

Completed acquisition by Parker Hannifin Corporation through its subsidiary Parker Hannifin ACD Europe LLC of Olaer Group Limited and its subsidiaries

ME/5526/12

The OFT's decision on reference under section 22(1) given on 21 September 2012. Full text of decision published 8 October 2012.

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**Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.**

## **PARTIES**

1. Parker Hannifin ACD Europe LLC (**Parker Europe**) is a wholly owned subsidiary of Parker Hannifin International Corp. (**Parker International**), which in turn is a wholly owned subsidiary of Parker Hannifin Corporation (**Parker**). Parker and all its subsidiaries are based in the USA.
2. Parker is a worldwide diversified manufacturer of motion and control technologies and systems, including fluid power systems, electromechanical controls and related components. Parker's industrial operations are divided into: Automation, Filtration, Fluid Connectors, Hydraulics, Instrumentation, and Seals groups. Parker's Hydraulics operating group supplies hydraulic accumulators among a number of other products such as hydraulic pumps, valves, filters and flow controllers.
3. Olaer Group Limited (**Olaer**) is active in the manufacture and supply of a range of hydraulic accumulators and in the manufacture and supply of coolers. Olaer also trades as Fawcett Christie, which, for the purposes of this decision, is also referred to as Olaer. It is based in the UK but has a presence on five continents, with manufacturing and sales facilities in 10 locations including USA, France, Sweden and China and sales companies in 14 countries worldwide. In the last financial year, ending on 31 December 2011, Olaer had a consolidated worldwide turnover, of approximately

€150.5 million (£127 million). UK turnover was approximately £7.9 million for the same period.

## **TRANSACTION**

4. Parker has acquired indirectly, through a sale and purchase agreement dated 24 April 2012, the entire issued share capital of Olaer. The transaction completed on 2 July 2012. The OFT examined this merger on its own-initiative. The administrative deadline for a decision is 21 September 2012, while the statutory deadline expires on 1 November 2012.
5. The transaction was notified in Germany, Austria, Norway and France and has received clearance from these authorities.

## **JURISDICTION**

6. As a result of this transaction Parker and Olaer have ceased to be distinct. The parties overlap in the supply of accumulators. The parties submitted that their combined share of supply did not exceed 25 per cent and estimated that the merger created an estimated maximum combined share of supply of some [15 - 25] per cent. However, the OFT notes that some £[ ] million of Olaer's turnover had been excluded by the parties in determining this figure. This turnover was generated by a single contract for the provision of accumulators to a UK firm that were subsequently to be installed into products sold in the USA. Since the purchaser of these products is based in the UK, the OFT considers that revenues from this contract should be included in Olaer's UK share of supply, leading to an estimated combined share of supply for the parties in excess of [25] per cent.
7. Therefore, the OFT believes that the share of supply test in section 23 of the Enterprise Act 2002 (the Act) is met in relation to the supply of accumulators in the UK, and the OFT believes that it is or may be the case that a relevant merger situation has been created.

## **MARKET DEFINITION**

### **Product Scope**

8. The parties overlap in the supply of hydraulic accumulators, which are used to regulate the performance of a hydraulic system. Accumulators are designed to reduce the effect of shocks in a system, maintain system pressure and to maintain a constant flow when system demand is high.
9. There are three main types of hydraulic accumulator: piston, bladder and diaphragm; all of which perform the same functions using the same basic mode of operation. The different designs will have particular advantages and limitations and the choice of accumulator type will depend on the proposed application and system design as well as price.
10. Bladder, diaphragm and piston accumulators are made of different materials and in different sizes to meet the needs of hydraulic system producers. Diaphragm accumulators are generally smaller (up to 3.5 litres), whereas bladder and piston accumulators can be produced in much larger sizes (such as 80 litres).
11. The parties submitted that the narrowest market definition consists of separate markets for each type of accumulator, that is bladder, diaphragm and piston accumulators.

