

Anticipated acquisition by Bako North Western (Group) Limited of Bako Northern (Holdings) Limited, Bako Scotland Limited and Bakers (Area 1) Limited

ME/6525/15

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 15 July 2015. Full text of the decision published on 22 July 2015.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

SUMMARY

1. Bako North Western (Group) Limited (**Bako NW**) has agreed to acquire Sandco 1187 Limited, the holding company of Bako Northern (Holdings) Limited, Bako Scotland Limited and Bakers (Area 1) Limited (**Bako NS**) (the **Merger**). Bako NW and Bako NS are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) considers that the Parties will cease to be distinct as a result of the Merger, that the share of supply test is met and that accordingly arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. The Parties overlap in the wholesale distribution of the full range of bakery products and ingredients, mainly to the bakery sector.
4. The CMA assessed the impact of the Merger in the market for the wholesale delivered supply of a full range of bakery products and ingredients to the bakery sector on both a national and regional basis. The CMA did not find it necessary to precisely define the boundaries of the regional frame of reference, instead assessing the effect of the Merger in those regional areas where the Parties currently operate and where there is some overlap (mainly in the North West and North East of England).

5. The CMA focused on a theory of harm under which the merged entity may raise prices or reduce quality as a result of horizontal unilateral effects arising from the loss of potential competition at a national and/or regional level.
6. At the national level, the CMA found that the Parties do not closely compete, as they each have limited ability to provide a full national service on their own (in some cases, they sub-contract with other Bako entities or third parties to serve those areas which they cannot efficiently reach). The Parties' combined share of supply at a national level was [20–30]% (with an increment of [0–10]%), which did not suggest that the combined entity would have substantial market power.
7. National customers did not raise concerns with the Merger and indicated that they have alternative suppliers which they currently use or could turn to in the event of increased prices or a deterioration in the merged entity's offering. The CMA therefore considers that there is no realistic prospect of a substantial lessening of competition (**SLC**) in the market for the wholesale delivered supply of a full range of bakery products and ingredients to the bakery sector on a national basis.
8. At the regional level, the CMA sought to obtain an indication of market power by estimating shares of supply for the area comprising the North West and the North East of England. The CMA found that the Parties' combined share of supply in that area may be up to [45–55]% (increment of [10–20]%).¹ However, because of difficulties in obtaining accurate information on shares of supply, the combined share of supply figure was subject to considerable uncertainty. For this reason, the CMA did not believe that the figure was a particularly meaningful indicator of market power and placed more weight on evidence relating to how closely the Parties compete and how competitors would constrain the merged entity following a merger.
9. The CMA found that there is currently little customer overlap between the Parties, although the Parties' catchment areas (plotted as an isochrone based on 80% of each Party's customers) do overlap to a significant extent. While the limited customer overlap suggested that the Parties do not currently compete closely, the CMA, on a cautious basis, concluded that the Parties do provide some competitive constraint on each other given that their catchment areas overlap as there was the potential for them to compete for customers.
10. The CMA received evidence showing that there would be sufficient competitors remaining post-Merger which would replicate the competitive

¹ This share of supply estimate is based on data supplied by the Parties and third parties and is dependent on the accurate regional allocation of sales revenues. Where information was not provided, the CMA used a Great Britain population multiplier to allocate revenues to North West and North East England.

constraint between the Parties lost as a result of the Merger. Customers identified several full-range wholesale suppliers of bakery products and ingredients that are strong alternatives to the Parties, as well as several partial-range wholesalers and producers (direct suppliers). Customers raised no material concerns regarding the competitive impact of the Merger.

