

## **Anticipated acquisition by Platinum Equity, LLC of Malcolm Enamellers Limited**

**ME/6560-15**

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 9 November 2015. Full text of the decision published on 25 November 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. Platinum Equity, LLC (Platinum), whose portfolio companies include Metokote UK Ltd (Metokote), has agreed to acquire Malcolm Enamellers Limited (Malcolm) (the Merger). Metokote and Malcolm 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 supply of industrial coating services using the electrocoating (e-coating), powder coating and wet spray coating methods. The CMA believes that the evidence supports using separate frames of reference for each industrial coating method. In light of this evidence, and on a cautious basis, the CMA therefore assessed the competitive effects of the Merger considering each coating method separately. In particular, the CMA focused its competitive assessment of the Merger on the supply of e-coating services, where the Parties' activities are focused. Platinum submitted that e-coating is the only segment within which the Parties' combined share of supply in the UK exceeds 25%. The CMA believes, on the evidence before it, that no competition concerns arise on this narrow basis or, therefore, on a wider basis comprising some or all coating methods. Accordingly, the CMA

does not consider it necessary to conclude on the exact product frame of reference in this case.

4. The CMA found evidence that supplier location was an important factor in customers' choice of industrial coating provider and that customers preferred to use a local supplier. Given this evidence and the location of the Parties' plants, on a cautious basis the CMA assessed the competitive effects of the Merger using a geographic frame of reference of a 50-mile radius around Malcolm's coating plant (located in Wednesbury, West Midlands). The CMA believes, on the evidence before it, that no competition concerns arise on this narrow basis or, therefore, on a wider basis encompassing all the UK. Accordingly, the CMA does not consider it necessary to conclude on the exact geographic frame of reference in this case.
5. The CMA believes, on the basis of the evidence before it, that the Merger does not give rise to a realistic prospect of a substantial lessening of competition (SLC) as a result of horizontal unilateral effects in relation to the supply of e-coating services because:
  - (a) Although the merged entity will, post-Merger, be the largest supplier of e-coating services in the UK and within a 50-mile radius of Malcolm's plant (by share of sales), the Parties are not close competitors. The Parties supply mostly different customers and, according to third parties, several other competitors are closer, or as close, competitors of one or both of the Parties.
  - (b) A large number of alternative e-coating suppliers will remain post-Merger, providing effective competition to the merged entity.
  - (c) The widespread use of competitive tenders in the industrial coating sector facilitates customer switching and reduces the possibility that the Merger may give rise to unilateral effects.
6. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the Act).

## **ASSESSMENT**

### **Parties**

7. Platinum is an investment fund active in the merger, acquisition and operation of companies in various sectors, including information and communications technology, metal services, manufacturing and distribution. Platinum's portfolio companies include Metokote, a supplier of industrial coating services.

Metokote specialises in the e-coating, powder coating, and wet spray coating methods. Metokote has one plant in the UK, located in Daventry, Northamptonshire.

8. Malcolm is a family-owned UK company, providing industrial coating services. Malcolm specialises in e-coating, powder coating and wet spray coating methods. Malcolm operates one plant, located in Wednesbury, West Midlands. The turnover of Malcolm in the year ending 31 March 2015 was around £8.86 million in the UK.

## **Transaction**

9. As a result of the Merger, Platinum will acquire the entire issued share capital of Malcolm. Malcolm will become a Platinum portfolio company. Completion of the Merger is conditional on obtaining phase 1 approval from the CMA.

## **Jurisdiction**

10. As a result of the Merger, the enterprises of Platinum and Malcolm will cease to be distinct.
11. The Parties overlap in the supply of e-coating services with a combined share of supply in the UK of [20–30]% (with an increment arising from the Merger of [5–10]%). The CMA therefore considers that the share of supply test in section 23 of the Act is met.
12. 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.
13. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 28 September 2015. The statutory 40-working day deadline is therefore 20 November 2015.

## **Counterfactual**

14. 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. In this case, there is no evidence supporting a different counterfactual, and Platinum and third parties have not put forward arguments in this respect. Therefore, the CMA considers the prevailing conditions of competition to be the relevant counterfactual.