### **Demand-side substitution**

12. The relevant product market is identified primarily by considering the response of customers to an increase in the price of one of the products of the merger firms (demand-side substitution).<sup>1</sup> A set of substitute products (a 'candidate market') will satisfy the hypothetical monopolist test if a hypothetical firm that was the only present and future seller of the products in the candidate market would find it profitable to raise prices. Under this framework, a candidate market will fail the hypothetical monopolist test, and will be too narrow to comprise the relevant market, if customers would respond to the price rise by switching to products outside

<sup>1</sup> OFT/CC Merger Assessment Guidelines (OFT1254), paragraph 5.2.7.

the set to such an extent that the price increase by the hypothetical monopolist would not be profitable.<sup>2</sup>

13. The parties submitted that piston and bladder accumulators are substitutable (although the latter are more expensive) and that 'some demand side substitutability exists between diaphragm and piston accumulators although there is an upper size limit to which diaphragm accumulators can be manufactured'.<sup>3</sup> In particular, the diaphragm accumulators commercialised by Parker have a maximum size of 3.5 litres, whereas bladder and piston accumulators can easily reach 20 times that size.
14. However, none of the third party customers contacted during the OFT's investigation indicated that they would switch to another type of accumulator following a five per cent price increase in a particular type. One third party explained that the type of accumulator used for a project is dictated by its technical features, such as its design, the type of application, and the amount of pressure in the system. Piston accumulators, for example, are designed to withstand much higher pressures than the other types and therefore may be the only option for some applications. Another third party, a mobile customer, stated that it could not substitute the piston accumulator with an alternative type.
15. A further third party explained that a five per cent increase in price would not lead it to change its choice of using bladder accumulators, because changing accumulator type would require modifying the design of the hydraulic system the accumulators are fitted into and because bladder accumulators have been tested over many years of development. Only a considerably higher price increase (above 25 per cent) would lead to a reconsideration of its choice.
16. These responses suggest that either there is no demand side substitutability between accumulator types for some applications or limited demand side substitutability for other applications. However, on a medium/long term perspective, before the design of the hydraulic system is completed, switching to different types of accumulators in some circumstances may be possible. On a cautious basis, and without

<sup>2</sup> Merger Assessment Guidelines, paragraph 5.2.10.

<sup>3</sup> The Parties' Informal Submission dated 25 June 2012, para 5.9.

concluding, the OFT is not persuaded that there is sufficient demand-side substitution to treat the different types of accumulators as a single market and has examined the different types of accumulators separately.

### **Supply-side substitution**

17. The boundaries of the relevant product market are generally determined by reference to demand-side substitution alone. However, there are circumstances where the Authorities may aggregate several narrow relevant markets into one broader one on the basis of considerations about the response of suppliers to changes in prices.<sup>4</sup>
18. The parties submitted that the major manufacturers of accumulators such as Hydac [ ] manufacture and supply all three designs,<sup>5</sup> which the parties submit is suggestive of supply-side substitution. However, the parties also stated that they target different types of accumulators. They stated that in the case of Parker, around [ ] of the accumulators it manufactures are piston accumulators, with bladder accumulators accounting for around [15-25] per cent of sales [ ]. In the UK, more than [85-95] per cent of its sales of accumulators relate to piston accumulators [ ] and only [five-15] per cent to bladder accumulators. Olaer estimated that its sales split is approximately as follows: piston accumulators [15-25] per cent; bladder accumulators [70-80] per cent; and diaphragm accumulators [0-10] per cent.<sup>6</sup>
19. The OFT considers that the different focus in the parties' activities is suggestive of different 'conditions of competition' for the supply of different types of accumulators. Since one of the conditions for the OFT to aggregate narrow relevant markets into one broader one is that the same firms compete to supply these different products and the conditions of competition between the firms are the same for each product,<sup>7</sup> the parties' different strategic focus suggest that aggregating the markets for the supply of different types of accumulators into a wider one would be unlikely to be appropriate.

<sup>4</sup> Merger Assessment Guidelines, paragraph 5.2.17.

<sup>5</sup> The parties' Informal Submission dated 25 June 2012, para 5.10.

<sup>6</sup> The parties' Informal Submission dated 25 June 2012, para 5.11.

<sup>7</sup> Merger Assessment Guidelines, paragraph 5.2.17.

20. Third parties generally responded that the different types of accumulators were not substitutable, and that a five per cent increase in price in one type would be unlikely to be a driver for a supplier to start producing other types. Third parties also commented that it was necessary to have production certifications for the different types of accumulators, which may constitute a barrier to entry.
21. The OFT considers that, even if suppliers have the ability and incentive to quickly shift capacity between these different products, it is unlikely that the same firms compete to supply these different products. Third parties have indicated that suppliers may produce all models but will either target a specific type or focus on individual models. The parties themselves are representative of this, as they do not produce diaphragm accumulators and each target specific types of accumulator.
22. On a cautious basis, therefore, the OFT has assessed the transaction against distinct markets for each type of accumulator. However, as no competition concerns arise under any definition, the OFT has not found it necessary to conclude on this issue.