11. On the basis of this evidence, the CMA believes that there is no realistic prospect of the Merger resulting in a substantial lessening of competition within a market or markets in the UK for goods or services.
12. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

13. Bako NW is a regional wholesale distributor of bakery products and ingredients (mainly ambient, chilled and frozen products as well as non-food products) to the food industry and has three trading subsidiaries: Bako North Western Limited, Bako South Eastern Limited and ABC Limited. Through its subsidiaries, Bako NW operates primarily in the North West and the South East of England and East Anglia from its regional depots in Preston, Wimbledon (London) and Norwich. The UK turnover of Bako NW in the financial year to [X] 2014 was £[X].
14. Bako NS is a regional wholesale distributor of bakery products and ingredients to the food industry, focusing on the bakery and confectionary trade. It operates primarily in Northern England (including the North East) and Scotland from its depot in County Durham. The UK turnover of Bako NS in the financial year to [X] 2014 was £[X].
15. Both Bako NW and Bako NS are part of a buying group called the Bako Group, which also includes Bako Western Limited (operating from its base in Devon) and the Welsh Bakers Buying Group Limited (trading as Bako Wales) (operating from its base in Swansea).
16. The Bako Group negotiates with suppliers (via a member acting as negotiating agent for the group) to obtain more favourable terms of supply than could be achieved if each member negotiated terms independently. Once the terms of supply are agreed with a supplier, each member purchases, warehouses, delivers and invoices its own products. The members of the Bako Group offer

the same products and services with some minor differences,² but each sets its competitive offering, including prices, independently.³

17. The Parties serve both internal customers (ie members) and external customers.

Transaction

18. Bako NW has agreed to acquire 100% of the issued share capital of Sandco 1187 Limited, the holding company of Bako NS, for the sum of the net cash of Bako NS at completion plus £[].

Jurisdiction

19. As a result of the Merger, the enterprises of Bako NW and Bako NS will cease to be distinct.
20. The Parties overlap in the wholesale distribution of a full range of bakery products and ingredients (mainly to the bakery sector) with a combined share of supply of [20–30]% (increment of [0–10]%) in Great Britain (**GB**) (see Table 1).
21. In the area comprising the North West and the North East of England (where the Parties currently operate and there is some overlap), the CMA has estimated that the Parties' combined share of supply may be up to [45–55]% (increment of [10–20]%) (see Table 2). Although there is uncertainty about the estimated share of supply for that area (see paragraph 60 below), the CMA believes that the combined share of supply is likely to be above 25%. The CMA therefore considers that, on a regional basis, the share of supply test in section 23 of the Act is met.
22. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
23. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 10 June 2015 and the statutory 40-working-day deadline for a decision is therefore 4 August 2015.

² The core product range is common to all Bako companies. Each company will, however, purchase some finished products locally as a result of short shelf lives (eg sandwich fillings, fresh breads, dairy) or local consumer requirements (eg Cornish pasties in the South West, ice cream ingredients in coastal areas).

³ []

Counterfactual

24. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers, the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.⁴
25. In this case, there is no evidence supporting a different counterfactual, and the Parties did not put forward arguments in this respect. Therefore, the CMA considers the prevailing conditions of competition to be the relevant counterfactual.

Frame of reference

26. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of a merger, as it is recognised that there can be constraints on merger parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.⁵

Product scope

27. The Parties overlap in the wholesale distribution of a full range of bakery products and ingredients, mainly to the bakery sector.⁶
28. The Parties also overlap in the wholesale distribution of bakery products and ingredients to food service customers. However, the Parties submitted that, given the small volume of their sales to the food service sector (only [X] of each Party's sales), and the presence of many large national and regional

⁴ [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

⁵ [Merger Assessment Guidelines](#), paragraph 5.2.2.

⁶ Bakery products include bread, bakery snacks (eg hot cross buns, muffins), rolls and baps, pies and pasties, cakes and confectionary, etc. Bakery ingredients include the raw materials needed to make bakery products (eg flour, oils and fats, yeast, sugar, etc.) as well as fillings and decorations. The bakery sector consists of (a) manufacturers of bakery products (which supply to retail outlets); and (b) retail bakeries (eg independent (high street) retail bakeries, in-store bakeries (ISBs) of large grocers, etc).

players, the Merger does not raise concerns in this sector. For these reasons, the CMA has not considered this sector further.

