COMPLETED ACQUISITION BY LINDAB INTERNATIONAL AB OF HAS-VENT HOLDINGS LIMITED

Final report

ME/7079/23

15 October 2024

Competition & Markets Authority

Website: www.gov.uk/cma

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The Competition and Markets Authority has excluded from this published version of the final report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✄]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

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SUMMARY

OVERVIEW OF OUR FINDINGS

1. The Competition and Markets Authority (**CMA**) has found that the completed acquisition by Lindab International AB (**Lindab**) of HAS-Vent Holdings Limited (**HAS-Vent**) (the **Merger**) has resulted, or may be expected to result, in a substantial lessening of competition (**SLC**) in the supply of circular ducts and fittings in the local areas centred around Nottingham and Stoke-on-Trent. This could lead to reduced choice and higher prices for customers in those areas.

2. Lindab and HAS-Vent are each a **Party** to the Merger; together they are referred to as the **Parties** and, for statements relating to the situation post-Merger, as the **Merged Entity**.

WHO ARE THE BUSINESSES AND WHAT PRODUCTS DO THEY SUPPLY?

3. Lindab is a ventilation company headquartered in Sweden and listed on Nasdaq Stockholm. In the UK, Lindab is primarily active through Lindab UK and Ductmann, which both manufacture and distribute ventilation system products, including ducts and fittings. Lindab UK is headquartered in Northampton and operates from 22 branches (19 of which are in England and Wales), while Ductmann, headquartered in Bilston, operates from 2 branches (both in England). Lindab's total turnover in the UK was £[✂] million in 2023.

4. HAS-Vent is a UK company headquartered in Wombourne, also active in the manufacture and distribution of ventilation system products, including ducts and fittings. HAS-Vent operates from 10 branches, all located in England. HAS-Vent's turnover in the UK was £[✂] million in 2023.

OUR ASSESSMENT

Why are we examining this Merger?

5. The CMA's primary duty is to seek to promote competition for the benefit of consumers.[1] It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so.[2]

[1] Section 25(3) Enterprise and Regulatory Reform Act 2013.
[2] In relation to completed acquisitions, see section 22 of the Act 2002.

6. In this case, the CMA has jurisdiction over the Merger because the Parties' overlapping activities meet the 'share of supply' jurisdictional test: the Parties have a combined share of supply of circular ducts and fittings in England and Wales of [30–40%].

What evidence have we looked at?

7. In assessing the competitive effects of the Merger, we looked at a wide range of evidence in the round.

8. We received submissions and responses to information requests from the Parties and held hearings with each of Lindab and HAS-Vent. We also examined the Parties' internal documents, which provide some information about local competitive conditions, as well as the Parties' rationale for the Merger.

9. We also spoke to and gathered information from third parties, including competitors and customers to better understand the competitive landscape and obtain views on the impact of the Merger.

WHAT DID THE EVIDENCE TELL US …

… about what would likely have happened had the Merger not taken place?

10. In order to determine what (if any) impact the Merger may be expected to have on competition, we have considered what would likely have happened had the Merger not taken place. This is known as the counterfactual.

11. Our conclusion is that the appropriate counterfactual against which to assess the Merger is the pre-Merger conditions of competition whereby HAS-Vent and Lindab would have continued to compete broadly in the same way as they do now.

… about the effects of the Merger?

12. The Parties overlap in the supply of circular ducts and fittings. We received evidence from a range of sources showing that circular ducts and fittings are generally not substitutable with other types of ducts and fittings. This included evidence that the choice of ducting will be determined by design considerations and that different types of ducting differ significantly in price. Therefore, we have assessed the impact of the Merger on competition in the supply of circular ducts and fittings.

13. The evidence gathered from both customers and suppliers indicates that the things that matter most to customers when choosing a supplier of circular ducts and fittings are price, location, delivery times and product range.

14. During our phase 2 inquiry, we found that prices and all material aspects of service are set at branch level, with significant variation between branches. We also found that transport costs are high, such that the focus of both customers and branches is primarily local. Suppliers told us that the majority of their customers are located in the area local to a branch. We have not identified any material parameters of competition which are set at national level. Therefore, we have assessed the impact of the Merger on competition at local level.

15. Statements taken from Lindab internal documents relating to the Merger show that Lindab considers HAS-Vent to be a close competitor in local areas where the Parties compete to supply the same set of customers. HAS-Vent internal documents also indicate that the Parties are close competitors in areas where they compete. This is consistent with evidence from customers, with most customers of one Party identifying the other Party as a good alternative supplier, and with evidence from competitors, the majority of whom identified both Parties as their main competitors.

16. In our assessment of local competitive conditions, we have taken account of various sources of evidence on the geographic area over which each of the Parties are competing, who their competitors are and the competitive pressure they are exerting on each other. Our assessment was also informed by our analysis of the internal documents provided by the Parties and data from third parties on their activities in the supply of circular ducts and fittings in each local area.

17. This assessment has led us to a view that there are a number of Lindab branches which are unlikely to be serving areas that are also served by HAS-Vent branches, given the distances between the branches, such that the Parties are unlikely to be competing to a material degree.

18. We then identified areas in which the location of the Parties' branches and information on delivery distances for those branches indicated that the Parties may be competing with each other to a material degree. This led to the identification of 17 local areas for a more detailed assessment.

19. For areas where the Parties may be competing with each other to a material degree, we drew on a range of sources of evidence to consider (i) the extent of competition lost due to the Merger in the local area (ii) the strength of competition the Merged Entity would face from alternative suppliers in the relevant local area.

20. From this assessment, we found a number of areas where the Parties may be competing to serve the same customers, but where our view is that there is

sufficient competition remaining in the local area such that the Merger does not give rise to competition concerns in that area.

21. We identified two areas, centred on Nottingham and Stoke-on-Trent, where the Parties are likely to be competing to serve the same customers and our view is that there is insufficient competition remaining in these areas to prevent competition concerns from arising.

22. Lindab and HAS-Vent both have branches located in Nottingham and a high proportion of Lindab's sales from its Nottingham branch are made to customers within or very close to Nottingham indicating that a significant element of competition in Nottingham is likely to be focussed on Nottingham itself. Other competing suppliers are located in a different city and a significant distance from the Parties' branches in Nottingham. The evidence, including our consideration of further representations from the Parties in their response to the Provisional Findings, indicates that these alternative competitors are likely to be weak competitors to the Parties' branches in Nottingham. Our view, therefore, is that the Merger has resulted, or may be expected to result in, an SLC in the Nottingham area.

23. The Parties are the only strong suppliers of circular ducts and fittings located in Stoke-on-Trent. Other suppliers, such as SK Sales and Storm Ventilation Supplies, are located a considerable distance from Stoke-on-Trent. The evidence, including our consideration of further representations from the Parties in response to the Provisional Findings, indicates that they are currently likely to be a weak competitive constraint on the Parties' branches in Stoke-on-Trent. Our view, therefore, is that the Merger has resulted, or may be expected to result in, an SLC in the Stoke-on-Trent area.

… about any countervailing factors?

24. We considered whether potential entry could occur to prevent or mitigate any SLC arising. In assessing whether entry or expansion might prevent an SLC, we considered whether it would be timely, likely and sufficient.

25. The Parties' view is that barriers to entry are low and that there have been several examples of entry and expansion in recent years. The evidence from third parties pointed to a number of potential barriers, including investment costs, low margins and the need for an established reputation for reliability and short delivery times.

26. We consider it unlikely that an entirely new entrant could build a reputation for strong customer service to develop its business to compete with the Parties within a reasonable timeframe. While the need to build a reputation may be less of a barrier for an existing supplier with experience in other ventilation markets or other local markets for circular ducts and fittings, such an entrant would still be required

to incur investment costs, which may be unattractive in light of the low margins that it could potentially obtain.

27. We assessed the evidence provided by the Parties on sources of entry and consider that given the number of different local markets across England and Wales, the incidence of recent successful entry is low. We have not received any submissions or evidence from the Parties or any third parties to suggest that any suppliers have plans to enter the relevant local areas in which we have found an SLC in a timely manner.

28. Our conclusion is that entry and/or expansion would not be timely, likely and sufficient to prevent the SLCs that we have found from arising.

… about the overall impact of the Merger on customers

29. Our statutory duty is to assess whether the Merger has resulted, or may be expected to result, in an SLC within any market or markets in the UK for goods or services. Any such reduction in competition can have a potential impact on consumers.

30. In this case, we are concerned that the Merger could lead to higher prices and reduced choice for customers of the Parties in the local areas centred around Nottingham and Stoke-on-Trent.

CONCLUSION

31. For the reasons above, we conclude that the Merger has resulted, or may be expected to result, in a substantial lessening of competition (**SLC**) in the supply of circular ducts and fittings in the local areas centred around Nottingham and Stoke-on-Trent.

HOW WILL WE ADDRESS THE CONCERNS WE HAVE FOUND?

32. Where we conclude that a merger has resulted or may be expected to result in an SLC, we are required to decide what, if any, action should be taken to remedy, mitigate or prevent that SLC, or any adverse effect resulting from the SLC. In assessing possible remedies, we have sought to identify remedies that will be effective in addressing the SLC and resulting adverse effects we found and then selected the most proportionate remedy that we consider to be effective.

33. We considered two options to remedy the SLC that we found: divestiture of one of the Parties' sites in each of the SLC Areas; and in the event that that remedy is found not to be effective, divestiture of the entire HAS-Vent business. We consider

that the divestment of one of the Parties' sites in each of the SLC Areas would be the least intrusive remedy in relation to the SLCs identified.

34. Therefore, following consultation with the Parties and third parties, we have decided to require the Parties to divest one of the Parties' sites in each of the SLC Areas, to one or two suitable purchasers that fulfil the CMA's purchaser suitability criteria. We require the Parties to market for sale each of the potential divestment sites (Lindab Nottingham, Lindab Stoke-on-Trent, HAS-Vent Nottingham and HAS-Vent Stoke-on-Trent) and Lindab will then have the choice of which sites to divest.