### **Customer segmentation**

23. The OFT may sometimes define relevant markets for separate customer groups if the effects of the merger on competition to supply a targeted group of customers may differ from its effects on other groups of customers, and require a separate analysis.<sup>8</sup>
24. The parties submitted that when selecting an accumulator, the customer will take account of both system and performance criteria including: output volume, flow rate, fluid type, response time, shock suppression, mounting position, size, certification, and safety. These factors change across accumulator types and determine the suitability of the type of accumulator for a certain applications.
25. The parties submitted that the European Commission in its 2001 decision on the Bosch/Rexroth merger<sup>9</sup> subdivided the market for hydraulic components into 'industrial' and 'mobile' based on the

<sup>8</sup> Merger Assessment Guidelines, paragraph 5.2.28.

<sup>9</sup> Case COMP/M.2060 – Bosch/Rexroth, Commission Decision of 12 January 2001

characteristics of the pumps market where the lifetime and loading capacity requirements for industrial applications were disproportionately higher than for mobile applications, since they were designed for continuous industrial operation.<sup>10</sup>

26. However, the parties submitted that the distinction between industrial and mobile components is not appropriate for accumulators, since the product development of accumulators does not distinguish between accumulators sold for industrial applications and those for mobile applications. In other words, while other hydraulic components may be physically different for industrial or mobile use, accumulators generally do not present physical differences based on their final use, and industrial and mobile customers select the accumulator that best suits their needs from the same catalogue of products.
27. The OFT has considered whether it is appropriate to consider separate relevant markets for industrial and mobile customers; and for customers that either purchase accumulators as single components or as part of part of a bundle of other hydraulic components.

### **Industrial and mobile customers**

28. There is no clear-cut definition of an 'industrial' or 'mobile' customer, although third parties acknowledged that there was a distinction. One stated that industrial and mobile equipment have quite different demands for accumulator functionality. While the same technology can be applied to both segments, they can be considered as separate market segments as the customer base is different, the business logic is different as well as the required functionality and partly the offering is different.
29. On the supply side, the OFT received mixed views. Whilst some suppliers stated that they would not switch resources from industrial to mobile accumulators, others said that they would switch resources, although a shift in demand, rather than price, would be a more realistic trigger.
30. The evidence above suggests that there are differences between the behaviour and preferences of industrial and mobile customers of accumulators and the OFT has on a cautious basis therefore had regard to

<sup>10</sup> Case COMP/M.2060 — Bosch/Rexroth, paragraph para 22.

this distinction in its competitive assessment. However, as no competition concerns arise under any definition, the OFT has not found it necessary to conclude.

### **Customers purchasing accumulators as single components or as a bundle of hydraulic products**

31. Customers purchasing accumulators as a single component are likely to have different preferences to customers for whom accumulators constitute only part of the overall product they are purchasing. The latter are typically customers purchasing an entire hydraulic system from a hydraulic system integrator.
32. The parties in fact estimated that accumulators might on average represent around two per cent of the value of a hydraulic system. Consequently an increase in the price of accumulators would be reflected in a minor increase in the total price of the product. In this context, switching to a different accumulator supplier in response to a price increase would entail switching costs as it would require renegotiating the contract with the system provider to fit the new accumulator. Conversely, customers purchasing single components would perceive the full price increase and are likely to be more price sensitive.
33. The OFT has therefore had regard for the distinction between customers purchasing accumulators and customers purchasing accumulators as part of a wider system in its analysis. However, the OFT does not need to conclude on market definition, as the OFT has not identified a realistic prospect of a substantial lessening of competition (SLC) in any relevant market, however defined.

### **Conclusion on customer segmentation**

34. As no competition concerns arise under any definition, the OFT has not found it necessary to conclude. However, on a cautious basis, the OFT has assessed the effects of the transaction having regard to the distinctions between each market segment discussed above, as well as the market for accumulators as a whole.

## **Geographic Scope**

35. The parties submitted that the relevant market was at least EEA-wide, if not worldwide. This view was confirmed by third parties. In particular, all customers contacted stated that they would consider switching to a supplier outside the UK following a five per cent price increase. Others commented that the market was worldwide and that if pricing increased would consider sourcing this component from outside the UK and Europe. The OFT is aware of UK customers purchasing accumulators from Europe and Asia.
36. In general, third party responses suggest a relevant market that is at least EEA-wide. However, since the OFT has not identified a realistic prospect of an SLC in any relevant market, however defined, the OFT has not needed to conclude on the geographic scope and has also examined the effect of the merger on the supply of accumulators at UK level.