## Frame of reference

15. The CMA considers that 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 the merger as 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.<sup>1</sup>
16. The Parties overlap within the UK in the application of coatings onto different products on an industrial scale. The principal purpose of industrial coatings is to protect metal components from corrosion, degradation or erosion. Coatings may have a secondary, decorative purpose. According to Platinum, the vast majority of industrial coating services in the UK are provided for an automotive end use (eg passenger vehicles, trucks and agricultural vehicles).<sup>2</sup>

## Product scope

17. Platinum told the CMA that there were five principal methods for applying industrial coatings:
  - (a) E-coating. E-coating is an organic coating method that uses electrical current to deposit paint onto part of an assembled product.
  - (b) Wet spray. Wet spray involves applying the industrial coating in liquid spray form. The method is well-suited to parts that do not tolerate the high temperatures involved in the e-coating and powder-coating processes, eg plastics, fibreglass, metal and electronics.
  - (c) Powder coating. Powder coating involves the electrostatic application of the coating as a free-flowing, dry powder. Unlike a conventional wet spray, powder coating does not require a solvent to keep the binder and filler parts in a liquid suspension form.
  - (d) Autophoretic coating (a-coating). A-coating is a wet chemical immersion process which involves chemically depositing a coating onto a metal component. A-coating does not use an electrical current.

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<sup>1</sup> [Merger Assessment Guidelines](#), paragraph 5.2.2.

<sup>2</sup> Platinum Merger Notice, paragraph 41. Platinum submitted that a small number of industrial coatings customers are not from the automotive sector, eg suppliers of gym equipment, bicycles and furniture.

- (e) Plating. Plating involves the application of a metallic conversion coating (typically an ionic material such as chrome, zinc or nickel) to either metal or non-metal components, using electrical or chemical-deposition methods in immersion processes.
18. Platinum told the CMA that both Parties are active in the supply of three of these methods: e-coating, powder coating and wet spray. Neither Party provides a-coating or plating.
19. Platinum submitted that the relevant product scope comprised the supply of all industrial coating services, regardless of the coating method used. However, Platinum submitted that the Merger would not give rise to competition concerns on what it considered to be the narrowest plausible candidate market, ie the supply of e-coating services.
20. The CMA considered the extent to which alternative industrial coating methods are substitutable with each other. In particular, the CMA focused on the degree of substitution between the three methods provided by the Parties: e-coating, powder coating and wet spray.

#### *Demand-side substitutability*

21. Platinum told the CMA that three groups of customers use industrial coatings services:<sup>3</sup>
- (a) Original equipment manufacturers (OEMs). OEMs may purchase industrial coatings services directly. Alternatively, OEMs may outsource the procurement of coating services to logistics suppliers. In the latter case, the logistics supplier is usually the direct customer of the industrial coatings service provider.
- (b) Tier suppliers. Tier suppliers manufacture components for use by OEMs (and sometimes other tier suppliers) in the assembly of vehicle subsystems (ie parts that will be combined together prior to assembly into the vehicle itself).
- (c) Logistics suppliers. Logistics suppliers provide transportation and storage services, releasing components to the OEM or tier supplier on an 'as needed' basis.

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<sup>3</sup> Platinum Merger Notice, paragraph 39.

22. Platinum submitted that, irrespective of the identity of the direct customer, the ultimate requirements regarding quality, delivery and cost are driven by the OEM.<sup>4</sup>
23. Platinum submitted that, in many cases, customers specify a performance standard but do not insist on a particular industrial coating method. Although there are some differences in the cost of materials used for each of the industrial coating methods, these differences are small as a proportion of the coating supplier's total costs (in the order of 10 to 20%) and therefore they do not tend to determine the customer's choice of coating method.<sup>5</sup>
24. However, Platinum told the CMA that there were circumstances in which a specific industrial coating method must be used or was preferred. For example, e-coating is suitable for complex parts requiring full coating but not for fully-assembled parts which should not be immersed in solutions.
25. Platinum provided information on 1,821 quotations issued by Malcolm since September 2013. According to Platinum, the data showed that in 82% of the requests for quotation (RFQs) where the customer did not specify the use of a particular industrial coating method,<sup>6</sup> the performance standard could be achieved using more than one method. However, the CMA found that in 11% of RFQs only e-coating met the customer's performance requirements, and the CMA also found that in 38% of RFQs, the customer did not specify a performance standard but specified the use of a particular coating method (eg e-coating). Overall, the CMA found that Malcolm did not have a choice over the method which could be used in almost half of all RFQs (49%).
26. Platinum submitted that even a customer specifying a particular coating method might perceive other methods as substitutable. For example, a customer might issue an RFQ for e-coating from a supplier they have used in the past for e-coating but at the same time might approach other suppliers with an RFQ for powder coating the same part.<sup>7</sup> However, the CMA found no evidence indicating how often this occurs.
27. Four customers told the CMA that different industrial coating methods were not substitutable. A further six customers told the CMA that the end customer (typically the OEM for which the part is being produced) dictates the

