6 Conclusions

The merger situation

6.1. Under the terms of reference sent to us on 15 January 1990 (Appendix 1.1) we are required to consider whether arrangements are in progress or are in contemplation which, if carried into effect, would result in the creation of a merger situation qualifying for investigation as defined in section 64(8) of the Fair Trading Act 1973 (the Act) in that enterprises carried on by or under the control of Dixons Group plc (Dixons Group), incorporated in the United Kingdom, would cease to be distinct from enterprises carried on by or under the control of Kingfisher plc (Kingfisher), and that (section 64(1)(b) of the Act) the assets which would be taken over exceed £30 million. The assets of Dixons Group are well in excess of £30 million (Appendix 2.2) and the condition set out in section 64(1)(b) of the Act is therefore satisfied. In view of the final paragraph of the reference, this finding precludes us from considering the test in section 64(1)(a) of the Act.

6.2. In the course of the inquiry Kingfisher confirmed that it remains its intention to acquire all the share capital of Dixons Group, if it is permitted to do so.

6.3. We consider, therefore, that arrangements are in contemplation by Kingfisher for the acquisition of Dixons Group which, if carried into effect, would result in the creation of a merger situation qualifying for investigation.

6.4. Consequently, we have to examine whether the creation of the merger situation which we have identified may be expected to operate against the public interest (section 69(1)(b) of the Act).

Background to the merger

6.5. The group now trading under the name Kingfisher was created in 1982 when Paternoster Stores, a city-backed consortium, bought F W Woolworth and Co Ltd. In 1984 Woolworth Stores plc, as the company was then known, acquired Comet. A number of other electrical retailers were later added: the Ultimate chain in 1987, the Connect chain in Northern Ireland in 1988, and the Laskys chain in 1989. Also in 1989 the company was renamed Kingfisher plc.

6.6. The group has extensive interests outside the electric retailing sector. Its B & Q subsidiary is now the largest do-it-yourself business in the United Kingdom and Superdrug, acquired in 1987, is a substantial national chain of stores selling pharmaceutical, household and toiletry products. The nature of the original Woolworths shops has been greatly changed; these outlets now concentrate on a much narrower range of goods, and in some of these, for instance video cassettes, the group has acquired quite a strong market position.

6.7. In our investigation we were mostly concerned with Kingfisher's Comet subsidiary. This chain supplies large electrical appliances such as washing machines, dishwashers, cookers and refrigerators (white goods); home entertainment products such as television sets, video recorders, hi-fi equipment and cameras (brown goods); and small domestic appliances such as toasters, kettles and irons. Comet, which has moved away from its former `discount warehouse' format, employs 6,500 and excluding the recent Laskys acquisition has some 314 stores of which 130 are in the high street, 26 in out-of-centre retail parks and 158 in out-of-centre mini-parks or stand-alone buildings. Comet claims to be the leading out-of-town electrical retailer.

Dixons

6.8. Dixons Group was incorporated in England as a private company in 1937 under the name Dixon Studios Ltd. Originally it was in the business of portrait photography but by the mid-1940s the main activity was the retail sale of photographic equipment and optical products. During the 1960s and early 1970s, Dixons Group diversified into audio products and television sets and subsequently extended the range to include video cassette recorders (VCRs), hi-fi equipment, microwave ovens, computers and other electronic apparatus. In 1984 Dixons Group acquired Currys Group plc, a national retailer of white and brown goods, and Mastercare Ltd, its servicing subsidiary. The Group now has approximately 13,500 employees in the United Kingdom, of whom about 12,000 are employed in the retailing of electrical products. Dixons has also established itself in the United States, through the acquisition in 1987 of Silo, a substantial retailer of speciality electronic appliances.

6.9. For our purposes the relevant Dixons subsidiary is the Dixons Stores Group (DSG), which controls the stores trading under both the Dixons and Currys names. Outlets trading as Dixons operate wholly from high street sites, and concentrate on brown goods. Currys stores, on the other hand, sell white and a selection of brown goods, mostly television sets, VCRs and audio products; they also stock small electrical appliances. Traditionally Currys operated on high street sites, but there are now 80 Currys superstores in out-of-town sites. These provide a much bigger range of goods than the high street Currys stores.