29. The Parties submitted that the narrowest plausible candidate market is the wholesale delivered supply of bakery products and ingredients to the bakery sector. However, the Parties noted that this candidate market includes both:
- (a) full-range wholesalers (which carry between 2,000 and 3,000 product lines and are able to meet all the requirements of a bakery for ingredients and finished bakery goods); and
 - (b) partial-range wholesalers (which sell a narrower range of bakery products and ingredients, either to focus on particular products (eg sugar) or alongside other non-bakery products).
30. The CMA considered as a starting point the narrowest plausible candidate market where the Parties overlap, which is the wholesale delivered supply of the full range of bakery products and ingredients to the bakery sector. The CMA then considered whether the following alternative sources of supply exert a significant competitive constraint, such that they should be considered part of the same product market:
- (a) direct supply from producers;
 - (b) cash-and-carry wholesalers; and
 - (c) partial-range wholesalers.

Direct supply from producers

31. The Parties submitted that the biggest competitive threat to their businesses was from direct supply by producers of bakery products and ingredients, as producers already have supply chains directly to high street bakeries, in-store bakeries and bakery manufacturers.
32. Producers were generally of the view that wholesalers offered an important route to market, particularly for smaller customers, although there have been occasions when wholesalers and producers have supplied the same customer. Wholesalers broadly supported this view, noting that direct supply from producers would most likely be a credible alternative for their largest customers, as these customers would have the necessary scale to place sufficiently large orders with producers. A small number of large customers confirmed that they place orders directly with producers where their orders are of sufficient volume to meet the producers' minimum volume requirements.

33. This evidence suggests that the extent to which direct supply is a credible alternative for the Parties' customers varies significantly for different customers. In particular, producers are unlikely to be a credible alternative for smaller customers. Moreover, while producers may be a credible alternative for some products, they may not be a credible alternative for customers wishing to minimise their transaction costs by contracting with a single wholesaler.
34. On a cautious basis, the CMA has considered the delivered wholesale supply of bakery products and ingredients separately from direct supply by producers. The CMA notes that direct supply might be an alternative for some customers and this constraint has been taken into account in the competitive assessment.

Cash and carry wholesalers

35. The Parties submitted that bakeries have the option of supply from cash-and-carry wholesalers.⁷
36. The Competition Commission (**CC**) in Booker/Makro noted that delivered wholesale places some competitive constraint on cash-and-carry wholesale. In that case, this was in particular because of significant evidence of dual use of delivered and cash-and-carry purchases by the parties' customers.⁸ However, the CC did not include delivered wholesale in the same market as cash-and-carry wholesale.
37. The CMA found no reason to deviate from this approach in the present case. Therefore, on a cautious basis, the CMA has considered the wholesale supply of delivered bakery products and ingredients separately from cash-and-carry wholesale.

Full-range and partial-range wholesalers

38. The CMA asked third parties (customers, competitors and suppliers) to provide a rating between 1 and 10 for the various full-range and partial-range wholesalers identified by the Parties (with a rating of 1 being a weak wholesaler and a rating of 10 being a strong wholesaler). These responses showed that full-range wholesalers are generally rated higher than partial-

⁷ Cash and carry wholesales involve the customer collecting their order from the wholesaler, rather than having it delivered.

⁸ CC, *A report on the completed acquisition by Booker Group PLC of Makro Holding Limited* (19 April 2013), paragraphs 7.30(a) and 7.25.

range wholesalers in the delivered wholesale supply of bakery products and ingredients (the exceptions being partial-range Bidvest and Brakes).

39. Third party views on the extent to which partial-range wholesalers were a credible alternative to full-range wholesalers were mixed, with some identifying partial-range suppliers as actual or potential suppliers of bakery products and ingredients.
40. This evidence suggests that partial-range wholesalers impose some constraint on full-range wholesalers, but that this constraint varies depending on the customer and the partial-range wholesaler considered. The CMA also notes that prices are negotiated between wholesalers and their customers, meaning that price discrimination is possible. Given that higher prices might be targeted towards customers for whom partial-range wholesalers are not an alternative, the CMA has on a cautious basis considered a product frame of reference including full-range wholesalers only. However, the CMA notes that partial-range suppliers might be an alternative for some customers and this constraint has been taken into account in the competitive assessment.