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<sup>4</sup> Platinum submitted that, where coatings services are provided for the aftermarket (irrespective of whether the aftermarket customer is a tier supplier, OEM or logistics supplier), a number of additional steps may be included in the process, such as labelling, mastic/sealant application and part-specific packaging.

<sup>5</sup> Platinum Merger Notice, paragraph 54.

<sup>6</sup> Customers specified a particular industrial coating method in 38% of the RFQs included in Platinum's data. Therefore, there were 1,124 RFQs in which only a performance standard was specified and in 82% of these cases the performance standard could be achieved using more than one coating method.

<sup>7</sup> Platinum submission of 22 September 2015.

performance requirements and coating method. No customers told the CMA that coating methods were substitutable.

### *Supply-side substitutability*

28. Platinum submitted that each industrial coating method requires specialised equipment which cannot be used for other methods. Although Malcolm has one production line capable of providing two different methods (powder and wet spray), the line has separate application areas depending on the method used.
29. One competitor estimated that it would take 16 months and cost more than £1 million for it to begin supplying a new industrial coating method(s).

### *Conclusion on product scope*

30. The CMA believes that the above evidence supports using separate frames of reference for each industrial coating method. In light of this evidence and on a cautious basis, the CMA assessed the competitive effects of the Merger in relation to the supply of e-coating services as this is the product where the Parties' activities are focused and where they have their largest share of supply (see paragraph 11). As explained below, on the evidence before it, the CMA believes that no competition concerns arise on this narrow basis or, therefore, on a wider basis where some or all coating methods are considered together. Accordingly, the CMA does not consider it necessary to conclude on the exact product frame of reference in this case.

### ***Geographic scope***

31. Metokote's plant is located in Daventry, Northamptonshire, 43 miles from Malcolm's plant in Wednesbury, West Midlands.
32. Platinum submitted that the relevant geographic frame of reference for the supply of industrial coating services is the whole of the UK. Platinum submitted that the Parties serve customers in both the Midlands and the North of England (up to 215 miles away),<sup>8</sup> and that the Parties had competed for work against suppliers located in Wales<sup>9</sup> and the North East of England.<sup>10</sup> Platinum noted that 80% of the Parties' customers are located within 70 miles of their plants. However, Platinum said this reflected the historical

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<sup>8</sup> Platinum told the CMA that Malcolm supplies customers in Basildon, Milton Keynes, Oxford and Sunderland, and that Metokote deals with customers such as Honda and BMW (both of whom are located in Swindon).

<sup>9</sup> Platinum identified Euro Quality Coatings as a competitor located in Wales.

<sup>10</sup> Platinum identified DPE Automotive and Grorud as competitors located in the North East of England.

concentration of the UK automotive industry in the Midlands and should not be interpreted as evidence that the geographic frame of reference was sub-national.<sup>11</sup>

33. Data submitted by Platinum shows that Malcolm's and Metokote's most distant customers in 2014 were located just over 200 miles from their respective plants. However, these customers accounted for less than 1% of the Parties' total sales in that year (Malcolm: 0.9%; Metokote: 0.05%).
34. Platinum estimated that transporting coated parts to/from an industrial coating plant typically accounted for around 15% of a supplier's total service costs. However, not all industrial coating providers supply transport services, eg Malcolm offers transport services but Metokote does not. Platinum told the CMA that Malcolm provides transport services where the order volume is large enough to cover transport costs and/or if Malcolm considers it important to win the customer order.
35. Some of the Parties' internal documents indicated that transport costs are relevant to a supplier's decision as to whether or not to bid for a customer's order. In particular, the CMA identified one internal Metokote document stating that a potential competitor for a particular piece of work 'did not quote due to logistics route' and that another competitor is 'in a poor location, difficult to get to'. Platinum submitted that this document was an isolated example of a small order involving extremely large parts.<sup>12</sup>
36. The CMA sought evidence from third parties on the importance of supplier location and supplier provision of transport services. The vast majority of customers who responded to the CMA's merger investigation said that supplier location was an important factor in their choice of industrial coating provider and that they preferred a local supplier. Two additional customers told the CMA that distance could be a factor in some circumstances, eg if the customer needed to deliver the part to an end customer in a specific location. Only one customer did not consider distance to be a relevant factor when choosing their coating supplier.
37. Seven customers specified drive times or distances within which their supplier must be located: two said the supplier should be located within one hour of their plant and five<sup>13</sup> said the supplier should be within 50 miles of their plant.