The market for electrical goods

6.10. In 1989 the retail market for electrical goods was worth about £6 billion (see Table 3.3). This was equivalent to slightly over 2 per cent of all consumers' expenditure in that year. The United Kingdom market for electrical goods has been a growth sector for the last decade; the increase in consumer spending on such goods has been more than double the rate of growth of consumer expenditure as a whole. Within electricals, brown goods have been an especially buoyant sector. Both the white and brown goods markets are relatively volatilethey react strongly to factors influencing disposable incomes such as interest rate changes, and they are affected by the rate of introduction of new products. Although the trend is more pronounced in brown goods than in white, where the market is more mature and dictated less by technological advances, the prices of electrical goods in the United Kingdom have fallen in relation to prices generally each year since 1980.

6.11. Most consumers purchase electrical products from retail shops. The shop sector contains both electrical goods specialists and multi-product competitors, such as department stores, catalogue retailers and variety stores. A small percentage of consumers obtain them from non-retail sources.

6.12. There are now only three major national specialist multiples in the United Kingdom: DSG, Comet and Rumbelows. DSG and Comet are the market leaders. Depending on whether or not the renting of electrical goods, especially televisions and VCRs, is treated as part of the retail market and on other minor points of definition, they account for between 21 and 26 per cent of total retail sales. In some product groups, notably washing machines, dishwashers and audio systems, their share of the relevant market is a good deal higher. Whatever exact definition of the market is adopted, the Rumbelows share of total sales of electrical appliances works out at about 5 per cent.

6.13. The national multiples offer the customer a wide range of prominent outlets located both in the high street and, increasingly, at off-high-street sites (particularly for large white appliances); comprehensive ranges of products; associated services (such as credit, extended warranty terms and after-sales service); and the security of a nationally-known name. As a result, the multiples appeal to a broad class of customer with an emphasis on the lower age groups (under 45 years).

6.14. Sales of `exclusive' brands (ie brands, or in some cases specific models, which are only available from one particular retailer) currently offered by Comet, Dixons and Currys suggest that the main national retailers tend to be especially strong in these ranges. `Exclusive' brands generally provide higher gross margins for the retailer than branded products but the retailer's cost can also be

higher. It therefore does not follow that `exclusive' products are more profitable than branded goods. Since each is unique to its retailer, any `price matching' obligation against the equivalent goods of other retailers cannot operate.

6.15. In recent years the number of specialist multiples with a widespread presence in the market has declined. Most, including Ketts, Laskys, Ultimate, Vallances and Wigfall, were acquired by the major national multiples. The specialist electrical multiples that remain, eg Bennett & Fountain, Clydesdale, Colourvision, Tandy, Apollo 2000, Miller Brothers, Hughes and Tempo, account for some 900 retail outlets and 2 per cent of overall electrical sales.

6.16. As at December 1989, there were about 5,000 independent electrical retailers (although this figure includes many repair businesses and second-hand shops which occasionally sell new products). They are generally small outlets, often family-owned, with no more than a few shops (often only one) under the same ownership. The independents account for 20 per cent of overall electrical sales, down from 23 per cent in 1985. Their share of brown goods is around 30 per cent (33 per cent in 1985), while their share of white goods has declined steadily (from 16 per cent in 1985 to 13 per cent in 1989). There has been some recent recovery in the overall share of the independents.

6.17. The 15 electricity boardsnow public electricity supply companiesretail electrical goods in their respective regions. They have a combined market share of 13 per cent of the total electrical market. However, this is heavily weighted towards large white goods (particularly electric cookers); they have a 23 per cent share of major appliances, 6 per cent of the small appliances market, and only 2 per cent of the domestic electronics sector (year to the end of June 1989). The mode of operation of these companies will change because of privatisation but whether that will lead to an increase or reduction of their retail operations remains to be seen.

6.18. Department stores' share of the electrical appliances market has declined over the last five years, from about 8 per cent in 1985 to just under 6 per cent in 1989. Like the independents, their decline has been greater in the large white goods market (where their share has fallen from about 8.5 per cent to about 5.5 per cent over the same period) than in the brown goods market. Surveys show that department stores may be regarded as rather `up-market' and tend to appeal particularly to more affluent and older customers.

6.19. Electrical goods are, to a greater or lesser extent, sold by other types of outlet, such as mail order companies, non-specialist chains (such as Boots), catalogue showrooms (such as Argos), rental stores and other shops (for example, chemists). These outlets tend to be particularly strong in the sale of small domestic appliances. Overall, non-specialist stores have a 17 per cent share of the retail market whilst mail order accounts for a further 7 per cent.