WHAT HAPPENS NEXT?

35. The CMA will now take steps to implement the remedy described above, and will consult publicly on the approach to be taken.

36. In line with statutory requirements, the CMA will implement its remedy decision within 12 weeks of publication of the final report, which may be extended once by up to six weeks if there are special reasons for doing so.

FINDINGS

1. THE REFERENCE

1.1 On 3 May 2024, the Competition and Markets Authority (**CMA**), in exercise of its duty under section 22(1) of the Enterprise Act 2002 (the **Act**),[3] referred the completed acquisition (the **Merger**) by Lindab International AB (**Lindab**), via Lindab Limited (**Lindab UK**), of HAS-Vent Holdings Limited (**HAS-Vent**) for further investigation and report by a group of CMA panel members (the **inquiry group**).

1.2 Lindab and HAS-Vent are each a **Party** to the Merger; together they are referred to as the **Parties**. For statements referring to the future, Lindab and HAS-Vent are referred to as the **Merged Entity**.

1.3 In exercise of its duty under section 35(1) of the Act,[4] the CMA must decide:

(a) whether a relevant merger situation (**RMS**) has been created; and

(b) if so, whether the creation of that RMS has resulted, or may be expected to result, in a substantial lessening of competition (**SLC**) within any market or markets in the United Kingdom (**UK**) for goods or services.

1.4 In assessing the competitive effects of the Merger, we must decide whether there is an expectation (ie a more than 50% chance) that the Merger will result in an SLC.

1.5 We are required to prepare and publish our final report by 17 October 2024.

1.6 Our terms of reference, along with information on the conduct of the inquiry, are set out in Appendix A and Appendix B respectively.

1.7 This document, together with its appendices, constitutes the Final Report published and notified to the Parties in line with the CMA's rules of procedure.[5] Further information relevant to this inquiry can be found on the CMA webpage.[6]

[3] Section 22(1) of the Act.
[4] Section 35(1) of the Act.
[5] CMA rules of procedure for merger, market and special reference groups (**CMA17**), March 2014, Rule 13.
[6] See: Lindab/HAS-Vent merger inquiry.

2. PARTIES, MERGER, MERGER RATIONALE AND SYNERGIES

The Parties

Lindab

2.1 Lindab is the parent company of a global group of companies (the **Lindab Group**) active in the supply of ventilation system products and headquartered in Sweden. It is listed on Nasdaq Stockholm and has a market capitalisation of SEK 19.38 billion (c.£1.4 billion).[7] The Lindab Group operates in two key business areas:

(a) **Ventilation Systems**, which offers duct systems with accessories, and indoor climate solutions for ventilation, cooling and heating. This business segment accounts for 74% of Lindab Group's net sales, with the majority of sales focused in Western Europe (55%).[8]

(b) **Profile Systems**, which offers products and systems in sheet metal for rainwater systems, roof and wall products as well as steel profiles for wall, roof and beam constructions. This business segment accounts for 26% of the Lindab Group's net sales with the vast majority of sales focused in the Nordic region (79%).[9]

2.2 In the UK, the Lindab Group is primarily active through Lindab UK and Ductmann Limited (**Ductmann**), which both manufacture and distribute ventilation system products, including ducts and fittings. Lindab UK is headquartered in Northampton and operates from a total of 22 branches (19 of which are in England and Wales),[10] while Ductmann, headquartered in Bilston, operates from a total of two branches (both in England).[11]

2.3 Lindab told us that its total turnover in the UK was £[✂] million in 2023. The majority (over 90%) of Lindab's turnover in the UK is generated by Lindab UK.[12] Its 2022 and 2021 statutory accounts show the following turnover and profit.[13]

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[7] NASDAQ Company Fact Sheet dated 21 August 2024. Market capitalisation is correct as at close on 20 August 2024. See Morningstar Report last accessed by the CMA on 9 October 2024. Exchange rate: SEK to GBP 13.7127:1.
[8] Business areas (lindabgroup.com) last accessed by the CMA on 9 October 2024.
[9] Business areas (lindabgroup.com) last accessed by the CMA on 9 October 2024.
[10] Lindab Limited's branches outside of England and Wales are located in Belfast, Aberdeen and Edinburgh.
[11] Parties' response to the CMA's section 109 Notice 1, 7 November 2023, questions 14 and 31.
[12] Parties' response to the CMA's section 109 Notice 1, 7 November 2023, questions 11 and 13.
[13] Lindab Limited statutory accounts for year ended 31 December 2022 filed with Companies House [last accessed by the CMA on 9 October 2024].

Table 2.1: Financial summary of Lindab Limited statutory accounts for year ended December 2022 and December 2021

		(£)m
	2022	*2021*
Revenue	65.9	59.5
Gross profit	20.8	19.7
Operating profit	3.5	4.8
Profit before taxation	3.9	5.1
Net profit	3.1	4.2

Source: Lindab Limited statutory accounts for year ended 31 December 2022 and 31 December 2021 [last accessed by the CMA on 9 October 2024].

2.4 Lindab UK's management accounts covering the period from October 2022 to September 2023, show the following revenue and profit:

Table 2.2: Financial summary of Lindab Limited management accounts from October 2022 to September 2023

	(£m)
Total sales	[✂]
Gross profit	[✂]
EBITDA	[✂]
Profit before taxes	[✂]
Net profit	[✂]

Source: Lindab Limited management accounts covering the period from October 2022 to September 2023 (Lindab internal document, Annex 020 to CMA section 109 Notice 1, 7 November 2023, question 16).

2.5 Lindab provided a breakdown of Lindab UK and Ductmann's 2023 revenues in England and Wales split by product group.[14] The sale of circular ducts and fittings accounted for £[✂] million out of £[✂] million of Lindab UK's revenues in the ventilation system components business segment, and £[✂] million of Ductmann's overall revenues of £[✂] million.

HAS-Vent

2.6 HAS-Vent is a UK company headquartered in Wombourne, also active in the manufacture and distribution of ventilation system products, including ducts and fittings.[15] HAS-Vent operates from a total of 10 branches, all located in England.[16] HAS-Vent's turnover in the UK was £[✂] million in 2023.[17]

[14] Lindab's response to the CMA's section 109 Notice 1, 23 May 2024, question 1(a), Annex A.
[15] Lindab's response to the CMA's RFI 1, 24 October 2023, question 2.
[16] Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 31.
[17] Parties' response to the CMA's section 109 Notice 1, 7 November 2023, page 1.

2.7 Prior to the Merger, HAS-Vent was owned by Jonathan Black and Peter Slater (joint Managing Directors of HAS-Vent).[18] They acquired the business through a management buy-out from the Hotchkiss Group Ltd in March 2020.[19]

2.8 Below we provide a summary of the statutory accounts for HAS-Vent in 2021 and 2022 and also the management accounts for 2022 and 2023.

Table 2.3: Financial summary of HAS-Vent's statutory accounts for year-ended 2022 and 2021 and management accounts for year-ended September 2023

			(£)m
	2023	*2022*	*2021*
Turnover	[✂]	20.1	17.5
Gross profit	[✂]	8.1*	7.3
Operating profit	[✂]	2.9	2.4
Profit before taxation	[✂]	2.8	2.3
Net profit	[✂]	2.4	1.9

Source: HAS-Vent's statutory accounts for year-ended 30 September 2022 and 30 September 2021, and HAS-Vent management accounts for year-ended September 2023 (HAS-Vent Limited statutory accounts for year ended 30 September 2022 filed with Companies House, page 9 [last accessed by the CMA on 9 October 2024]; HAS-Vent internal document, Annex 003 to CMA's section 109 Notice 1, 7 November 2023).
** [✂].*

2.9 HAS-Vent provided a breakdown of its 2023 revenues in England and Wales split by product group. HAS-Vent's revenues derived from the sale of ventilation system components in 2023 stood at £[✂] million, with the sale of circular ducts and fittings accounting for £[✂] million of these revenues.[20]