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<sup>11</sup> Platinum Merger Notice, paragraph 57.

<sup>12</sup> Platinum merger notice, paragraph 61.

<sup>13</sup> Two of these customers said the supplier should be located within 35 miles of their plant; a third said the supplier should be located within 10 miles of their plant.

This evidence was consistent with the response of one competitor, which told the CMA that 80% of its customers were located within 50 miles of its plant.

### *Conclusion on geographic scope*

38. In light of the above evidence, on a cautious basis, the CMA assessed the competitive effects of the Merger using a geographic frame of reference of a 50-mile radius around Malcolm's coating plant in Wednesbury. As explained below, the CMA believes, on the evidence before it, that no competition concerns arise on this narrow basis or, therefore, on a wider basis encompassing all the UK. Accordingly, the CMA does not consider it necessary to conclude on the exact geographic frame of reference in this case.

### *Conclusion on frame of reference*

39. For the reasons set out above, the CMA considered the competitive effects of the Merger in relation to the supply of industrial coating services using the e-coating method on the basis of a geographic frame of reference within 50 miles of Malcolm's plant at Wednesbury.

## **Competitive assessment**

40. Both Parties supply industrial coating services using the e-coating, powder, and wet spray coating methods. However, the principal area of overlap in the Parties' activities is e-coating. In 2014, e-coating accounted for [80–90]% of Malcolm's, and [60–70]% of Metokote's, industrial coating revenue.<sup>14</sup> Platinum submitted that e-coating was the only segment within which the Parties' combined share of supply in the UK exceeded 25%.<sup>15</sup> The Parties' powder coating and wet spray activities are much more limited.<sup>16</sup>
41. Third parties identified several alternative suppliers of industrial coating services, including Metafin, Stadco, Anochrome, Foleshill, Pym and Wildsmith, and Grorud. The CMA found that the majority of these competitors provide all three of the coating methods supplied by the Parties (two competitors – Foleshill and Metafin – do not provide wet spray coating).

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<sup>14</sup> [30–40]% of Metokote's 2014 revenue came from packaging services. E-coating accounts for [40–50]% of Metokote's total revenue. See Platinum Merger Notice, paragraph 45.

<sup>15</sup> Platinum was unable to provide detailed data for the Parties' shares of supply in relation to the powder or wet spray coating segments. Platinum submitted that the Parties' shares of supply in any hypothetical wet spray market would be miniscule. Platinum Merger Notice, note 20.

<sup>16</sup> Metokote derived [10–20]% of its 2014 revenue from powder coating services and only [0–5]% from wet spray services; Malcolm derived [10–20]% of its 2014 revenue from powder coating and wet spray services combined.

42. On the basis of this evidence, the CMA focused its assessment of the competitive effects of the Merger on the supply of e-coating services.

### ***Horizontal unilateral effects***

43. Horizontal unilateral effects may arise 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.<sup>17</sup> 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 unilateral horizontal effects in the supply of e-coating services within 50 miles of Malcolm's plant, such that the merged firm could profitably raise prices (or deteriorate service quality or reduce innovation).