6.20. Over the last three years there has been a significant shift of electrical retail sales from small or medium-sized high street shops to large superstores, located off the high streeteither on the edge of town or in retail parks away from towns. Out-of-town sales accounted for 11 per cent of those of total electrical outlets in 1985. The forecast for 1990 is 18 per cent. While there has been a decline in store numbers, retail floor space devoted to electrical retailing has expanded. During the period 1982 to 1989 the increase is estimated to have been 37 per cent. DSG and Comet between them are particularly strong in out-of-town retailing; this share is put as high as 80 per cent.

6.21. Both in local shopping areas and nationally there appears to be considerable price uniformity across the range of electrical retailers. For example, Kingfisher's survey of electrical outlets in Bromley showed that the retail prices for well-known brands were the same in up to a dozen outlets (see Table 3.21) and an investigation by Dixons Group indicated that differences in prices between different parts of the country were usually quite small (see Appendix 3.5).

Competition

6.22. Our central concern is with the effects on competition of the proposed merger of the largest and second largest retailers in a significant consumer market. In the following paragraphs we deal first with the nature of local and national competition, then with the probable consequences of the merger on competition in the retail market, and then with the extent of the influence of manufacturers on the operation of this market.

Local and national competition

6.23. It is one of Kingfisher's principal contentions that the relevant competition takes place at the local level. Kingfisher stated this position clearly:

The fact that Kingfisher is a national retailer of electrical goods, and will be the largest national retailer following the merger, will not in itself affect competition in the electrical retailing market. The market in which consumers shop around and choose to purchase from one retail outlet rather than another is the local market. A consumer in Bromley, for example, would not regard a store in Swindon as an acceptable substitute for a store in Bromley. Competition is conducted in the local market, where price and product comparisons can be made most effectively.

6.24. It is evident that for the great majority of shoppers purchasing of electrical goods remains a local activity. On the other hand the prices and conditions which such shoppers face are in our view decisively influenced, if not determined, by forces operating at the national level. It is, in particular, Dixons, Currys and Comet which have created national chains. They have, further, emphasised the national nature of their activities by setting national prices and by advertising their stores and the prices of their products nationally.

6.25. It is abundantly clear that in that national market DSG and Comet are at present vigorous competitors. This competition is both on price and on other conditions of sale, such as payment terms, warranties, service, etc. Both groups frequently use special promotions featuring particular types of products or individual ranges; sometimes it is well-known and widely available brands that are offered, whilst at other times the promotion emphasises DSG's or Comet's exclusive brands, many of which tend to sell at the lower end of the relevant price scales.

6.26. DSG suggested to us that competition between DSG and Comet has at times assumed the nature of `tit-for-tat' wars over prices and other terms of sale, with the battle lines clearly set out in substantial national newspaper advertisements. Kingfisher took a different view of these specific incidents to which DSG had drawn our attention, arguing that such price reductions generally resulted from other factors such as previous overstocking and price cuts initiated by the relevant manufacturers. Whatever view is taken of the particular examples put to usand we do, of course, accept that manufacturers have an important influence on price levels, though, on the other hand, there was some corroboration of the DSG side of the story by another major retailerwe are satisfied that, whilst there clearly are other competitors in the market, there is a good deal of `eyeball to eyeball' rivalry between DSG and Comet.

6.27. Advertising, which we have already referred to above, plays a key role in the confrontation between the two store groups. A recent survey showed Comet, Dixons and Currys in the top 13 of nationally advertised `names'. Comet, Dixons and Currys together account for about two- thirds of all media advertising by electrical retailers. Some 70 per cent of the advertising expenditure by these three chains is in national press and television. Whether the advertisement gives information on a number of specific products and prices, or whether it covers a wide range of goods for sale in DSG or Comet stores, it informs both competitors and consumers about the two retailers' current positions, and plays an important role in keeping the names of Comet, Dixons and Currys before the public.

6.28. DSG told us that, whilst it monitored prices generally, in setting its prices it regarded what Comet was doing as of the utmost importance; Kingfisher stated that it set its prices by considering

the prices of all its competitors in the market-place. We are not convinced by Kingfisher's argument. DSG's and Comet's prices are keen and competitive and very easily compared given their nationally advertised character. It is inconceivable that each of these two major competitors does not attach the greatest significance to the prices and terms the other is setting.

