



Determination No. M/04/042 of the Competition Authority, dated 26 August 2004, under Section 21 of the Competition Act, 2002

Notification No. M/04/042 – The proposed acquisition by Wolseley Overseas Limited of Brooks Group Limited.

Introduction

1. On 30 July 2004 the Competition Authority, in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Wolseley Overseas Limited (“Wolseley”) would acquire Brooks Group Limited (“Brooks Group”) (“the proposed acquisition”).

The Parties

2. Wolseley, the acquirer, is a subsidiary of Wolseley plc, which is based in the UK. Wolseley plc supplies goods and services for the central heating, plumbing, bathroom, drainage, construction and repair & maintenance sectors, mainly to trade professional customers, through branch networks in a number of European countries. Wolseley plc operates in the State through two chains of retail outlets: Heatmerchants / Gas & Oil Parts (“Heatmerchants”), which supplies heating & plumbing products, gas and oil replacement parts, and gas appliances, mainly to trade professionals; and Tubs & Tiles / Allwood Flooring (“Tubs & Tiles”), which supplies tile, bathroom furniture and accessories, and wood flooring to trade and public customers. In the State, Heatmerchants has 35 outlets and Tubs & Tiles has 15 outlets.
3. Brooks Group, the target, is a subsidiary of a Finnish company, UPM Kymmene Corporation (“UPM”). In the State, Brooks Group supplies timber products and building materials to builders, joinery and furniture manufacturers, other builder merchants, and DIY users. Products supplied by Brooks Group can be broadly categorised as soft and hard woods, sheet materials, heavy building materials, ironmongery, plumbing and heating products, and industrial flooring. Brooks Group has 15 outlets in the State, and 3 outlets in Northern Ireland.

Commercial Rationale

4. [...]

Overlap

5. Wolseley and Brooks Group submit that their respective businesses in the State are in the main complementary and that they only compete horizontally in two sectors: supply of wood flooring; and supply of heating and plumbing products. Both Tubs & Tiles and Brooks Group have wood flooring outlets in Galway, Sligo, Limerick, Tralee, Cork, Waterford and Dublin. Both Heatmerchants and Brooks Group have heating and plumbing outlets in Sligo. The Authority’s market enquiries confirm that these product and geographic sectors are the principal areas where overlap occurs.



Analysis

Wood flooring

6. Purchasers of wood flooring are typically non-professional householders. The parties estimate that a typical wood flooring outlet has a catchment area of 30 miles radius. Market enquiries indicate that catchment areas of that size are broadly applicable in most regions of the State, but not in the Dublin metropolitan area, where catchment areas are of the order of 3-5 miles radius.
7. It is the Authority's opinion that, in terms of consumer preference, flooring products such as carpet and tile are not substitutable for wood flooring. The lack of demand-side substitutability distinguishes wood flooring from other flooring. There are three broad categories of wood flooring - solid, semi-solid and laminated. In general, wood flooring can be purchased in specialist wood flooring outlets, carpet outlets, and medium and large hardware and DIY outlets. Market enquiries indicate that there are a considerable number of suppliers of all categories of wood flooring in the State, such that the proposed acquisition would not substantially increase concentration in the wood flooring retail industry in the State or in any region of the State. It is therefore not considered necessary, for the purpose of this investigation, to distinguish between different categories of wood flooring, or to distinguish between different categories of wood flooring suppliers.
8. While the Authority notes that the catchment areas described above are useful for suppliers' purposes, this does not constitute a determination as to the relevant geographic market, particularly as wood flooring is essentially a 'once-off' product for most householder consumers, many of whom could travel further than 30 miles with relative ease.

Heating & Plumbing

9. The parties submit that purchasers of heating and plumbing equipment are mostly professional traders (e.g. builders, plumbers) rather than non-professional householders. Market enquires amongst trade customers confirm that the parties' activities are to an extent complementary.
10. The larger customers of Heatmerchants' Sligo outlet are plumbers, who can source heating and plumbing products from several sources. They indicated that they can purchase such products from Brooks Group, but tend not to do so because Brooks Group does not specialise in that sector to the extent that Heatmerchants does. The larger customers of the Sligo outlet of Brooks Group are mainly professional builders, who do not consider Heatmerchants to be a supplier of general building products. Such customers source as much product as possible from one supplier, in order to obtain the highest total discount. For that reason, regular customers of Brook Group try to buy their heating and plumbing products from Brooks Group, rather than from Heatmerchants.



Determination of the Competition Authority

11. Market enquiries indicate that there are a number of alternative providers of heating and plumbing products in the State and in regions of the State, such that the proposed acquisition would not substantially increase concentration in that industry.
12. The parties again submit that their Sligo outlets have catchment areas of 30 miles radius. As above, The Authority notes that such catchment areas are useful for suppliers' purposes, but this does not constitute a determination as to the relevant geographic market, particularly as some Sligo-based customers stated that they can readily source products from Dublin. It is not considered necessary to define the relevant product and geographic market, or markets.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Wolseley Overseas Limited of Brooks Group Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Edward Henneberry
Member of the Competition Authority