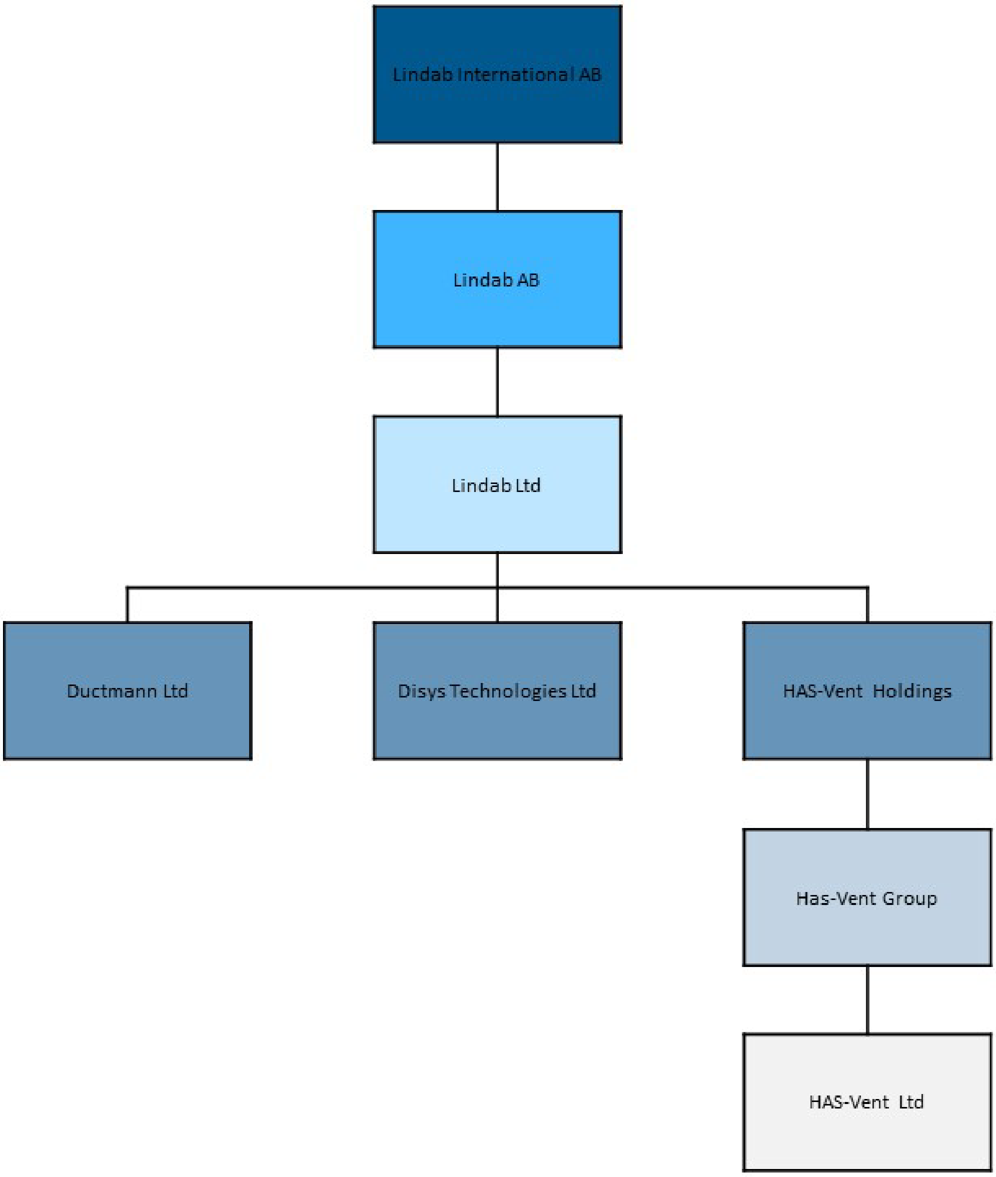
The Merger

2.10 Lindab, via Lindab UK, acquired the entire issued share capital of HAS-Vent and its subsidiaries pursuant to a share purchase agreement (**SPA**) dated 5 October 2023.[21] The Merger also completed on 5 October 2023.

2.11 Pursuant to the SPA, Lindab UK acquired three HAS-Vent entities: HAS-Vent Holdings Limited, HAS-Vent Group Limited (100% of the issued share capital of this company is held by HAS-Vent Holdings Limited) and HAS-Vent Limited (100% of the issued share capital of this company is held by HAS-Vent Group Limited). The post- Merger legal structure of Lindab UK is detailed below:

[18] See, for example, Lindab, 'Lindab acquires the British ventilation company HAS-Vent', 5 October 2023 [last accessed by the CMA on 9 October 2024].
[19] Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 4.
[20] HAS-Vent's response to the CMA's section 109 Notice 1, 23 May 2024, question 1(a), Annex A.
[21] Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 4, Annex 96.

Figure 2.1: Post-Merger structure of Lindab UK



Source: Lindab (Lindab response to the CMA's section 109 Notice 1, 7 November 2023, question 6, Annex 009).

Merger rationale

Lindab's stated rationale for the Merger

2.12 Lindab submitted that the rationale for the Merger is to:

(a) strengthen Lindab's overall market position in the supply of circular products in the UK;

(b) allow Lindab to expand in the supply of rectangular, flat oval and Colorduct[22] products (which it does not manufacture itself); and

(c) introduce Lindab to the Liverpool and Eastbourne areas (where Lindab does not currently have a branch).[23]

2.13 Lindab's internal documents[24] confirm the stated Merger rationale and also note that '[✂]'.[25] The internal documents also explain that Lindab is seeking to insource £[✂] million of HAS-Vent's fittings rather than relying on Vento Group, HAS-Vent's current supplier of pressed-fittings.[26] Lindab also submitted that it wishes to infuse the successful and profitable business culture of HAS-Vent into Lindab. Further details of synergies expected to arise from the Merger are discussed in paragraphs 2.15 and 2.16 below.

HAS-Vent's stated rationale for the Merger

2.14 HAS-Vent explained that the main rationale for discussing a potential sale of the HAS-Vent business was [✂]. [✂] realising a financial reward for their work over the preceding three years.[27]

Merger synergies

2.15 Lindab submitted that it had originally considered that some efficiencies could be achieved from the Merger [✂].[28] This is evident from Lindab's internal documents [✂]. Further analysis was intended to be carried out by Lindab during due diligence [✂].[29]

2.16 Lindab's internal documents suggest other potential synergies arising from the Merger (which have not been quantified), [✂] and the potential opportunity to offer Lindab's [✂] and fire rated duct systems to HAS-Vent customers.[30]

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[22] HAS-Vent's Colorduct product is a form of coloured ducting.
[23] Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 23.
[24] Lindab response to the CMA's section 109 Notice 1, 7 November 2023, page 6, Annex 33; and Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 4.
[25] Lindab response to the CMA's section 109 Notice 1, 7 November 2023, page 1, Annex 47.
[26] Lindab response to the CMA's section 109 Notice 1, 7 November 2023, page 1, Annex 47.
[27] HAS-Vent's response to the CMA's section 109 Notice 2, 13 June 2024, question 3.
[28] Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 4.
[29] Lindab response to the CMA's section 109 Notice 1, 7 November 2023, Annex 47, slide 2.
[30] Lindab response to the CMA's section 109 Notice 1, 7 November 2023, Annex 47, page 1.

3. RELEVANT MERGER SITUATION

Introduction

3.1 This chapter addresses the first of the two statutory questions which we are required to answer under section 35 of the Act and pursuant to our Terms of Reference, namely whether an RMS has been created.[31]

3.2 The concept of an RMS has two principal elements: *(a)* two or more enterprises have ceased to be distinct enterprises within the statutory period for reference;[32] and *(b)* the turnover test and/or the share of supply test is satisfied.[33] We address each of these elements in turn below.

Enterprises ceasing to be distinct

Enterprises

3.3 The first element of the jurisdictional test is whether two or more enterprises have ceased to be distinct as a result of the Merger.[34]

3.4 The Act defines an 'enterprise' as 'the activities or part of the activities of a business'.[35] A 'business' is defined as including 'a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge'.[36]

3.5 As noted above, Lindab and HAS-Vent are both active in the supply of ventilation system products, including circular ducts and fittings, in England and Wales (see paragraphs 2.2 and 2.6) for reward. The Parties have told us that, in 2023, Lindab generated turnover of approximately £[✀] million and HAS-Vent generated turnover of approximately £[✀] million in the UK.[37]

3.6 Our view therefore is that each of Lindab and HAS-Vent is a 'business' within the meaning of the Act and that, accordingly, the activities of each of Lindab and HAS-Vent constitutes an 'enterprise' for the purposes of the Act.

[31] See section 35 of the Act and Appendix A.
[32] Sections 23 and 24 of the Act.
[33] Section 23 of the Act.
[34] The Act also prescribes a time limit within which, or circumstances in which, enterprises are treated as ceasing to be distinct (section 24 of the Act).
[35] Section 129(1) of the Act.
[36] Section 129(1) of the Act.
[37] Parties' response to the CMA's section 109 Notice 1, 14 November 2023, question 11.

Ceasing to be distinct

3.7 The Act provides that any two enterprises cease to be distinct if they are brought under common ownership or common control.[38] The Merger concerns the acquisition by Lindab (via Lindab UK) of the entire issued share capital of HAS-Vent. Therefore, as a result of the Merger, HAS-Vent and Lindab have been brought under common ownership or control within the meaning of section 26 of the Act.

3.8 Accordingly, our view is that the Merger has resulted in two or more enterprises (namely, the enterprises of Lindab and HAS-Vent) ceasing to be distinct.

The applicable statutory period

3.9 The Act requires that the enterprises must have ceased to be distinct within either *(a)* not more than four months before the day on which the reference is made, or *(b)* where the merger took place without having been made public and without the CMA being informed of it, four months from the earlier of the time that material facts are made public or the time the CMA is told of material facts.[39] The four-month period may be extended under section 25 of the Act.[40]

3.10 The Merger completed on 5 October 2023 and was made public for the purposes of section 24(3) of the Act on the same day.[41]

3.11 Following extensions under sections 25(1), 25(2) [42] and 32(4) of the Act, the four-month period was extended to 29 April 2024.[43]

3.12 The CMA made its phase 1 decision on the Merger (the **Phase 1 Decision**[44]) on 26 April 2024 which was within the statutory 40 working day deadline for a decision on whether to make a reference.[45] The Parties had until 3 May 2024[46] to offer any undertakings in lieu of a reference (**UILs**) .[47] On 26 April 2024, the

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[38] Section 26 of the Act.
[39] Section 24 of the Act.
[40] Section 25 of the Act.
[41] Lindab response to the CMA's section 109 Notice 1, 7 November 2023, question 7.
[42] See sections 25(1) and 32(4) of the Act.
[43] On 7 November 2023 and on 1 December 2023, the CMA issued notices under section 109 of the Act (**the Notices**) to Lindab UK with a deadline to respond to certain questions by 14 November 2023 and 8 December 2023 respectively. Lindab UK failed to provide the required information and documents by the dates prescribed in the Notices. Therefore, the CMA extended the four-month time period under section 25(2) of the Act on 22 November 2023 and on 20 December 2023. Following the CMA being satisfied that the information and documents were provided, both extensions were terminated on 17 January 2024. Overlapping extensions are not added together by virtue of section 25(11) of the Act, therefore the four-month deadline was extended by 56 calendar days.
[44] See: CMA, Phase 1 Decision, 26 April 2024.
[45] The CMA gave notice under section 96(2A) of the Act that the 'initial period' (as defined in section 34ZA(3) of the Act) commenced on 29 February 2024. The statutory 40 working day deadline for a decision (under section 34ZA of the Act) on whether to make a reference was therefore 26 April 2024.
[46] Section 73A(1) of the Act.
[47] CMA, Phase 1 Decision, 26 April 2024, paragraph 151.