6.29. We accept the evidence from both manufacturers and competing retailers that the national prices fixed and nationally advertised by Kingfisher and DSG are carefully monitored by competitors, who set their own prices by reference to the Kingfisher/DSG price levels. One large retailer said that Comet and DSG were the price leaders in the market and that it had to respond to their initiatives (for example, during the `price wars' on VCRs between Comet and DSG in the autumn of 1987). Another major retailing group told us that it daily checked the DSG/Comet prices; to remain competitive it had to match immediately any price reductions set by either company. A DSG survey indicated that competitors keenly watch DSG's and Comet's prices, though DSG's interpretation of the data was challenged by Kingfisher.

6.30. The evidence on profitability in electrical retailing is not clear cut, but a number of observers have spoken to us of a squeeze on profit in recent years, and have attributed this to intense competition between Comet and DSG. Competition, on price, between Comet and DSG was described by one competitor as ruinous. In the case of DSG profitability began to decline in 1986/87. In the most recent full 12-month period Comet's profits fell by 30 per cent. Rumbelows told us that intense competition between Kingfisher and DSG in recent years had produced short-term benefits for the consumer, mostly at the expense of other retailers unable to survive such prolonged competition. Rumbelows felt that a merger which would put an end to the cut price war could only be good for the general business health of the industry and subsequently the consumer.

6.31. We have therefore concluded that notwithstanding the significance of local competition the combined existence of national chains, national price structures and after- sales service organisations, and national advertising, has this important consequence: that the pricing of electrical goods sold at retail in the United Kingdom is substantially influenced by the fierce and continuing rivalry and pricing strategies of these two very big retailers. It is in large measure this price competition between DSG and Comet which is the market price determiner, with other retailers to a major degree acting as price followers.

Effects of the proposed merger

6.32. A merger between Kingfisher and Dixons Group would clearly remove competition between the two market leaders; in our view it would also significantly weaken competition in the retailing of electrical appliances generally. That is not to deny that a combined group would still face competition. In most towns and cities of any size there would continue to be a number of outlets in which electric appliances would be sold. However, we are convinced that the combination of the largest and second largest national multiple chains into one company would give that company considerable power over national prices and that in due course prices would be higher than otherwise and non-price terms of sale less favourable to the buyer.

6.33. The argument that `artificially high' prices could not be sustained in a sector where there are few or no barriers to entry or expansion needs in our view to be seen alongside the record of the sector during the last ten years. Kingfisher states that `ease of entry is confirmed by the history of numerous successful instances of entry'. But history does not support the view that newcomers would succeed in penetrating the market to the extent necessary for them to become an effective competitor to the merged company, nor that other multiple chainsMarks & Spencer, or Boots, for examplewould expand into electrical retailing to any great extent. The new entrants could also be deterred by the cost and complexity of providing after-sales service.

6.34. Kingfisher argued that, if an enlarged Kingfisher group attempted to sell at prices higher than they otherwise might be, competitors would not thankfully shelter under the price `umbrella' but would sell at lower prices in order to increase market share. We doubt that this would be the general

reaction, especially if, as some of the two groups' rivals have stated, the competition between Comet and DSG has squeezed margins generally.

6.35. In any event we are not suggesting that on the day following a merger between Kingfisher and the Dixons Group prices of all goods in the enlarged group's shops would increase, if `only' by an average of £5 or £10. We think it more likely that new products under an `exclusive label' (on which no price pledge operates) would before long appear with prices rather higher than they would in the absence of a merger. This raising of prices would then be followed in `secondary brands' for which the enlarged group's power relative to that of manufacturers would be greater than for `primary brands'. Prices of primary brands would in turn follow.

6.36. Nor are we suggesting that products would necessarily be introduced at higher prices than at present. However, the fall in prices over time as technologies mature and volumes increasea process characteristic especially of brown goods (see, for example, paragraph 3.57 and Table 3.20)might well be slower as a result of a merger.

6.37. Whatever the precise mechanism and order of events, we are in no doubt that the effect of the merger would be to raise the prices of electrical appliances. In this context it is important to remember that each 1 per cent increase in the price level of electrical appliances would cost the consumer about £60 million a year extra in total expenditure.

6.38. We conclude that the removal of competition between the largest and the second largest retailersthe inevitable result of the proposed mergerwould bring about a significant reduction in the overall amount and intensity of competition in electrical retailing, and that in consequence prices would be higher than would be the case if the merger did not take place and Kingfisher and Dixons continued to compete against each other.