## **Conclusion on market definition**

37. As the OFT has not identified a realistic prospect of a SLC in any relevant market, however defined, the OFT has not needed to conclude on either the product or geographic scope. It has, however, proceeded on a cautious basis and assessed the merger on a narrow market definition, namely each type of accumulator on the basis of UK and EEA-wide supply. The OFT has also assessed the merger effects with respect to industrial and mobile customers as well as customers purchasing accumulators as single products and in a bundle.

## **UNILATERAL EFFECTS**

### **Market shares**

38. The parties overlap in the supply of hydraulic accumulators. The market share figures provided by the parties were their best estimates in the absence of available independent and objective data. In particular, the parties consider that the UK market for the supply of accumulators is some £[ ]million with the EEA market at €[ ] million. Table 1 below gives UK

market shares based on the parties' estimates, plus market shares based on the British Fluid Power Association's (BFPA)<sup>11</sup> estimate of market size.

**Table 1 - UK Market shares - Hydraulic Accumulators**

Accumulator Manufacturer	The parties' estimates		BFPA estimate	
	Sales (£m)	Market share (per cent)	Sales (£m)	Market share (per cent)
Parker	[ ]	[0-10]	[ ]	[0-10]
Olaer	[ ] <sup>12</sup>	[15-25]	[ ]	[20-30]
<b>Combined</b>	<b>[ ]</b>	<b>[15-25]</b>	<b>[ ]</b>	<b>[25-35]</b>
Hydac Sales	[ ]	[5-15]		
Hydac QHP	[ ]	[15-25]		
Bosch Rexroth	[ ]	[0-10]		
Integral (Freudenberg Simrit)	[ ]	[0-10]		
<b>Others (listed)</b>	<b>[ ]</b>	<b>[35-45]</b>		
<b>Total Estimate (GBP)</b>	<b>[ ]</b>	<b>100</b>	<b>[ ]</b>	<b>100</b>

Source: the parties' internal estimates and the BFPA survey

39. On the basis of the parties' estimates and those of the BFPA, the parties combined UK market share for all accumulators may be expected to be in a range between [15-25] and [25-35] per cent, increment [0-10] per cent, which is not at a level that would raise prima facie competition concerns.
40. The parties also provided EEA market shares, again based on their own estimate of the size of the EEA market as €[ ] million. On this estimate, the parties' combined market share of all accumulators would be [20-30] per cent, increment [0-10] per cent. The parties did not provide any alternative source of evidence to support their estimate of the EEA market size. Third parties were also unable to provide alternative estimates or to indicate alternative sources of information.<sup>13</sup>

<sup>11</sup> BFPA - Annual Survey - Hydraulic Equipment - 2011

<sup>12</sup> The parties submit that the relevant UK turnover is £[ ] million, as £[ ] million was generated

<sup>13</sup> In an Olaer presentation for the transaction, Olaer estimates that the parties combined share of supply for accumulators in the EMEA (Europe, Middle East and Asia) is [35-45] per cent, increment [0-10] per cent.

41. However, the parties estimated that the size of the EEA industrial segment was some €[ ] million (£[ ] million)<sup>14</sup> with the F&S report<sup>15</sup> estimating the size of the EEA industrial segment as £106 million. If the parties' estimate of the size of the mobile segment is added to the F&S report's estimate of the size of the industrial segment (as no other source of data was available), the estimated total market size is £[ ] million, which results in a combined market share of all accumulators of [30-40] per cent, increment [0-10] per cent. Market shares at this level are unlikely to raise prima facie concerns, especially in the light of the limited increment as a result of the merger.