Parties informed the CMA that they would not offer UILs. Accordingly, the CMA referred the Merger for a phase 2 investigation on 3 May 2024.[48]

3.13 In view of the above, our view is that the enterprises of Lindab and HAS-Vent ceased to be distinct within the applicable statutory period for reference, and therefore the first limb of the RMS test is met.

Turnover test or share of supply test

3.14 The second element of the jurisdictional test seeks to establish sufficient connection with the UK on a turnover or share of supply basis.

3.15 The turnover test is met where the value of the turnover in the UK of the enterprise being taken over exceeds £70 million. As the turnover of HAS-Vent in the UK in its last financial year prior to the Merger was approximately £[✂] million,[49] the turnover test is not met.

3.16 The share of supply test is met where, as a result of enterprises ceasing to be distinct, the following condition prevails or prevails to a greater extent: at least one quarter of goods or services of any description which are supplied in the UK, or in a substantial part of the UK, are supplied either by or to one and the same person.[50] The requirement that the condition prevails or prevails to a greater extent means that the merger must result in the creation or increase in a share of supply of goods or services and the resulting share must be 25% or more.

3.17 At phase 2, based on the information obtained during our inquiry, we have calculated the Parties' shares of supply on the basis of revenues in 2023 generated in England and Wales from the supply of circular ducts and fittings to be:

(a) Lindab's revenue amounts to £[✂] million and therefore Lindab has a share of supply of [20–30%]; and

(b) HAS-Vent's revenue amounts to £[✂] million and therefore HAS-Vent has a share of supply of [5–10%].

3.18 Therefore, the Parties' combined share of supply of circular ducts and fittings on the basis of revenues in 2023 generated in England and Wales is [30–40%].

3.19 In view of the above, our view is that the share of supply test in section 23 of the Act is met,[51] and therefore the second limb of the RMS test is met.

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48 See Chapter 1 and Appendix A.
49 Parties' response to the CMA's section 109 Notice 1, 14 November 2023, question 11.
50 Sections 23(2), (3) and (4) of the Act.
51 Section 23 of the Act.

Conclusion on the RMS

3.20 In view of the above, we have concluded that the Merger has resulted in the creation of an RMS.

4. COUNTERFACTUAL

Introduction

4.1 This chapter sets out our assessment and conclusion on the appropriate counterfactual for the Merger.

4.2 The counterfactual is an analytical tool used in answering the question of whether a merger gives rise to an SLC. It does this by providing the basis for a comparison of the prospects of competition with the merger against the competitive situation without the merger. The latter is called the counterfactual.[52]

4.3 This chapter is structured under the following headings:

(a) Framework for assessing the counterfactual.

(b) Parties' views on the appropriate counterfactual.

(c) Assessment of the appropriate counterfactual.

(d) Conclusion on the counterfactual.

Framework for assessing the counterfactual

4.4 The CMA's framework for assessing the counterfactual is set out in the Merger Assessment Guidelines (the **MAGs**). At phase 2, the CMA has to make an overall judgement as to whether or not an SLC has occurred or is likely to occur.[53] To help make this assessment, the CMA will select the most likely conditions of competition as its counterfactual against which to assess the merger. In some instances, the CMA may need to consider multiple possible scenarios before identifying the relevant counterfactual (eg a merger firm being purchased by alternative acquirers). In doing this, the CMA will consider whether any of the possible scenarios make a significant difference to the conditions of competition and, if any do, the CMA will find the most likely conditions of competition absent the merger as the counterfactual.[54]

4.5 The counterfactual is not, however, intended to be a detailed description of the conditions of competition that would have prevailed absent the merger and the CMA will generally conclude on the counterfactual conditions of competition broadly. The CMA's assessment of those conditions is better considered in the

[52] CMA 'Merger Assessment Guidelines', 18 March 2021 (CMA129) (**MAGs**), paragraph 3.1.
[53] See MAGs, chapter 3.
[54] MAGs, paragraph 3.13.

competitive assessment.[55] The CMA also seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger.[56]

4.6 Establishing the appropriate counterfactual is an inherently uncertain exercise and evidence relating to future developments absent the merger may be difficult to obtain. Uncertainty about the future will not in itself lead the CMA to assume the pre-merger situation to be the appropriate counterfactual. As part of its assessment, the CMA may consider the ability and incentive (including but not limited to evidence of intention) of the merger firms to pursue alternatives to the merger, which may include reviewing evidence of specific plans where available.[57]

4.7 Further, the time horizon considered by the CMA in its assessment of the counterfactual will depend on the context, and will be consistent with the time horizon used in the competitive assessment.[58]

Parties' view on the appropriate counterfactual

4.8 The Parties submitted that it would be appropriate to assess the Merger according to the status quo ante[59] (the pre-Merger conditions of competition).

4.9 Lindab submitted that in the event that the Merger did not occur, it would have continued to follow the same strategy as it is currently pursuing. In particular, it would have continued to self-supply and service its customers locally through its branches.[60]

4.10 The Parties submitted that HAS-Vent may have been sold to another purchaser[61] but, if not, it would have continued to trade on a business-as-usual basis and would have continued to manufacture circular ducts and some of its fabricated fittings, while purchasing pressed and some fabricated fittings from Vento or another supplier.[62]

Assessment of the appropriate counterfactual

4.11 The Parties have not provided us with any submissions or evidence to suggest that if the HAS-Vent business had been sold to another purchaser, this would have led to any meaningful difference compared to the pre-Merger conditions of competition. Furthermore, we have not received any evidence from third parties

[55] MAGs, paragraphs 3.7 and 3.9.
[56] MAGs, paragraph 3.11.
[57] MAGs, paragraph 3.14.
[58] MAGs, paragraph 3.15.
[59] Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 20.
[60] Lindab's response to the CMA's section 109 Notice 2, 13 June 2024, question 2.
[61] Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 20.
[62] HAS-Vent's response to the CMA's section 109 Notice 2, 13 June 2024, question 1.

which supports an alternative counterfactual to the pre-Merger conditions of competition.

Conclusion on the counterfactual

4.12 For the reasons set out above, our conclusion is that the appropriate counterfactual against which to assess the Merger is the pre-Merger conditions of competition whereby HAS-Vent and Lindab would have continued to compete, broadly in the same way as they do now.

5. COMPETITION TO SUPPLY CIRCULAR DUCTS AND FITTINGS

Introduction

5.1 The Parties overlap in the manufacture and/or distribution of a range of ventilation system components. This includes three different types of ventilation ducts: circular, rectangular and flat oval ducts, although circular ducts represent the majority of each Party's duct sales.

5.2 Each type of ventilation duct is typically sold together with its associated fittings. In the case of circular ducts, the fittings can be either fabricated or pressed. Pressed fittings in contrast to fabricated fittings are made using automated machines and are generally used for smaller, more common circular duct sizes, whereas fabricated fittings are generally used to connect larger circular ducts.

5.3 Both Parties (and their competitors) supply a range of other ventilation system components, including dampers, grilles/diffusers, fans, and flange/hanging support.[63]

5.4 HAS-Vent is active in the manufacture and distribution of all three types of ducts and their fittings, except it does not manufacture pressed circular fittings, which it instead purchases from third parties (and it also purchases some fabricated fittings from third parties). Lindab manufactures and distributes circular and rectangular ducts and fittings.

5.5 Our inquiry has focused on the supply of circular ducts and fittings. In this chapter, we set out:

(a) An overview of the supply chain for the supply of circular ducts and fittings.

(b) A description of the main differences in the business models of different suppliers of circular ducts and fittings.

(c) Evidence on the factors affecting end-customer choice of supplier and how suppliers compete to attract and retain customers.

(d) Evidence on whether the ability to manufacture and scale provide suppliers with any competitive advantage.

[63] Dampers are used to regulate or shut off air supply in a ventilation duct. Grilles/diffusers use air to ventilate, cool or heat a room and are used to control room temperature.

The supply chain for circular ducts and fittings

5.6 There are three main product groups: circular ducts, pressed fittings and fabricated fittings. Each of these are manufactured in different locations. Circular ducts are bulky and costly to transport and are therefore manufactured in the UK.[64] Circular fittings can be either fabricated or pressed. Pressed and smaller-diameter fabricated fittings are used on smaller, more common circular duct sizes, whereas larger diameter ducts are connected using fabricated fittings only. Larger fabricated fittings are manufactured in the UK whereas all pressed fittings and many smaller fabricated fittings are typically imported.[65]

5.7 The key actors in this market are manufacturers (some of whom distribute themselves), distributors and end customers who are typically installers.

Supplier business models

5.8 Suppliers vary in two main ways:

(a) First, there is a large difference in size, with some companies having multiple branches or access to a network of distributors. Other companies are small, with one site that focuses on supplying a local area.

(b) Second, there are different business models specifically:

(i) pure distributors that do not manufacture;

(ii) manufacturers that predominantly sell their products through distribution companies but also sell direct to some, typically larger, customers;

(iii) companies that both manufacture and distribute; and

(iv) installers manufacturing largely for self-supply but which may also sell products to third parties.