The relative power of manufacturers and retailers

6.39. One of Kingfisher's major points in support of the argument that a merger with Dixons would have no adverse effects in the electrical appliance retail market was that any enhanced market power which the combined group might enjoy would be counteracted by the strong position established by the manufacturers. Many of these are substantial international companies with well-known brands in their portfolio. Kingfisher stated that they exercise considerablein Kingfisher's view undueinfluence on prices and on terms generally. Against all arguments that the enlarged group would be in a position to sell at prices higher than they would otherwise be, Kingfisher maintained that prices are set by powerful manufacturers, and not by retailers.

6.40. We note first that there are a multiplicity of manufacturers, some more powerful than others, but none of which provides goods over the whole spectrum of the broadly defined electrical goods market. The manufacturers compete vigorously against each other in terms of price, product specification, and the rate of innovation of new products (a point especially important in brown goods); in part because of the importance of innovation and the uncertainties inevitably attached to it, a brand with a strong market position in one year may later find itself relegated to the secondary brand league, and vice versa. In this situation, and in the light of the evidence from manufacturers, which we refer to below (in paragraphs 6.42 and 6.46) it seems unlikely that any individual manufacturer could effectively mount a credible challenge to the market policies adopted by a retailer as powerful as the combined group.

6.41. The issue of the relative strength of a combined group and the manufacturers is relevant to the question whether a merged company could obtain improved terms from its suppliers, and what the further consequences would be. While a survey which we conducted did not provide conclusive evidence (and we were aware of a natural tendency on the part of manufacturers perhaps to exaggerate somewhat the increased power of the merged group) it pointed to the probability of an enlarged Kingfisher being able to negotiate better terms; such advantage would, of course, have to be only minor in scale to provide the basis for significantly increased profits.

6.42. More particularly, one respondent suggested that a merger of the two most powerful and competitive retailers in the industry would eventually place each supplying manufacturer under much greater pressure to provide improved profit margins and support packages in order to retain a supply contract. One of the major Japanese suppliers of brown goods to the United Kingdom market said that, by virtue of the volume of their purchases from this supplier, Comet and Dixons already enjoyed better terms than other retailers. The merged company could be expected to seek to use its greater purchasing power to increase the differential. This would be difficult to resist given that the merged company would be able to turn to other manufacturers for its supplies. An independent retailer said that the merged group's buying powers would enable it to secure reductions in its buying prices, and this would widen the gap that was already believed to exist between the buying prices of Comet and Dixons on the one hand and the independents on the other.

6.43. It has been suggested to us that manufacturers would seek to restore their own margins by selling to the enlarged group's competitors at higher prices or on less advantageous terms than would otherwise rule. One supplier of brown goods felt that as its own margins were small, any improvement in the terms given to the merged company would have to be at the expense of the benefits now given to the smaller retail chains and the independents. This would considerably reduce their effectiveness as competitors. (It would also discourage new entrants to the market.)

6.44. We have noted the contrary argument that at least some manufacturers would provide more support, through assistance on price and promotion, to, for example, independent retailers. Kingfisher suggested that manufacturers would be forced to grant to all retailers any improved terms negotiated by the enlarged group, and that these benefits would be passed on to the consumer.

6.45. We think this unlikely. On the contrary, we consider that the terms on which competing retailers are supplied by manufacturers would tend to be worse than those enjoyed by an enlarged Kingfisher, and possibly worse also than they would be in the absence of the proposed merger. As a result competition in the market would be further weakened.

6.46. Some manufacturers have also told us that a single major national retailer would be in a position at least to delay the introduction of new models and innovative products in a situation in which that dominant retailer, concerned about the risks associated with new products, would not have to look over its shoulder at a major rival. For example, a Japanese manufacturer of brown goods said that, at present, competition between Kingfisher and Dixons gave them both the incentive to take new products. With that incentive removed the merged company would be in a position to delay, or prevent, the introduction of a new product to suit its own stocking policies. Another manufacturer suggested that a merger could lead to a reduced variety of products, as the combined group sought to reduce stock levels. A supplier of white goods said that the new group's buying power could lead to a rationalisation of product ranges, and could ultimately affect adversely the ability of manufacturers to get new models listed for sale.

6.47. We think it unlikely that a merged company would in general wish to resist the launching of novel products with advanced and attractive features, let alone of goods which are expected to open up major new markets (eg camcorders). However, we accept that the introduction of models with minor changes in features may be prevented or at least delayed if that suited the stockholding policy of a merged company. We also consider that the variety of products offered by an enlarged Kingfisher may well be somewhat narrower than the total range at present available from Dixons, Currys and Comet combined.