Conclusion on product scope

41. The CMA has, on a cautious basis, considered the effects of the Merger in a product frame of reference which is the wholesale delivered supply of a full range of bakery products and ingredients to the bakery sector.

Geographic scope

42. The Parties submitted that there are elements of localised (regional) competition given that some of their customers are either single site or small chains, which tend to source locally. On the other hand, some larger customers with national coverage told the CMA that they require a wholesaler with national presence which can service all their sites.
43. The Parties provided evidence that the majority of their customers are located within 50 miles of their depots.
44. The CMA notes that, while some suppliers have a national presence with multiple depots, many suppliers of the reference products have a regional focus. Furthermore, the extent to which wholesalers with a national presence offer a competitive constraint is likely to vary by region given the specific locations of their depots.
45. Third parties were generally of the view that switching between regional and national wholesalers was feasible and that these suppliers competed with

each other, although this would depend on the alternative supplier being in a geographic position close enough to serve the customer.

46. This evidence suggests that competitive conditions vary across regions but that there is also a national aspect to competition for large customers. The CMA has therefore considered the impact of the Merger on both a national and regional basis. The CMA has not found it necessary to define precisely the boundaries of the regional frame of reference, instead assessing the effect of the Merger in those regional areas where the Parties currently operate and there is some overlap (mainly in the North West and North East of England).

Competitive assessment

Horizontal unilateral effects

47. Horizontal unilateral effects may arise from the loss of competition when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or degrade quality on its own and without needing to coordinate with its rivals.⁹ Horizontal unilateral effects are more likely when the merger parties are close competitors.
48. The CMA assessed whether it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in the wholesale delivered supply of a full range of bakery products and ingredients to the bakery sector on a national and/or regional basis.
49. The CMA considered a range of evidence in conducting its competitive assessment of the Merger including: shares of supply, internal documents provided by the Parties, catchment area analysis, and third party views. The CMA used this evidence to assess both the closeness of competition between the Parties (and therefore the extent of the competitive constraint that would be lost as a result of the Merger) and the extent of the competitive constraints exerted by alternative suppliers that would remain post-Merger.

National competition

Shares of supply

50. The Parties provided estimates of their shares of supply in the wholesale delivered supply of a full range of bakery products and ingredients to the

⁹ [Merger Assessment Guidelines](#), from paragraph 5.4.1.

bakery sector in Great Britain in 2014. The CMA adjusted these figures on the basis of submissions of actual revenues from the Parties' competitors where this information could be obtained.

51. The CMA's estimates in Table 1 below are for full-range wholesalers only and show that the Parties have a combined share of supply of [20–30]% (increment of [0–10]% in Great Britain).

Table 1: Revenues and shares of supply GB, 2014

	<i>Turnover (£m)</i>	<i>Market share (%)</i>
BAKO NW	[X]	[10–20]
BAKO N&S	[X]	[0–10]
Combined	[X]	[20–30]
Kent Foods	[X]	[30–40]
BFP	[X]	[15–25]
Kluman & Balter	[X]	[10–20]
Fleming Howden (Hovis)	[X]	[0–10]
Henley Bridge Ingredients	[X]	[0–10]
Domson Ltd	[X]	[0–10]
Walker Humphries	[X]	[0–10]

52. This combined share of supply suggests that the combined entity would not have substantial market power in a national market.

Closeness of competition

53. The Parties do not generally compete with each other for national accounts as they do not have the infrastructure to compete at a national level on their own. When occasionally one of the Parties does compete to serve customers on a national basis, it typically subcontracts with other Bako entities (or third parties) to serve those areas which it cannot efficiently reach. The Parties noted that they had never bid (or been asked to bid) for the same national tender from a customer.

Remaining competitive constraints

54. The share of supply data indicates that there would remain at least three large competitors to the Parties post-Merger: Kent Foods, BFP and Kluman & Balter.
55. Two national customers indicated that they have other alternative suppliers which they currently use or could turn to in the event of a deterioration in the Parties' offering. These alternatives include large partial-range wholesalers, eg Brakes UK and Bidvest Foodservice (formerly known as 3663). This evidence suggests that, in relation to national customers, the large partial-range wholesalers impose some constraint on full-range wholesalers, including the Parties.