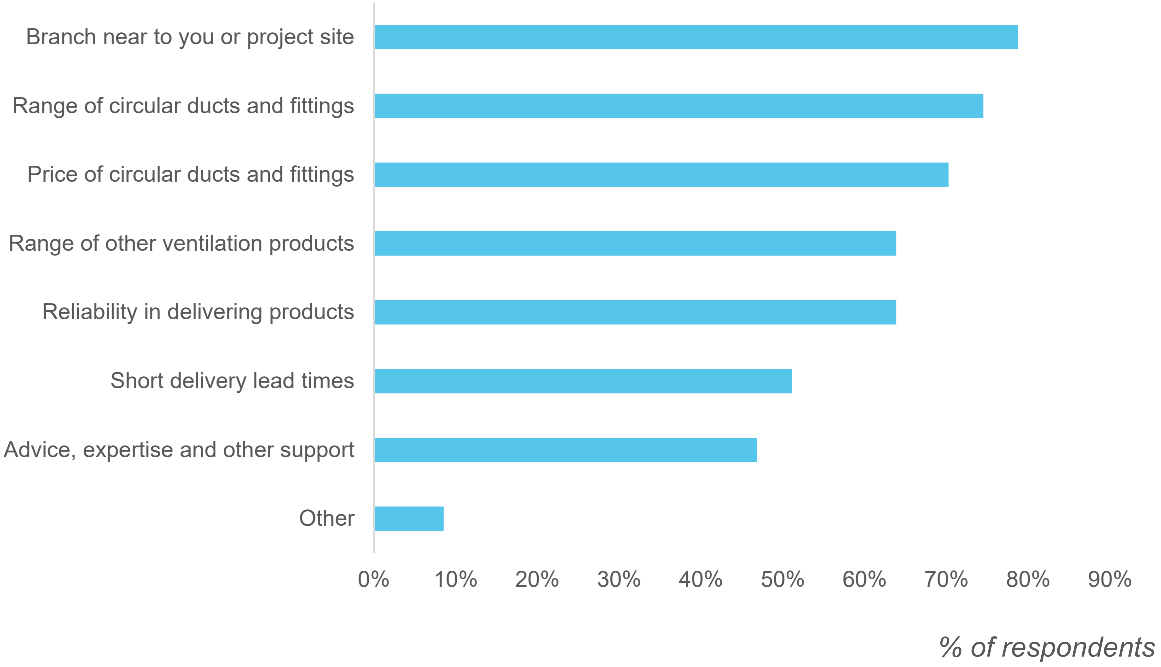
5.9 As noted above suppliers also typically offer a range of other ventilation components.[66] Lindab submitted that across its top ten circular ducts and fittings customers in 2023, other products accounted for [✄]% of Lindab's revenues.[67]

[64] Parties' response to the Issues Letter, 7 April 2024, paragraph 19.
[65] Lindab Main Party Hearing transcript, 18 July 2024, page 55, lines 1-18.
[66] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 5; and Parties' response to the Issues Letter, 7 April 2024, paragraph 20.
[67] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 5.

Factors affecting customer choice of supplier

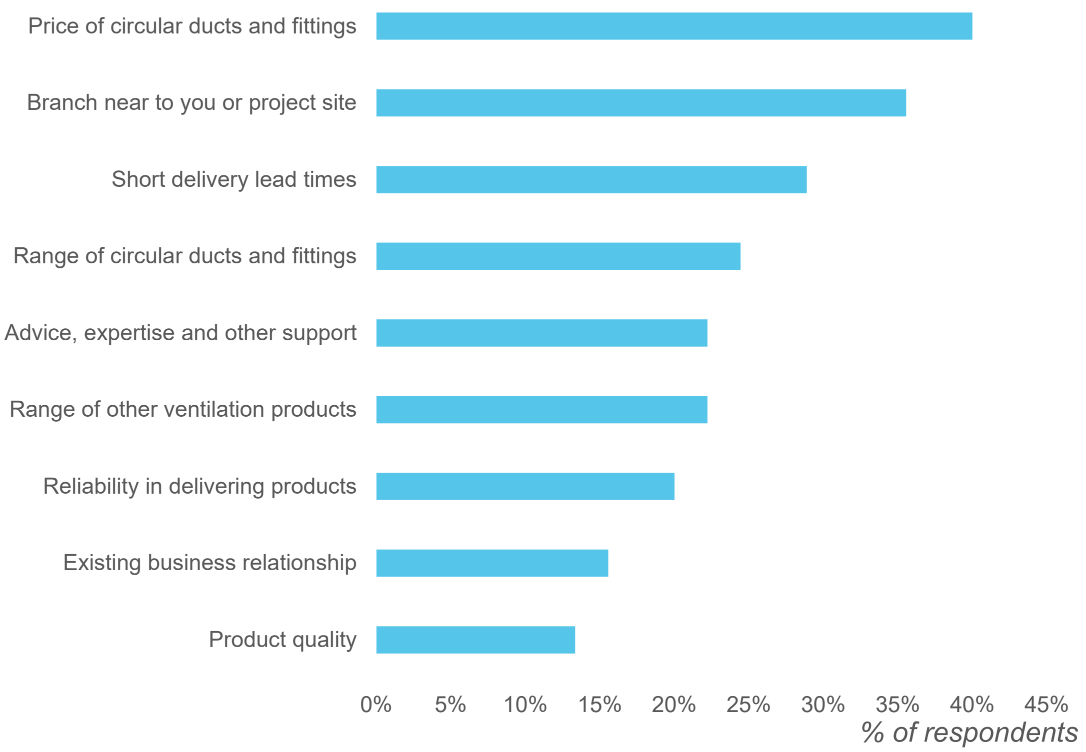
5.10 We asked Lindab and HAS-Vent customers to identify the reasons why they chose to buy circular ducts and fittings from the Parties rather than another supplier. Figure 5.1 shows the percentage of customers that identified each reason from a prepopulated list. We also asked the Parties' customers to tell us, unprompted, their main reason for choosing their supplier, in response to which customers frequently provided more than one reason. Figure 5.2 shows these responses, grouped by category, ranked by the percentage of customers who mentioned each reason.

Figure 5.1: Customers' reasons for choosing Lindab or HAS-Vent



Source: Third party responses to the customer questionnaire, question 6.

Figure 5.2: Customers' main reasons for choosing Lindab or HAS-Vent



Source: Third party responses to the customer questionnaire, question 7.

5.11 We also asked the Parties and third-party suppliers through questionnaires and in calls to tell us about what they think matters to customers in choosing a supplier.

5.12 Taking into account the evidence gathered from both customers and suppliers, our understanding of the key factors in order of importance is as follows:

(a) price;

(b) location of the supplier;

(c) customer support (particularly reliability);

(d) ability to supply the volume required in a timely manner (availability); and/or

(e) range of products available – ie the range of circular ducts or the range of ventilation system products more generally.

5.13 Price is a key factor when customers choose between suppliers. Of the customers who responded to the relevant question in our questionnaire, 33 out of 47 selected price as a reason behind their choice of Lindab or HAS-Vent with 18 describing it as the 'main reason'.[68] This was reflected also in our calls with the Parties and

[68] Third party responses to the CMA's customer RFI 1, questions 8-11.

other suppliers who referred to price as a key factor in customers' decisions.[69] For example HAS-Vent told us that [✄].[70]

5.14 The nature of construction work means that it is not always possible to predict exactly when ventilation products will be required on site. Products are bulky and therefore they cannot be delivered ahead of time and stored. Installers therefore frequently order stock with short lead times, with one supplier estimating that more than 80% of its orders required next day delivery.[71] In addition, transport costs are high relative to the cost of the products. It is therefore not in customers' or suppliers' interests to transport circular ducts over long distances. Both the need for timely delivery and high transport costs mean that the location of a supplier's site or branch is very important to customers. 37 out of 47 customers selected having a branch nearby as a reason behind their choice of supplier, with 16 (of 47) noting this as a 'main reason' for their choice and 13 stating short delivery lead times as a 'main reason' why they chose their supplier.[72]

5.15 We have received evidence that customers value reliability, in particular a supplier's ability to fulfil an order at short notice without issue. Specifically, in response to a question on reasons behind their choice of Lindab or HAS-Vent as a supplier, 30 out of 47 mentioned reliability.[73] A key element to being able to fulfil an order quickly and reliably is having the stock available to deliver, both in terms of volume and range. Two Lindab branch managers we spoke to noted the importance of stock availability to customers.[74] In particular, range of products was frequently recognised as a key determinant of customer choice by both suppliers and customers. Of the customers who responded to the relevant question in our questionnaire, 35 out of 47 cited the range of circular ducts and fittings provided as a reason behind their choice of supplier. Similarly, 30 out of 47 noted that the range of other ventilation components was also a factor.

How suppliers compete to attract customers

5.16 Given the importance of price, reliability, product availability and product range to customers (as described above) we have focussed on understanding how the Parties set prices and ensure stock availability to reliably supply customers.

5.17 We understand that both Parties set prices based on national price lists with discounts from these price lists individually negotiated with customers at the

[69] Parties' Branch Manager call notes. Lindab Birmingham, 11 June 2024, paragraph 7; Lindab High Wycombe, 10 June 2024, paragraph 8; Lindab Kent, 12 June 2024, paragraph 7; Lindab Manchester, 12 June 2024, paragraph 7; Lindab Leeds, 20 June 2024, paragraph 8; Lindab Southampton, 10 June 2024, paragraph 8; Lindab Stoke-on-Trent, 11 June 2024, paragraph 7; HAS-Vent Branch Manager call note, 26 June 2024, paragraph 6. Third party call notes.
[70] HAS-Vent Branch Manager call note, Assistant Director, 17 June 2024, paragraph 26.
[71] Third party call note.
[72] Third party responses to the CMA's customer RFI 1, questions 8-11.
[73] Third party responses to the CMA's customer RFI 1, question 6.
[74] Lindab Branch Manager call notes. Lindab High Wycombe, 10 June 2024, paragraph 8; and Lindab Stoke-on-Trent, 11 June 2024, paragraph 7.

branch level for each order.[75] The Parties submitted that branch managers have significant discretion in terms of discounting, both in terms of the ability to discount and the levels of discount that can be applied. For example, currently Lindab branch managers have discretion to apply discounts on circular ducts and fittings of as much as [✂]% to [✂]% from their national price lists. In 2023, average discounts between branches varied from [✂]% to [✂]%.[76]

5.18 The Parties submitted that HAS-Vent [✂] but that Lindab [✂].[77] We understand, however, that Lindab [✂].[78]

5.19 The Parties submitted that each branch has discretion over which products to stock and the amount of stock held. They noted that branches will tend to offer a similar range of core products due to similarities in local customer demand. They also provided evidence of differences in stock levels between branches, for example for ventilation installation equipment which for Lindab varied between [✂]% and [✂]% of the total value of the stock in a branch.[79]

Role of manufacturing and scale to the competitiveness of suppliers

5.20 Given the variety of business models used by different suppliers (see paragraph 5.8) we have considered evidence regarding whether (a) the ability to manufacture and (b) the scale of a supplier affects the competitiveness of a supplier.