Effects on employment

6.48. We have received some evidence from both Kingfisher and Dixons Group that a merger would reduce the number of jobs available in stores and in the United Kingdom factories of some suppliers, and the estimates of both parties are remarkably similar. Whilst many people displaced in the rationalisation envisaged would be found alternative employment there was no dispute that some 2,000 jobs would disappear if the merger were to be allowed and Kingfisher then succeeded in acquiring Dixons.

Summary

6.49. In summary, the national rivalry between the two major companies, Comet and DSG, has brought considerable benefits to consumers of brown and white goods, both directly and because of its influence on prices and conditions of sale in the retail market generally. Removal of this rivalry from the competitive process would have a significant impact on competition in the retail market, and thus on retail prices.

Conclusions on the public interest

6.50. We have considered the probable effects of the proposed acquisition of Dixons Group by Kingfisher on the public interest. We conclude that the removal of competition between the largest and the second largest retailers would bring about a significant reduction in the overall amount and intensity of competition in electrical retailing, and that in consequence prices would be higher than would the the case if the merger did not take place.

6.51. There could also be adverse consequences on the range of products on offer and on the rate at which new products are introduced; employment may be lower.

Possible benefits of a merger

6.52. Given our finding of specific effects adverse to the public interest we considered whether there were any benefits of the proposed acquisition. As Chapter 4 indicated, several manufacturers and competitors saw positive aspects of the merger. Kingfisher told us that it intended to enhance the consumer appeal of the Dixons and Currys chains, that its strategy for DSG would benefit consumers, and that it intended to `re-establish Dixons and Currys as effective competitors for the longer term'.

6.53. We have considered Kingfisher's arguments and the Dixons Group's rebuttal of them. The first aspect of Kingfisher's announced strategy for Dixons is to improve the service given to customers in the shop, and to offer better terms on return of goods. Second, Kingfisher would `broaden the merchandise range offered at Dixons and Currys'. Third, Kingfisher would improve product repair services and delivery. £5 million per year would be saved from merging Comet and DSG service operations, and Kingfisher implied that that would be used to strengthen repair services, and to introduce pre-arranged `time of day' appointments. Similar improvements would be made in delivery and installation of large electrical goods.

6.54. We found no objective evidence that there was much to choose between the in-store and after-sales service of Comet and DSG. Nor in our view was the evidence convincing that the variety of products offered by a merged group would be greater than the range currently available in Dixons, Currys and Comet combined; indeed, as pointed out above (paragraph 6.47), this range might shrink somewhat following a merger.

6.55. Overall, we do not accept that an enlarged Kingfisher would set standards for customer service which an independent DSG cannot or could not match.

6.56. We conclude that the detriments to the public interest which we have identified are not balanced by any probable benefits of the proposed merger. We further conclude that the creation of the merger situation qualifying for investigation which we have identified may be expected to operate against the public interest with the particular effects adverse to the public interest which we have specified in paragraph 6.50.

Possible remedies

6.57. In view of these findings we are required by section 72(2)(a) of the Act to consider as part of our investigation what action (if any) should be taken for the purpose of remedying or preventing the adverse effects that have been identified, and may include in our report recommendations as to such action.

6.58. We have given careful consideration to the question of remedies. In particular, we looked closely at the proposals made by Kingfisher which are listed in Appendix 5.1. In putting these forward, Kingfisher said that it was aware that the Commission could not negotiate `undertakings' as this term was understood in the Act. Kingfisher indicated, however, that it was its declared intention to be bound by their terms. While we have no reason to doubt Kingfisher's present intentions, there is, of course, no guarantee that circumstances and intentions might not in future change. We do not think that the proposals in Appendix 5.1 whether taken individually or in combination would remedy the detriments that have been identified.

6.59. We also considered other possible remedies. We concluded that only one was likely to be effective: the divestment by Kingfisher of Comet. We sought the views of Kingfisher on this possibility. Kingfisher told us that it was not a feasible remedy. In all the circumstances we decided not to pursue it.

Recommendations

6.60. We therefore concluded that no effective remedies could be identified, or, therefore, recommended. We therefore recommend that the merger should not be permitted.

H H LIESNER (Chairman)

J G ACKERS

C C BAILLIEU, being a member of the Group, dissents from the conclusions for the reasons set out in the note of dissent included in this report.

L BRITZ

J EVANS

D G GOYDER

S N BURBRIDGE (Secretary)

27 April 1990