### ***Shares of supply***

44. Platinum submitted data estimating the Parties' combined share of supply (by sales) of e-coating services within the UK to be [20–30]% (Malcolm: [10–20]%; Metokote [5–10]%). On this basis, the Merger would bring together the first and third largest suppliers of e-coating services in the UK. Post-Merger, the largest competitors by shares of supply would be Metafin ([10–20]%), Grorud ([5–10]%), Foleshill ([5–10]%), Plastic Coatings ([5–10]%) and Profin ([5–10]%). Platinum's data listed 13 other competitors with shares of supply between 1% and 5%.
45. The CMA recalculated shares of supply considering only competitors located within a 50-mile radius from Malcolm's Wednesbury plant. The Parties' combined share of supply on this basis was slightly higher, ie approximately [30–40]%, with an increment of around [5–10]%.<sup>18</sup> On this adjusted basis, post-Merger, the largest competing suppliers by shares of supply would be Metafin ([10–20]%), Foleshill ([10–20]%), Plastic Coatings ([5–10]%) and Profin ([5–10]%). Nine other competitors would have shares of supply between 1% and 5%.

### ***Closeness of competition***

46. Horizontal unilateral effects are more likely when the merger parties are close competitors.

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<sup>17</sup> [Merger Assessment Guidelines](#), from paragraph 5.4.1.

<sup>18</sup> The Parties' combined share of supply within this narrower geographic frame of reference of all industrial coating services ([20–30]%), and all industrial coating services other than e-coating ([10–20]%), would not exceed 25%.

47. As noted above, a large number of customers told the CMA that location was an important factor when choosing their e-coatings supplier. Accordingly, in assessing the closeness of competition between the Parties, the CMA has considered the geographical proximity of the Parties' plants.
48. Although Metokote's plant is located within 50 miles of Malcolm's plant, the two plants are located far away from each other (43 miles) and there are a number of competitors located closer to each of the Parties' plants.
49. In assessing the closeness of competition between the Parties, the CMA also considered the types of customers and services that each Party supplies.
50. Platinum submitted that the Parties compete for different customers within the e-coating segment. Metokote's e-coating services are mainly provided to customers in the automotive 'aftermarket' sector (although Metokote also supplies some primary market customers), while Malcolm's customers are mostly tier suppliers of OEMs and Malcolm has no presence in the aftermarket.<sup>19</sup> As a result, Malcolm does not provide packaging services (which, according to Platinum, are mainly required by aftermarket customers) and could not do so without investing in additional equipment.<sup>20</sup> Conversely, Metokote does offer packaging services, including labelling and mastic/sealant application. Furthermore, Malcolm provides transport services, whereas Metokote does not.
51. Platinum submitted an internal Metokote document which discusses the offerings of Metokote's competitors, including Malcolm.<sup>21</sup> The document identifies Malcolm as [REDACTED] and notes that Malcolm [REDACTED]. However, the document also identifies other competitors. For example, the document states that [REDACTED]. The document states that [REDACTED] and notes the observation of one Metokote customer that [REDACTED]. Therefore, although the CMA considers the document to be evidence that Malcolm competes with Metokote for some types of industrial coating work, the document suggests that Metokote competes equally closely with some other parties.
52. Furthermore, the CMA has found other evidence to support Platinum's view that the Parties do not compete closely in the supply of e-coating services. In particular, the large majority of customers which responded to the CMA's merger investigation said that the Parties were either a moderate/weak constraint on each other, or no constraint at all. Several of these customers told the CMA that this was because the Parties competed for different

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<sup>19</sup> Platinum Merger Notice, paragraph 40.

<sup>20</sup> Platinum told the CMA that it would cost less than £[0–£500,000] and would not take longer than [5–10] months for Malcolm to develop this additional infrastructure. Platinum submission of 22 September 2015.

<sup>21</sup> Platinum submission of 20 August 2015, note 5.

customer segments. Only three customers identified one of the Parties as a strong competitor of the other.

53. The CMA analysed bidding data provided by Platinum which showed the customers to which each Party sent quotes in recent years. The CMA found that the data was consistent with Platinum's (and third parties') view that the Parties compete for largely different customer segments. The CMA identified only four customers (out of more than 50 in total) which were common to the Parties in 2014. The common customers accounted for 10% of Malcolm's 2014 revenue, 6% of Metokote's 2014 revenue, and 8% of the Parties' combined 2014 revenue. Moreover, one of the Parties' common customers told the CMA that it considered [X] a closer competitor to Malcolm than Metokote. The customer said that the coating sector was highly competitive and expressed no concerns regarding the Merger.
54. In addition to data on successful bids, the CMA also analysed data on unsuccessful bids by the Parties. The CMA found that Malcolm had not bid unsuccessfully for work from any of Metokote's current customers, and that Metokote had bid unsuccessfully for only one of Malcolm's customers. The customer in question represented less than [0–5]% of Malcolm's 2014 revenue. The CMA identified no potential customers to which both Parties had unsuccessfully provided a quotation.
55. On the basis of this evidence, the CMA believes that the Parties are not close competitors in the supply of e-coating services.