Manufacturing

5.21 The Parties submitted that the ability to manufacture [✂].[80]

5.22 HAS-Vent explained that the decision to continue with manufacturing was [✂].[81] Lindab similarly described it as '[✂]'.[82] Disadvantages included higher overheads (rents, labour costs etc) and advantages included lower transportation costs, greater flexibility to respond to demand and control over quality.[83]

5.23 We have received evidence that distributors may counter any advantages manufacturers may have in relation to product availability by getting regular deliveries and keeping higher levels of stock. One distributor told us that its

[75] Lindab response to the CMA's section 109 Notice 1 (part 1), 1 December 2023, pages 13-15; Lindab response to the CMA's section 109 Notice 1 (part 2), 1 December 2023, pages 13-15; and HAS-Vent response to the CMA's section 109 Notice 1, 1 December 2023, pages 3-4.
[76] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 8-9.
[77] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 10.
[78] Lindab Main Party Hearing transcript, 18 July 2024, page 36 line 19 to page 37, line 3.
[79] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 6-7.
[80] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 17-18 and 20.
[81] HAS-Vent Main Party Hearing transcript, 17 July 2024, page 44, line 20 to page 47, line 12.
[82] Lindab Main Party Hearing transcript, 18 July 2024, page 49, line 11.
[83] Lindab Main Party Hearing transcript, 18 July 2024, page 47 line 24 to page 49, line 10; and HAS-Vent Main Party Hearing transcript, 17 July 2024, page 45, lines 15-23.

branches typically held about five days of stock. It also, albeit only for a small proportion of deliveries, arranged for products to be delivered directly from the manufacturer to the contractor's site.[84]

5.24 However, we have received some evidence of the advantages to scale within manufacturing. Lindab told us that where it had a large number of machines making fabricated fittings eg in its Manchester branch, individual machines could be ringfenced to produce a particular type of fitting.[85] By contrast, one manufacturer told us that many mid-tier manufacturers only have one machine which is only able to produce a limited range of ducts and fittings.[86] HAS-Vent told us that when trialling a single machine in the Rochester branch the scrap metal rate [✄].[87] It also told us that having one manufacturing site at Wombourne meant that production could be more efficient and that there was greater control over health and safety considerations.[88]

5.25 Overall, we did not receive clear evidence that having manufacturing capability provides a significant competitive advantage. In particular, we note that several of the larger suppliers have very different approaches to manufacturing. Specifically, while HAS-Vent has a single manufacturing site, Lindab has manufacturing capability located in some branches and not others, while Storm Ventilation Supplies Ltd (**Storm**) and SK Sales Ltd (**SK Sales**) do not have any in-house manufacturing capability instead relying on supplies from third parties. Therefore, while there may be advantages and disadvantages to different approaches to manufacturing, it is possible for these different approaches to be competitive.

Scale and Branch Network

5.26 The Parties submitted that:[89]

(a) Scale [✄].

(b) Having a branch network [✄].

5.27 However, we received evidence that supplying at scale and having a branch network may result in some competitive advantages. For example:

(a) HAS-Vent told us that the cost of galvanised steel is approximately [✄]% of the production cost of circular ducts[90] and [✄].[91]

[84] Third Party call note.
[85] Lindab Main Party Hearing transcript, 18 July 2024, page 59, line 32 to page 60, line 2.
[86] Third party call note.
[87] HAS-Vent Main Party Hearing transcript, 17 July 2024, page 47, line 17 to page 48, line 3.
[88] HAS-Vent Main Party Hearing transcript, 17 July 2024, page 48, lines 8-11.
[89] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 17, 18 and 20.
[90] HAS-Vent Branch Manager call note, Assistant Director, 17 June 2024, paragraph 25.
[91] Lindab response to the CMA's section 109 Notice 1 response, 3 July 2023, Annex 1004, page 3.

(b) Suppliers with multiple sites may be able to supply customers more reliably in some circumstances. For example, a branch network may allow a supplier to cross-supply from a nearby branch, providing greater flexibility; or on occasion staff from neighbouring branches can be used to cover absences.[92]

(c) Having access to a branch network can prove more convenient for customers. Lindab told us that its customers [✄].[93]

(d) Having a branch network can help strategically. Lindab told us that it uses branch reports to spot successful strategies that can then be rolled out to other branches.[94]

5.28 Overall, although we received some evidence to suggest that a large supplier with a branch network may derive a competitive advantage as a result of its scale, the extent of these advantages is uncertain. Furthermore, we have not received evidence to suggest that the Merged Entity's increased scale would result in it enjoying a material competitive advantage especially when compared to suppliers such as Mechanical Air Supplies Ltd (**MAS**) or J.A. Glover Limited (**JA Glover**) who may also enjoy some benefits from supplying at scale.

[92] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 20 and 24.
[93] Lindab Main Party Hearing transcript, 18 July 2024, page 34, lines 13-20.
[94] Lindab Main Party Hearing transcript, 18 July 2024, page 33, lines 15-24.

6. MARKET DEFINITION

Introduction

6.1 This chapter sets out our assessment of the relevant markets for the purposes of our analysis of the competitive effects of the Merger.

6.2 Where the CMA makes an SLC finding, this must be 'within any market or markets in the UK for goods or services'.[95] Thus, the relevant markets are those within which the merger may lead to an SLC and comprise the most significant competitive alternatives available to customers of the merger firms.[96] An SLC can affect the whole or part of a market or markets.[97]

6.3 Market definition can be a useful tool for identifying in a systematic manner the immediate competitive constraints facing the merged entity. However, it is not an end in itself. The outcome of any market definition exercise does not determine the outcome of the competitive assessment in any mechanistic way, and the CMA may take into account constraints on the merged entity from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others.[98]

Product market

The supply of circular ducts and fittings

6.4 As described in paragraphs 5.1 to 5.4 above, both Parties supply circular ducts and fittings.[99]

6.5 We have received evidence from a range of sources showing that circular ducts and fittings are generally not substitutable with other types of ducts and fittings:

(a) Lindab noted that the type of system (rectangular, circular etc) will be specified by a consultant, and the duct type will be dictated by the air volumes required and physical constraints of the project. The Parties also acknowledged that there are price differences between the different types of duct.[100]

(b) Circular ducts are standardised products made to UK and European specifications, whereas rectangular and flat oval ducts are tailor-made to the

[95] Section 35 of the Act in relation to completed mergers.
[96] MAGs, paragraph 9.2.
[97] MAGs, paragraph 9.1.
[98] MAGs, paragraph 9.4.
[99] We have considered circular ducts and fittings in combination since they are typically sold to installers in combination.
[100] Lindab response to the CMA's section 109 Notice 2, 1 December 2024 question Q5i.

specific requirements of installers.[101] Different machinery is also required to produce different duct shapes so suppliers cannot shift their production capacity between different types of ducts depending on the demand for each.

(c) Several suppliers provided evidence that circular and rectangular ducts are generally not substitutable, including noting that the choice of ducting will be determined by design considerations.[102]

(d) Most customers (30 of 48) who responded to our information request stated that rectangular ducts are not a good alternative to circular ducts. All customers bar one (17 of 18) who said that circular and rectangular ducts are alternatives, said that this was only sometimes or rarely.[103]

6.6 The Parties agree that the relevant product market is the supply of circular ducts and fittings.[104]

6.7 In light of the above we conclude that the appropriate product market is the supply of circular ducts and fittings.

Geographic market

6.8 The Phase 1 Decision found that, while there are both local and national aspects to the supply of circular ducts and fittings, the appropriate geographic market was England and Wales.[105]

6.9 During our phase 2 inquiry the Parties submitted further evidence that competition takes place at a local level.[106] The Parties submitted that there is no national purchasing and prices and all material aspects of service are set at the local level, with significant variation between branches. The Parties submitted that although ducts and fittings can, in principle, be transported over longer distances the focus of both customers and branches is primarily local.[107] The Parties submitted that competition does not take place at a national level and there are [✂].[108]

6.10 We have received a range of additional evidence during our phase 2 inquiry indicating that installers select suppliers that are local to them and that the

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[101] Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 4.
[102] Third party call notes. Third party response to the CMA's section 109 Notice.
[103] Third party responses to the CMA's customer RFI 1, question 5.
[104] The Parties also submitted that the focus should be on the distribution rather than manufacture of circular ducts and fittings and the term supply may conflate the two. In our local competitive assessments we have focussed on the ability of suppliers to distribute circular ducts and fittings to installers in each local area. Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, paragraph 3.1 and 3.2.
[105] CMA, Phase 1 Decision, 26 April 2024, paragraph 64.
[106] For example: Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, paragraph 3.4-3.8; and Parties' response to the phase 2 Issues Statement, 19 June 2024, paragraphs 2.4-2.6.
[107] Parties' response to the Issues Letter, 7 April 2024, paragraph 19; and Parties' response to the phase 2 Issues Statement, 19 June 2024, paragraph 1.4.
[108] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, paragraphs 3.4-3.8.

competitive interaction between suppliers of circular ducts and fittings largely takes place at a local level. In particular:

(a) The Parties provided information on delivery drive-times.[109] For all orders (ie including orders for products other than circular ducts and fittings) the average delivery drive-time for 80% of a branch's sales by value was 77 minutes for Lindab and 74 minutes for HAS-Vent.[110] Lindab also provided data for a sample of branches on the delivery drive-times for orders containing circular ducts and fittings. For these orders the average delivery drive-times for 80% of a branch's sales by value was 62 minutes with a range of 29 to 116 minutes.[111]

(b) The Parties also provided evidence that most customers purchase from [✂].[112]

(c) Other suppliers also indicated that the majority of their customers are located in the area local to a branch.[113]

(d) Although both of the Parties have national price lists, discounts from these price lists are individually negotiated with customers at the branch level.[114] Average discounts differ across branches,[115] and we have received evidence that discounts are common.[116] Discounts are determined by a variety of factors but we have received evidence that one factor is local competition. Specifically, we have received emails showing [✂].[117]

6.11 Finally, we have considered whether there are any parameters of competition which are set uniformly across local areas and which might require consideration of a theory of harm which applies across local areas (eg which relates to all of the Parties' branches). In particular, the Parties have national price lists and policies on maximum discounts and the range of products held across branches is similar.