#### **Market shares by accumulator type**

42. Market shares for each type of accumulator are not available from independent sources, nor were Parker able to provide any meaningful estimates of EEA shares based on these distinctions. However, the OFT's investigation indicated that the parties focus on different types of accumulator (Parker - piston, Olaer - bladder), and this was confirmed by third parties and by the internal presentation referred to at footnote 13.
43. This document shows that the parties focus on different geographic areas. Whilst Olaer has a [30-40] per cent market share for all accumulators in Europe, Middle East and Asia (EMEA), Parker is the market leader in the Americas and only has a [0-10] per cent market share in the EMEA. Parker's presence in the EMEA region (and therefore in the EEA) is therefore very limited.
44. Olaer estimated global market shares for both parties for each type of accumulator and (for all accumulators) per geographic region. Based on these Olaer estimates, the OFT notes that Olaer and Parker focus (at a global level) on different types of accumulators. Olaer has a [40-50] per cent market share in the worldwide supply of bladder accumulators, Parker — [0-10] per cent; whereas Parker has a [25-35] per cent market share for piston accumulators, with Olaer having an [0-10] per cent share. For diaphragm accumulators both parties have small market shares. As a result, at a worldwide level any increment to the market shares for the different

<sup>14</sup> Converted using 2011 average yearly EUR / GBP exchange rate of 1.15 EUR/GBP.

<sup>15</sup> Frost & Sullivan - European Hydraulic Equipment Markets for Industrial Applications, March 2011.

types of accumulator are likely to be limited, and the OFT's investigation indicates that this is likely to be replicated at EEA level.

### **Mobile and industrial market segments**

45. The parties provided estimated market shares for mobile and industrial customers. Calculating the size of each segment by splitting the estimated €[ ] million EEA market for accumulators into mobile and industrial segments using a [ ] per cent split based on their best estimates. Based on this estimate, the parties' combined market share for the supply of industrial accumulators would be [20-30] per cent, increment approximately [0-10] per cent; while in the supply of mobile accumulators the parties combined estimated market share would be [25-35] per cent, increment [0-10] per cent.
46. The OFT also calculated the parties' market shares based on the lower estimated size of the industrial segment from the F&S report (£106 million). Using this this narrower estimate, the parties' combined EEA market share would be some [35-45] per cent, increment less than [0-10] per cent. Thus the effect of the merger in the industrial segment would be very limited. No similar estimate, however, was available for the mobile segment.

### **Accumulators as single products and in a bundle**

47. Separate market shares for sales of accumulators as single products or as a bundle with other hydraulic products were not available. However, Olaer does not operate as a hydraulic system integrator, therefore all its sales are made as single components. Conversely, Parker operates as a hydraulic system integrator. Therefore, an element of Parker's sales should be attributed to customers purchasing accumulators in a bundle with other hydraulic products. While the OFT did not conclude on the segmentation of the market by type of purchase, if appropriate, it is likely that this segmentation would lead to weakening Parker's position as a competitor to Olaer.

## Closeness of competition

48. The parties submitted that they were not each other's closest competitors and that the transaction was largely complementary in nature. The parties' arguments include that:
- Parker tends to provide its customers with complete hydraulic systems, whereas Olaer manufactures and sells individual components.
  - There is limited overlap between the parties' main customers - indeed the opportunity to reach different customers is part of the transaction's rationale. In the UK, the lack of overlap is apparent from the list of the parties' top 10 customers for each party. Olaer focuses on sales to the oil and gas industry, in which Parker does not make material sales of accumulators in the UK. By contrast, Parker's UK customers tend to be in the mobile segment. In addition, there are no overlaps in the parties' customers in these lists.
49. Third party customers corroborated the parties' view that they are not close competitors, citing Hydac, PHC, Wavoli, Parker and Epe Accumulators as potential suppliers for piston accumulators; while potential suppliers of complete systems included Bosch Rexroth,<sup>16</sup> Eaton Kawasaki, Sauer Danfoss and Parker. Olaer was not included in either of these lists. With regard to suppliers of bladder accumulators, customers indicated that potential suppliers were Olaer, Bosch Rexroth and QHP (Hydac) but not Parker.
50. The OFT notes, on the basis of the available evidence, that the parties' accumulator businesses focus on different geographic areas. As discussed above, Parker has a very limited presence within the EEA and within the EMEA regions, where Olaer is an established supplier. Conversely, Parker is an established supplier in the US and more generally in the Americas, where Olaer has a limited presence. Therefore, within the EEA market, Parker is unlikely to be Olaer's closest competitor, since its presence is limited.
51. In addition, on the basis of the available evidence, the OFT considers that the parties' accumulator businesses primarily focus on different

<sup>16</sup> Bosch Rexroth does not manufacture accumulators, but does resell them.

accumulator types and on different customer segments. As noted above, Parker's focus is on piston accumulators, which are mainly sold to mobile customers. Olaer, on the other hand, mainly focuses on bladder accumulators for industrial customers. The OFT notes that [60-70] per cent of Parker's EEA turnover ([80-90] per cent of its UK turnover) derives from mobile accumulators, whereas around [65-75] per cent of Olaer's EEA (as well as UK) turnover derives from industrial accumulators. Further, Olaer's main customers within the industrial segment operate in the oil and gas industries. The OFT notes that particular licenses and certifications are required to produce accumulators for these industries, which Parker does not have.

