance in the market. It told us that Myson would not supply builders' and plumbers' merchants with boilers. This company believed that if Yale & Valor acquired Myson it would supply them with boilers. This would force other manufacturers to do the same and would increase price and product competition.

5.13. Independent Gas Company (IGC) said that a merged group would have two-thirds of the gas fire market in which it, IGC, was a wholesaler. A distributor of domestic gas appliances also stated that a merged group would have over half of the gas fire market and would be too dominant. Heatek Services Ltd was also concerned about the high market share of a merged group. Otford Builders Merchants Ltd told us that a reduction in competition was undesirable.

5.14. Central Heating Services and C Seymour Ltd said that a merger would probably result in price increases. C Seymour also thought it would result in a decrease in profit margin for the supplier.

5.15. F D Domestic Services told us that Yale & Valor was the front runner in the market for LFEs, but more manufacturers had emerged and so competition was healthy.

(b) Product rationalisation

5.16. Wolseley told us that product rationalisation by the merged group would reduce unnecessary duplication and help stockists to offer a better service. Beggs & Partners Ltd hoped that there would be some rationalisation of an over-subscribed market. J & B Labone Ltd believed that duplication would be eliminated and might lead to a wider range of designs being available.

5.17. A distributor of domestic gas appliances was concerned that there would be rationalisation of the number of appliances available.

(c) Imports and exports

5.18. Heating Replacement Parts & Controls Ltd believed that a stronger company would have a better chance to attack the export market. Coalite Group plc told us it was essential that United Kingdom manufacturers were strong enough to compete against imports from other European countries. Argos Building and Heating Supplies Ltd told us that there were too many major British manufacturers of central heating equipment to achieve the economies of scale and the cost reductions necessary to remain competitive in Europe. H Bradley Ltd said that a merged company would be stronger and it would help to reduce imports.

5.19. Barbican H & P Supplies Ltd told us that a merger would result in a reduction of United Kingdom supply and merchants would be forced to look abroad for supply. Large distributors had good deals with the few British manufacturers but smaller companies like itself were already forced to buy from importers.

(d) Other views

5.20. Graham Builders Merchants Ltd was concerned about what it described as the 'Yale & Valor/British Gas axis'. However, any fears that a large merged group would be detrimental to consumers had to be allayed by the fact that all manufacturers of gas heating equipment were subject to the massive pressures and influences of British Gas.

5.21. Beconfield Merchants Ltd felt that a merger would bring together a strong company in fires with an effective company in boilers and that it would probably be a good mix.

5.22. Fry & Pollard Ltd told us that a merger was not attractive to the industry because Yale & Valor was not orientated to a central heating merchant policy and had a very strong commitment to British Gas through its manufacture of gas fires and gas cookers.

5.23. Burge and Gunson believed that if Yale & Valor acquired Myson it would not do it justice.

5.24. G Martin & Co Ltd told us that if the merger went ahead Yale & Valor could put more emphasis on the production of boilers and so cause possible delays in the supply of gas fires.

5.25. AHED Ltd told us that as style played an important part in the purchasing decision a merger might have some effect.

5.26. A retailer of gas appliances felt that although a merger would create an unhealthy monopoly in the gas fire business and a reduction in customer choice, there would be gains in employment.

STOCKISTS OF SPARE PARTS

5.27. Ashwood Interparts felt that a merger would improve the service it received from manufacturers. Another spare part stockist was concerned that a merger might affect the availability of spares.

BUILDERS MERCHANTS FEDERATION (BMF)

5.28. The BMF told us that a merger would not have a damaging effect on the distribution interests of its members or on the merchanting industry.