6.12 However, as described in paragraph 5.17 above, although the Parties have national price lists and policies on maximum discounts there is significant local discounting from these price lists indicating that price competition is primarily taking place at a local level. Additionally, although branches stock a similar

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[109] This data excludes collections.
[110] Based on delivery orders in 2022. Lindab response to the CMA's section 109 Notice 2, 1 December 2023, question 11; and HAS-Vent response to the CMA's section 109 Notice 2, 1 December 2023, question 2.
[111] Based on delivery orders in 2022. Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1.
[112] Lindab, 'Evidence on local nature of competition', 9 July 2024.
[113] One supplier told us that the vast majority of its customers are located within a 30-mile radius of each branch (Third party call note). Another supplier said that it generally sells to customers in a 50-mile radius from each branch (Third party call note). An additional supplier noted that the majority of its sales were within 50-miles of its site (Third party call note).
[114] Parties' 'Evidence on local nature of competition', 9 July 2024.
[115] Lindab response to the CMA's section 109 Notice 4, question 12, Annex 154.
[116] Lindab, 'Evidence on local nature of competition', 9 July 2024, page 2 and Section 3.
[117] Lindab response to the CMA's section 109 Notice 1, May 2024, question 9, Annexes 1016-1251; and Lindab response to the CMA's section 109 Notice 2, June 2024, question 17, Annexes 1270-1620.

product range, we do not consider that this is evidence that competition is taking place nationally because:

(a) This likely reflects the need for customers located in different geographic areas to purchase a common set of products. As such, stocking this range of products is likely to be a requirement to meet customer demand and most suppliers will stock the standard and popular products.

(b) Although the range of products may be similar, the Parties provided evidence that branches have discretion regarding the levels of product to stock and that stock levels vary across branches, indicating that decisions regarding product range are taken at a local level depending on customer demand.

6.13 We have not identified any other material parameters of competition which are set uniformly across all local areas.

6.14 In light of the above we conclude that the appropriate geographic market is local to each of the Parties’ branches. The evidence we have received indicates that the precise distance over which a supplier competes varies across branches and therefore across local areas. In particular, as noted at paragraph 6.10(a), 80% delivery drive-times for Lindab branches for orders of circular ducts and fittings range from 29 to 116 minutes. Consequently, we have accounted for differences in the precise distances over which suppliers are competing when considering individual areas in more detail in our competitive assessment.

Conclusion

6.15 For the reasons set out above, we conclude that the relevant markets are the supply of circular ducts and fittings in the local area for each of the Parties’ branches.

7. COMPETITIVE ASSESSMENT

Introduction

7.1 In this section we set out our assessment of the competitive effects of the Merger.

7.2 We considered one theory of harm in our assessment, namely whether the Merger has resulted or may be expected to result in a substantial lessening of competition due to horizontal unilateral effects in the supply of circular ducts and fittings in various local areas in England and Wales.

7.3 The structure of the section is as follows:

(a) First, we consider the evidence that the Parties are close competitors in the supply of circular ducts and fittings in England and Wales.

(b) We then set out our approach to the local assessments including:

(i) the nature and sources of data and other information used in these local assessments;

(ii) how we have identified local areas where the Parties may compete with each other to a material extent; and

(iii) our approach to assessing the strength of the competitive constraint exerted by suppliers identified by the Parties as competitors in each local area.

(c) Finally, we set out our local area assessments.

Closeness of competition

7.4 In this section we set out the Parties' submissions, the evidence we have received and our assessment in relation to the closeness of competition between the Parties.

7.5 The Parties submitted that while they compete in the relevant local areas, they consider that the CMA has overstated the extent of the closeness of competition between them and that many of the features which the CMA considers to be common between the Parties do not, in fact, confer a competitive advantage on either of them and, in any event, such commonalities are shared by a range of the Parties' competitors.[118]

[118] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 28.

7.6 We consider that the following statements taken from Lindab internal documents relating to the Merger show that Lindab considers HAS-Vent to be a close competitor in areas where the location of the Parties' branches means that they compete to supply customers in a local area:

(a) Lindab noted that 'HAS–Vent is a direct competitor to Lindab UK with a very similar offering including own production'.[119]

(b) Lindab described itself as having a 'similar offering, customers, and position in the UK market' to HAS-Vent and noted that 'the combined Lindab and HAS-Vent business will have a stronger market position and local presence'.[120]

(c) Lindab described HAS-Vent as a 'direct competitor to Lindab at several places' and noted that the acquisition 'would eliminate a strong competitor at several places across [the] UK and thereby strengthen our market position'.[121]

(d) Lindab noted that the rationale for the Merger is to 'increase Lindab's market share',[122] and another document described HAS-Vent as 'number 2 or 3 in UK'.[123]

7.7 A 2023 Lindab strategy document identified Lindab's main competitors in ducting as HAS-Vent, Storm, MAS, Ventilation Environmental Supplies Plc (**VES**), SK Sales and (unnamed) independents and Lindab has also acknowledged that it competes with HAS-Vent at a local level where they both have branches present.[124]

7.8 HAS-Vent's internal documents also show that the Parties are close competitors, in areas where they compete. Specifically, HAS-Vent branch managers prepare quarterly reports for senior management which include discussion of local competitors. HAS-Vent provided us with [✂] branch reports from [✂] branches mainly dated [✂]. Lindab accounted for [✂]% of all competitor mentions in these reports.[125]

7.9 These reports also show that HAS-Vent monitors Lindab's pricing and [✂]. For example:

[119] Lindab internal document.
[120] Lindab internal document.
[121] Lindab response to the CMA's section 109 Notice 1, Annex 094, slides 2 and 4.
[122] Lindab response to the CMA's section 109 Notice 1, 12 June 2023, Annex 033, page 6.
[123] Lindab response to the CMA's section 109 Notice 1, Annex 031.
[124] Lindab response to the CMA's section 109 Notice 1, Annex 049.
[125] HAS-Vent response to the CMA's section 109 Notice 1, branch reports.

(a) a Liverpool branch report dated May 2023 noted that Lindab was pricing [✂] in the area [✂];[126]

(b) a Nottingham branch report dated December 2022 also noted that Lindab was competing on price and '[✂]';[127] and

(c) a Bury branch report noted that it [✂].[128] In a meeting of HAS-Vent staff, Lindab is mentioned as a competitor [✂].[129]

7.10 The above evidence from the Parties' internal documents is consistent with evidence from third parties, for example:

(a) 14 out of 34 Lindab customers and 13 out of 14 HAS-Vent customers identified the other as a good alternative supplier for the products purchased.[130]

(b) HAS-Vent customers identified Lindab as a good alternative supplier more frequently than any other supplier. Lindab customers mentioned Storm marginally more often than they did HAS-Vent.[131]

(c) Of the 28 competitors who provided information on their main competitors, the vast majority identified both Parties.[132]

7.11 Our view is that the evidence presented above consistently demonstrates that the Parties are close competitors in areas where the location of the Parties' branches means that they are competing to supply customers in a local area. In our local competitive assessments, we have considered more detailed evidence regarding the extent to which the Parties are competing in specific local areas.

Approach to the local assessment of remaining competitive constraints

7.12 In the previous chapter we set out our view that competitive interaction is taking place at a local level and that the Parties are flexing their offer at a local level. Therefore, we have considered the effects of the Merger on competition in specific local areas. This section sets out the approach we have taken to the local assessment of the competitive impact of the Merger, beginning with the Parties' submissions on the appropriate approach.

[126] HAS-Vent response to the CMA's section 109 Notice 1, Annex 118.
[127] HAS-Vent response to the CMA's section 109 Notice 1, Annex 082.
[128] HAS-Vent response to the CMA's section 109 Notice 1, Annex 097.
[129] HAS-Vent response to the CMA's section 109 Notice 1, Annex 034.
[130] The responses rates for these two questions were slightly different.
[131] Third party responses to the CMA's customer RFI 1, questions 2 and 8.
[132] Third party responses to the CMA's customer RFI 1, question 8.

Parties' submissions

7.13 The Parties proposed the following approach for local assessments:[133]

(a) **Catchment area:** the Parties use a 60-minute drivetime (an approximate match of the average Lindab branch 80% delivery area[134] for circular ducts and fittings) to identify the geographic area in which suppliers are competing. They also use 74- and 77-minute drivetimes as a sensitivity check.

(b) **Competitors**: the Parties have identified firms that they submit are competing to supply circular ducts and fittings and are present within the catchment areas of each of Lindab's branches and, separately, HAS-Vent's branches in areas where the Parties both have branches within a catchment area.

(c) **Fascia counts:** the Parties have calculated the change in the number of different suppliers – or fascia – as a result of the Merger in each of these areas.

7.14 In identifying competitors (paragraph 7.13(b)) the Parties have used what they refer to as a 'Conservative competitor set' and an 'Enhanced competitor set'.[135] We set out below our use of the information provided by the Parties on the location and identity of suppliers in these two sets (see paragraph 7.30).