Third party views

56. No third party raised any concerns with the Merger on a national basis.

Conclusion

57. Given the absence of any current competitive interaction between the Parties for national customers and the limited prospect for future competition between them on a national basis, and given the number of effective competitors remaining post-Merger and the lack of any third party concerns, the CMA believes that there is no realistic prospect of an SLC in the wholesale delivered supply of a full range of bakery products and ingredients to the bakery sector on a national basis.

Regional competition

Shares of supply

58. The Parties were unable to provide regional shares of supply as they could not attribute competitor sales to particular regions with any degree of certainty, but noted that their combined shares of supply were likely to be slightly higher than on a national basis in the regional areas where they both operate.

59. In order to estimate the Parties' shares of supply for the North West and North East of England, the CMA obtained information from third parties.¹⁰ As Table 2 shows, the CMA estimates that the Parties will have a combined share of supply of up to [45–55]% (increment of [10–20]% in the wholesale delivered supply of a full range of bakery products and ingredients to the bakery sector in the North West and North East of England in 2014.

60. The calculated shares suggest that the merged entity would be between the first and fourth largest supplier in this region. Kent Foods, BFP and, to a lesser extent, Kluman & Balter also appear to have a significant share of supply in the region.

¹⁰ The CMA requested turnover information in respect of the supply of bakery products and ingredients to the bakery sector in the North West and North East of England from third party competitors in order to calculate a regional share of supply. Where information was not provided, a GB population multiplier was used to allocate revenues to the North West and North East of England.

Table 2: Shares of supply in NW and NE England, 2014

<i>Competitor</i>	<i>Relevant turnover (£m)</i>	<i>Relevant shares</i>
BAKO NW	[X]	[30–40]
BAKO N&S	[X]	[10–20]
Combined	[X]	[45–55]
Kent Foods	[X]	[15–25]
BFP	[X]	[15–25]
Kluman & Balter	[X]	[0–10]
Walker Humphries	[X]	[0–10]
Henley Bridge Ingredients	[X]	[0–10]
Domson Ltd	[X]	[0–10]
Fleming Howden (Hovis)	[X]	[0–10]

61. However, the CMA notes that these estimates are subject to a high degree of uncertainty as the relevant information was not received from all third parties and some of those that responded were unable to attribute sales to the relevant region. The CMA therefore does not believe that the figure is a particularly meaningful indicator of market power. As such, the CMA has placed more weight on evidence relating to how closely the Parties currently compete and the extent of the competitive constraint on the Parties from other competitors which would constrain the merged entity post-Merger.

Closeness of competition

62. The Parties submitted that they are regional wholesalers which serve the geographic areas around their regional depots, and that they overlap only at the edges of their respective operational areas. They noted that distances are only part of their consideration of whether to serve a particular customer. For example, a relevant consideration is the extent to which a particular customer fits within their existing delivery network. Bako NS submitted that it only delivers to customers which are based a large distance away from its distribution depot if the route is shared with many of its other customers.
63. To assess how closely the Parties compete in the North West and North East of England, the CMA considered:
- (a) the extent to which the Parties' catchment areas overlap;
 - (b) the extent to which the Parties' customers overlap (ie the extent to which the customers Bako NW serves overlap geographically with the customers Bako NS serves); and
 - (c) the views of third parties.