#### *Customer switching*

56. Unilateral effects are more likely where customers have little choice between alternative suppliers because switching costs are high.<sup>22</sup>
57. Platinum submitted that there are few long-term contracts in the e-coating segment, or in the industrial coating sector more generally.<sup>23</sup> Most work is not covered by a formal contract of any kind (although structured arrangements are more common in the aftermarket). The customer is rarely committed to any minimum order/purchase volume and can generally switch supplier with no or minimal notice.<sup>24</sup> Platinum submitted that the principal way in which contracts are won and lost is through competitive tenders on the basis of an RFQ issued by the customer. RFQs account for almost all of Malcolm's business and a large part of Metokote's business. The customer will typically

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<sup>22</sup> [Merger Assessment Guidelines](#), paragraph 5.4.6.

<sup>23</sup> Platinum Merger Notice, paragraph 65.

<sup>24</sup> Platinum Merger Notice, paragraph 84.

issue an RFQ on a part-by-part or “basket of parts” basis to several suppliers. An interested supplier will likely respond within 24 to 48 hours. In some cases, the customer and supplier may then engage in bilateral negotiations (a customer will generally negotiate with several suppliers simultaneously). Platinum submitted that, even where a customer accepts a supplier’s quote, it is not uncommon for the customer to split volumes for the same part between multiple suppliers. It said this is the case in around 10-20% of contracts.

58. The CMA found that evidence from third parties was broadly consistent with Platinum’s description of the offer and negotiation process. 12 customers told the CMA that they were currently using two or more suppliers for their industrial coating requirements. One customer described a tendering process it was currently running, which involved Metokote and two other coating suppliers (neither of which was Malcolm).
59. On the basis of this evidence, the CMA believes that the widespread use of competitive tenders and multi-sourcing will facilitate customer switching and reduce the possibility that the Merger may give rise to unilateral effects.

#### *Remaining competitive constraints*

60. Platinum provided the CMA with a list of 25 competing suppliers of industrial coating services. E-coating suppliers located within 50 miles of Malcolm’s plant include seven of the ten largest industrial coating suppliers in the UK. 16 competitors are closer to Malcolm’s plant than Metokote.
61. Several third parties identified competitors which they considered to be as close or closer competitors to Metokote than Malcolm, including Stadco, Benseler, and Foleshill. Similarly, several third parties identified competitors which they considered to be as close or closer competitors to Malcolm than Metokote, including Metafin, Anochrome, and Foleshill.
62. A number of third parties told the CMA that the e-coating and/or industrial coating sector is highly competitive. Third parties identified several alternative suppliers, including Metafin, Stadco, Anochrome, Foleshill, Pym and Wildsmith and Grorud. The majority of these competitors offer three or more types of coating, and all offer both e-coating and powder coating.
63. On the basis of this evidence, the CMA believes that there are several other competitors which compete as or more closely with the Parties than the Parties compete with each other. The CMA believes that these competing e-coating suppliers will provide effective competition to the merged entity.

### *Conclusion on horizontal unilateral effects*

64. For the reasons set out above, the CMA believes that the Parties are not close competitors in the supply of e-coating services, the widespread use of competitive tenders and the limited use of formal contracts facilitates customer switching, and there will be several effective competitors remaining post-Merger. Accordingly, 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 relation to the supply of e-coating services. As explained above, given the CMA believes that no competition concerns arise on this narrow basis, it also believes that no concerns arise on a wider basis where some or all coating methods are considered together.

### **Third party views**

65. The CMA contacted customers (including OEMs, tier suppliers and logistic suppliers), competitors and suppliers of the Parties. The CMA received a small number of concerns regarding the Merger, but the large majority of third parties which responded to the CMA's merger investigation were supportive of the Merger or expressed no view. Third party comments have been taken into account where appropriate in the competitive assessment above.

### **Decision**

66. 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.
67. The Merger will therefore **not be referred** under section 33(1) of the Act.

**Andrew Wright**  
**Director, Mergers**  
**Competition and Markets Authority**  
**9 November 2015**