

4 The views of other parties

4.1. The views we received from other parties are summarised in this chapter. It includes certain views of consumers of H & T strip, mostly given for the survey of consumers described in Chapter 2.

Other manufacturers of H & T strip

4.2. Ben Bennett Jr Ltd considered that the merger was not against the public interest and that the effect on competition was immaterial. Imports had increased, a trend almost bound to increase after 1992.

4.3. George F Homer (Redditch) Ltd (Homer) found the effects of the merger difficult to judge so soon after it had occurred, but believed that Firth's and Lees' combined market share must adversely influence competition. Imports had not been significant in the past, and Homer could not say how successful competitors had been in penetrating the United Kingdom market.

4.4. British Steel's production of H & T strip is small. British Steel did not wish to give views on any aspect of the merger.

Stockholders

4.5. Knight Strip Metals Ltd saw H & T strip and carbon steel strip as lying within the same market. The company bought H & T strip domestically when it could and imported when it could not, so could speak knowledgeably about imports. Competition was mainly from imports and had been increasing for some time, particularly in the cheaper products. The company supported the merger. It would strengthen Firth and Lees against import penetration, and anything done to extend the range and improve the efficiency of their factories could only be to the good of United Kingdom industries using steel.

4.6. George Ibbotson Ltd (Ibbotson) is also a manufacturer of finished products including hand tools. Ibbotson saw signs of increased competition from imports in the large stockholdings of German manufacturers, mainly intended for the larger consumers; however, the position could alter. Ibbotson was most disturbed that as a single dominant supplier Glynwed would be able to dictate prices and, in the event of a recession, to restrict supplies or do whatever was necessary to protect its margins. As a hand tool manufacturer Ibbotson would find it very difficult to compete with imports if its supplies of H & T strip were affected. In Ibbotson's opinion new entry to the market was unlikely because large investment would be required and the market was in decline.

4.7. Other stockholders including Sandvik UK Ltd and Uddeholm told us that they had no comments.

The British Independent Steel Producers Association

4.8. The Association told us that in considering the effects of the merger it would be highly inappropriate to consider only H & T strip supplied in coil form by the high carbon steel strip manufacturers. What was relevant was the small share of Firth and Lees in the market for high carbon steel strip.

4.9. Firth and Lees were large exporters within and outside the EC, and it would be most misleading to consider the United Kingdom market in isolation. The merger would strengthen them both and make them better equipped to compete on export markets. They faced the substantial new capacity installed on the Continent both in the relatively small quantities of H & T strip they produced and in their highest value specialist products. The potential for competition in the United Kingdom had increased significantly with the warehouses which had been established by Swedish and French manufacturers. The Association supported the merger. Its economic benefits far outweighed any putative loss of competition in the H & T strip sector of the carbon steel strip market.

The Iron and Steel Trades Confederation

4.10. The Confederation told us that the H & T strip industry had been the subject of much uncertainty during the present decade, and the acquisition of Firth by Glynwed in 1986 ended the uncertainty over Firth's future. Glynwed had increased Firth's market to Glynwed's own advantage and to the advantage of the Confederation's members employed by Firth. The Confederation believed that Lees would go the same way. The merger would bring Lees similar benefits. If a strong and viable sector of the steel industry was in the public interest, then the merger was also in the public interest.

Customers

4.11. The main analysis of customers' views is in Chapter 2. A large customer in the automotive products sector said that Firth could not produce really narrow material and that the merger would improve Lees' competitiveness to the point that this customer could buy good quality material locally instead of having to import it. A wide bandsaw manufacturer and a printers' rule manufacturer said that quality would be maintained as H & T strip was exported world-wide. One of Glynwed's major customers in the hand tool sector said that it could import H & T strip and saw no effect from the merger. A bandsaw manufacturer said that the merger would have raised no difficulty but for British Steel ceasing production of the appropriate H & T strip at the beginning of 1989. A doctor blade manufacturer said that there was little competition before the merger and that what competition there was would decrease. A spring manufacturer said that the reduction to effectively a single supplier had serious implications; while this company tended to buy only from Firth, the existence of Lees had had its effects by providing competition. Another spring manufacturer saw the possibility of rationalisation as the only detriment; if Glynwed rationalised Firth and Lees and reduced capacity there would be an artificial shortage, and disproportionate price rises. A hand tool manufacturer said that competition would be diminished and domestic prices would rise, allowing importers to capture the market. Delivery times would lengthen. This would force bigger stockholdings and lead to higher prices for the finished product, and so to imported hand tools capturing the United Kingdom market. A manufacturer of textile machinery said that there would be less interest in the small consumer. Several customers in different sectors saw imports as the main competition for Firth and Lees.

Individuals

4.12. A former employee of Firth said that there had been no fundamental changes in the circumstances which had led to the 1986 proposal for a merger bringing together Firth and Lees. Domestic competition for Firth and Lees was only small scale. Imports were small because consumers had very special requirements, and generally they ordered relatively small quantities. He thought it undesirable that Firth and Lees should have a near total monopoly in H & T strip with little prospect of competition.

Department of Trade and Industry

4.13. The Industrial Materials Market Division of the Department of Trade and Industry observed that the combined supplies of H & T strip by Firth and Lees formed only a very small proportion of the total United Kingdom market for H & T strip. Their supplies were in turn only a small proportion of their combined total business in carbon steel strip. Their supplies of H & T strip should be seen both in this context and in the context of the variety of ways, including imports, in which the United Kingdom market for H & T strip was served. Increased competition from imports might be expected with the advent of the Single European Market.

4.14. The range of different sources of H & T strip to meet United Kingdom demand and the relative ease with which customers could switch between these sources together suggested that competition in the United Kingdom market was not constrained. Although Firth and Lees dominated a particular process source within the market, their share of the whole market was so small that it was unlikely that they would be able to exploit their combined position, given the wider competitive pressures.

4.15. The division found it difficult to see that consumers in the United Kingdom would suffer because of the merger. The merger appeared to allow rationalisation to improve international competitiveness and a more secure position under British ownership for Lees in particular. The division told us that the views expressed should not be taken to reflect the views of the Secretary of State or of the Department's officials concerned with competition policy.