64. The CMA calculated the Parties' catchment areas around their depots using postcode data from the Parties' customer databases.¹¹ Using this information, the CMA plotted an isochrone based on 80% of each Party's customers.
65. The isochrones indicated that the 80% customer threshold for Bako NW is approximately 2 hours' drive time from its depot, while for Bako NS the 80% customer threshold is 3 hours' drive time away. The analysis shows that the Parties' catchment areas overlap to a significant extent, which would suggest that the Parties may exert some competitive constraint on each other.
66. However, the location of the Parties' customers within their catchment areas indicates that there is very little actual customer overlap. Although it would be possible for Bako NW to serve some of the customers of Bako NS within its 2 hours' drive time, in practice, it does not as its customers are clumped together in sub-regions within the larger North West region. The same is true of Bako NS.
67. This evidence is consistent with the information provided by the Parties that they have very rarely competed for the same customers and that there are very few instances of customers referencing quotes from the other party to obtain improved terms.
68. The CMA asked third parties whether they considered Bako NW and Bako NS to be close competitors. Of 13 customers that responded, eight customers stated that they did not consider them to be close competitors. Four customers stated that they had dealt only with the party to the Merger which was located closest to them and they had not considered the other party to the Merger as an alternative. One customer indicated that they currently purchase products from both Parties. All six direct suppliers (ie producers) that responded did not consider Bako NW and Bako NS to be close competitors.
69. While the limited customer overlap and consensus of third party views suggests that the Parties do not currently compete closely, on a cautious basis the CMA noted that the Parties might provide some competitive constraint on each other on the basis of potential competition given the substantial overlap in their catchment areas.

¹¹ These are calculated as driving distances/times for the 80th percentile customer, sorting customers by driving distance to the Parties' depots (BAKO NW in Preston and BAKO NS in Durham).

Remaining competitive constraints

70. The Parties submitted that, where their areas of operation overlap, the number of alternative regional and national suppliers available will continue to ensure that competition is maintained at pre-Merger levels.
71. The Parties provided the CMA with a list of alternative suppliers. The CMA then tested the credibility of those alternatives by asking the Parties' customers to provide a rating of between 1 and 10 to indicate for each alternative the extent to which it would be a credible supplier (with 1 being a weak supplier and 10 being a strong supplier).
72. Bako NW ranked first with Bako NS ranking sixth according to the Parties' customers, suggesting that there are four other competitors (BFP, Kent Foods, Bidvest Foodservice and Brakes UK) which provide a stronger constraint on Bako NW than Bako NS (notwithstanding that Bidvest Foodservice and Brakes UK are partial-range suppliers). Several other competitors also received a rating from the Parties' customers which suggested that they exert some competitive constraint on the Parties.
73. Seven customers also indicated that they currently purchase (or would consider purchasing) bakery products and ingredients directly from producers, though two customers noted that this does depend on minimum volume requirements.
74. Four wholesalers told the CMA that they compete with Bako NW and/or Bako NS, with one competitor noting that customers frequently quote Bako companies to negotiate competitive prices.
75. No third party raised any concerns with the Merger on a regional basis.
76. This evidence suggests that there will remain sufficient competitive constraints in the regional market post-Merger, such that the effects of any loss of potential competition between the merging Parties will be small.

Conclusion

77. On the basis of the evidence set out above, the CMA does not believe that the Merger may be expected to result in a realistic prospect of an SLC in the market for wholesale delivered supply of a full range of bakery products and ingredients to the bakery sector in the North West and North East of England.

Conclusion on horizontal unilateral effects

78. The CMA believes that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the wholesale delivered supply of a full range of bakery products and ingredients to the bakery sector on a national and/or regional basis.

Barriers to entry and expansion

79. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.¹²
80. The CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to a realistic prospect of an SLC on any basis.

Third party views

81. The CMA contacted customers, competitors and suppliers of the Parties and their comments have been taken into account where appropriate in the competitive assessment above. No material concerns were raised.¹³

Decision

82. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.
83. The Merger will therefore **not be referred** under section 33(1) of the Act.

Andrew Wright
Director of Mergers
Competition and Markets Authority
15 July 2015

¹² *Merger Assessment Guidelines*, from paragraph 5.8.1.

¹³ One supplier raised a possible concern in relation to the Parties' increased buyer power. However, the CMA notes that lower input prices may lead to lower final prices, particularly where there is competition in the downstream market. Furthermore, the Parties currently negotiate prices collectively as part of the Bako Group so the merger is unlikely to give rise to a significant increase in their buyer power.