52. The OFT examined the parties' internal market reports to understand the parties' own view of the competitive context in which they operate. Parker's marketing reports are not divided by product, rather divided by area: Construction, Distribution and Industrial. Accumulators are rarely mentioned in reports on the Distribution and Industrial sectors and are seldom mentioned in Construction reports. In fact Parker's main business areas comprise pumps, hoses, valves and motors. This reflects the fact that accumulators represent less than [0-10] per cent of Parker's business. In the industrial area, accumulators are sold mainly as part of a wider hydraulic project with Bosch Rexroth appearing to be Parker's closest competitor. Therefore, based on the internal documents available to the OFT, Parker does not perceive Olaer as a strong competitive constraint.
53. Overall, the OFT considers that the evidence discussed above indicates that the parties should not be considered as close competitors and that there remain a number of other competitors to the parties in the supply of accumulators that would be expected to act as a strong competitive constraint on the merged entity going forward.

#### **Barriers to entry and expansion**

54. The parties submitted that suppliers of accumulators in the EEA face a strong competitive constraint from existing Chinese suppliers, which are allegedly threatening to enter the EEA market. The parties, however, were unable to provide any evidence of entry by Chinese companies in the accumulator market(s) in the last five years. In addition a third party competitor stated that for entry to occur, entrants would need to hire local personnel.

55. While third parties were unable to estimate costs and time for any new entrant, all third parties considered barriers to entry at the manufacturing level are high, particularly as accumulators require certification for particular uses, although, entry barriers were considered to be lower at the resale level.

### **THIRD PARTY COMMENTS**

56. Where relevant, third party comments have been incorporated above. Third party customers were generally unconcerned about the acquisition. While certain competitors raised concerns about the parties' worldwide position in the supply of accumulators, none of these concerns were reflected as competition concerns within the EEA area.

### **ASSESSMENT**

57. The parties overlap in the supply of hydraulic accumulators. The OFT believes that the share of supply test in section 23 of the Act is met in relation to the supply of accumulators in the UK.
58. The OFT, on a cautious basis, assessed the transaction by reference to the supply of the three types of accumulators taken separately; piston, bladder and diaphragm in the EEA, with reference also to the parties' position in the UK. While the parties estimated that the transaction would create a combined EEA share for all accumulators of [20-30] per cent, increment [0-10] per cent, market shares for each type of accumulator were not available from either the parties or any independent source.
59. The OFT notes, however, that Olaer and Parker focus on different types of accumulators. At a global level the transaction will create an estimated combined market share of [45-55] per cent market share for bladder accumulators, increment [0-10] per cent; for piston accumulators the transaction creates an estimated global market share of [35-45] per cent, increment [0-10] per cent. At a global level for diaphragm accumulators both parties have small market shares. At a worldwide level any increment to the market shares for the different types of accumulator are likely to be limited, and this is likely to be replicated at EEA level.

60. The OFT also considered the possibility of segmenting the relevant market(s) by customer type (industrial and mobile customers) and by type of purchase (customers purchasing accumulators as a single product or in a bundle). The OFT considers that, although the parties' market shares for the supply of accumulators or in any segmentation are subject to considerable uncertainty, potential concerns about unilateral effects are dissipated by considering the very limited presence of Parker in the EEA market for accumulators, which implies that given the likely size of Olaer in the EEA market, the merger effect is likely to be very limited.
61. Importantly, the available evidence shows that the parties' business models focus on different market segments (Parker on piston, Olaer on bladder accumulators) and on different customer segments (Parker on mobile, Olaer on industrial customers).
62. Third parties did not consider that the parties were close competitors, as the customers of Parker do not consider Olaer as a potential supplier. Instead, third parties identified a number of alternative suppliers. In particular, Hydac, Bosch Rexroth and Epe are closer competitors to each party in the supply of accumulators and Hydac was identified as one of Parker's closest competitors in the wider market for the supply of hydraulic products.
63. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

## **DECISION**

64. This merger will therefore **not be referred** to the Competition Commission under section 22(1) of the Act.