



Australian  
Competition &  
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Commission

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# NEWS RELEASE

## ACCC RELEASES STATEMENT OF ISSUES ON PROPOSED ACQUISITION OF DUX BY RHEEM

The Australian Competition and Consumer Commission has released a Statement of Issues identifying competition concerns in relation to the proposed acquisition by Rheem Australia Pty Ltd of the Dux hot water heater business, currently owned by GWA Group Limited (ASX: GWA).

“The ACCC is concerned that the proposed acquisition is likely to substantially lessen competition in the supply of storage water heaters,” ACCC Chairman Rod Sims said.

“The proposed acquisition would lead to Rheem being the only Australian manufacturer of the more common vitreous enamel storage heaters. Market inquiries have indicated that there are few imports for the larger-size storage water heaters commonly used in Australian homes,” Mr Sims said.

The ACCC notes that gas-powered continuous flow water heaters appear to have increased in popularity in Australia but is concerned that they are not a viable option for many customers, particularly in areas where reticulated gas is unavailable.

Market inquiries have also indicated that when replacing an existing system (which makes up around 70-80% of sales) customers have a tendency to replace their storage water heater with one of the same type, as this may allow faster and cheaper replacement.

“Dux is currently a major competitor to Rheem in the supply of storage water heaters. The acquisition of the Dux business will give Rheem the vast majority of sales, particularly for large storage units. Market participants raised concerns that the proposed acquisition may enable Rheem to raise prices or decrease service or quality in the supply of electric and gas storage water heaters in Australia,” Mr Sims said.

The ACCC will explore whether imports of storage water heaters are likely to provide a sufficient competitive constraint on Rheem post-acquisition. While imports of storage water heaters do occur, market participants have questioned the viability of importing larger-size storage water heaters, particularly if the Australian dollar continues to decline in value.

The ACCC invites further submissions from the market in response to the Statement of Issues by 31 October 2014. As a result, the ACCC’s final decision will be deferred until 20 November 2014.

The Statement of Issues is available on the [public register](#).

### Media inquiries

**ACCC Media 1300 138 917**

**MR 252/14**

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