7.15 The Parties have submitted that we should not weight competitors depending on their proximity to the Parties' branches for the following reasons:[136]

(a) The location of the customer is not fixed with installers installing ventilation systems at different construction sites within any given local area. In addition, installers themselves travel within the local area to get the best price on circular ducts and fittings.

(b) The customers in this market are businesses and not consumers for whom the distance travelled to a supplier is critical (for example, it is not the case that customers undertake the same journey frequently or that the nature of the market indicates that proximity is inherently important).

(c) The Parties are not aware of evidence, and it is not their practical experience, that the most proximate supplier in each local area is necessarily the

[133] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 31-32.
[134] The 80% delivery area for a given Lindab branch is the area defined by the shortest drivetime from the branch accounting for 80% of the value of deliveries containing circular ducts and fittings by the branch in 2023. The average 80% delivery area is the arithmetic average of the individual delivery areas for each Lindab branch.
[135] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 32.
[136] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 33-34.

strongest competitor (rather price is a particularly key element of competition).

7.16 However, we consider that the Parties' submission regarding the role of relative proximity in the local assessments is inconsistent with their submissions on the local nature competition and with the evidence we have received on this point set out in Chapter 5 'Competition to Supply Circular Ducts and Fittings' and Chapter 6 'Market Definition'.

7.17 We consider that, given the importance of location to a customer's choice of supplier, two suppliers located in the same conurbation are likely to be stronger competitors to each other than two suppliers located in different conurbations 50 minutes apart who happen to fall within the drivetime delivery area.

7.18 Therefore, in our local assessments, we have taken account of various sources of evidence on the geographic area over which each of the Parties are competing, who their competitors are in this area and the competitive pressure they are exerting on each other. A factor in these assessments is the location of the Parties and their competitors relative to each other (for example, whether the Parties and their competitors are located in the same or different conurbations).

7.19 We have also noted the Parties' submission that we should apply a fascia count of no more than '4-to-3' as this takes the business-to-business nature of this Merger into account and is consistent with the approach taken to fascia by the CMA in recent construction industry mergers.[137] We have not bluntly applied any such rule in this case and we do not consider this appropriate because it treats any two competitors in the catchment area as providing the same competitive constraint regardless of relative proximity and size. Rather, for each of the local assessments, we have assessed the strength of the remaining competitive constraints drawing on a range of sources of information on the activities, locations and any known expansion plans of other suppliers in that area (see paragraph 7.44 below for further detail).

7.20 The Parties also submitted that circular ducts and fittings are not distributed in isolation and that every distributor offers a range of other ventilation products which are regularly bought by the same customers, and in respect of which the CMA has not identified any competition concerns. Specifically, they submitted that any worsening of terms to customers in circular ducts and fittings would materially risk not only losing revenues on these products, but also significant revenues from other products.[138]

[137] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 34.
[138] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 5; and Parties' response to the Provisional Findings, 12 September 2024, page 3 and section 5.

7.21 Our view is that this argument is inconsistent with the Parties' submissions on product market definition, in particular that it is limited to the supply of circular ducts and fittings. As the Parties have noted, this implies that other ventilation products are not substitutable with circular ducts and fittings.[139] Therefore, even when customers purchase circular ducts and fittings alongside other products, they must still find a supplier of circular ducts and fittings. The evidence used in our assessment illustrates the extent to which customers have an alternative supplier for circular ducts and fittings regardless of whether other products are also purchased at the same time. Consequently, it is not clear, and the Parties have not provided any evidence to show, how the fact that circular ducts and fittings may be purchased alongside other products would alter our assessment.[140]

Our approach

7.22 In the paragraphs below we describe first the sources and types of evidence we have used in carrying out the local assessment (see paragraphs 7.23 to 7.29), and then the analysis undertaken for each local area (see paragraphs 7.30 to 7.44).

Sources and types of evidence

7.23 The Parties provided five sources of information which have been used as the basis of our local assessments:

(a) **Competitors:** lists of suppliers of circular ducts and fittings which the Parties identified as competitors to them in England and Wales.[141]

(b) **Locations and drivetimes**: the location of the Parties and third party branches and the drivetimes between these branches.[142]

(c) **Orders and drivetimes**: branch level data on the value, location, and drivetime distance, for Lindab, of all delivery orders containing circular ducts and fittings and, for HAS-Vent, all delivery orders. We used this data to calculate the drive-time from each branch within which 80% of its sales were delivered.[143]

[139] Parties' response to the Provisional Findings, 12 September 2024, page 22.
[140] In addition, we consider that the risk of losing significant revenues is mitigated by the fact that the Parties can and do negotiate prices on a customer-by-customer and order-by-order basis.
[141] Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 2; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 2; and Parties, Annex 3 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024.
[142] Lindab response to the CMA's section 109 Notice 3, 18 June 2024, question 16.
[143] Lindab response to the CMA's section 109 Notice 2, 1 December 2023, question 11; Lindab response to the CMA's section 109 Notice 3, 21 December 2023, question 1; and HAS-Vent response to the CMA's section 109 Notice 2, 1 December 2023, question 5.

(d) **Collections**: sales data for 2021 to 2023 for each Lindab branch, with details of delivery method (collection or delivery).[144] We used this data to calculate the proportion of sales that were collected by a customer from each branch in England and Wales throughout the period.[145]

(e) **Revenues:** for each branch**,** revenues from the sale of circular ducts and fittings in 2023.[146]

7.24 Our assessment was also informed by our analysis of the internal documents provided by the Parties. Specifically, HAS Vent provided us with [✄] quarterly branch reports from ten branches mainly dated to [✄]. We looked at the frequency with which Lindab and other suppliers are identified as competitors in specific local areas.[147]

7.25 Lindab also provided emails relating to [✄] the period 1 April 2023 to 31 March 2024,[148] and referred in its response to the Annotated Issues Statement to emails covering the period from 8 April 2021 to 30 April 2023 and from 31 March 2024 to 23 July 2024.[149]

7.26 The Parties also provided limited examples of customers obtaining quotations from other suppliers and orders being lost to other suppliers covering a period from July 2022 to the October 2024,[150] and details (some dating back to 2016) of customers being offered favourable pricing terms in response to competition from other suppliers.[151]

7.27 In addition, we gathered data from third party suppliers on the following:

(a) Activities in the supply of circular ducts and fittings, including the following;

(i) whether they are a manufacturer and/or distributor;

(ii) the geographic areas that account for most of their sales and the circumstances in which they deliver further away;

[144] Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024. Orders processed by staff at a branch without distribution facilities, and orders by customers using 'cash accounts' (ie the customer does not have an account with Lindab and therefore could not be identified), have been excluded from the dataset.
[145] Orders are attributed to a branch based on the location of the sales staff that processed the order.
[146] Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; and HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.
[147] HAS-Vent response to the CMA's section 109 Notice 1, branch reports.
[148] Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 9 (Annexes 1016-1251); and Lindab response to the CMA's s109 notice 2, 13 June 2024, question 17 (Annexes 1270-1620).
[149] Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, page 1.
[150] Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024; Parties' response to the Provisional Findings, 12 September 2024, pages 6-9 and 11-13; Parties response to the CMA's RFI, 18 September 2024, Pages 3-5.
[151] Parties' response to the Provisional Findings, 12 September 2024, pages 7, 8 and 13; Parties response to the CMA's RFI, 18 September 2024, Pages 2-4.

(iii) where relevant, their main suppliers of circular duct and fittings products;

(iv) the types of customers they serve and who they consider to be their competitors in the supply of circular ducts and fittings.

(b) Revenues in the supply of circular ducts and fittings in 2023, where relevant, by branch.

(c) Plans for expansion, including how easily they could expand their business in the supply of circular ducts and fittings, potential barriers they would face and any plans they have to expand.

7.28 Our analysis was also informed by evidence from the Parties' customers, by branch, on who they considered to be good alternative suppliers to the Parties.

7.29 We have not used our estimates of national shares of supply in the local competition assessment. We do, however, consider evidence, where available, on the size of other suppliers' revenues in the sale of circular ducts and fittings relative to that of the Parties in local areas.

Approach to local assessments

7.30 In the paragraphs 7.31 to 7.44 below we set out the approach to the local area assessment. In summary our approach is as follows:

(a) First, we identified areas in which the location of the Parties' branches and the delivery distances for those branches indicated that the Parties may be competing with each other to a material degree.

(b) Second, for areas where the Parties may be competing with each other to a material degree, we identified possible competitors located in the area.

(c) Drawing on a range of sources of evidence, we then considered (i) the extent of competition lost due to the Merger in the local area and (ii) the strength of competition the Merged Entity would face from alternative suppliers in the relevant local area.

7.31 We provide further details on each of these steps below.

a) Identifying areas where the Parties may be competing to a material degree

7.32 Using the data provided by the Parties on the location of their branches and the drivetime between them, as a starting point, we identified all Lindab branches that are within a 62-minute drivetime of a HAS-Vent branch and vice versa.

7.33 The rationale for using a 62-minute drivetime is that it is the average of the 80% delivery area across all Lindab branches for orders containing circular ducts and fittings and is consistent with the evidence from third parties regarding the distances over which they deliver as discussed in Chapter 5 'Market Definition'.

7.34 We found that six Lindab branches were located more than a 62-minute drive from the nearest HAS-Vent branch. Therefore, we did not undertake a detailed assessment of these areas.

7.35 In total we identified 17 local areas (listed in paragraph 7.52) for a more detailed assessment as follows:

(a) where Lindab and HAS-Vent branches are located in the same city or close to each other we identified a single local area centred on the Lindab branch (specifically, Birmingham, Enfield, Leeds, Nottingham, Manchester, Sheffield, Southampton and Stoke-on-Trent); and

(b) where the Parties' branches are located in different towns or cities we centred on each of the relevant branches (specifically, Basildon, Croydon, Gravesend, Hailsham, High Wycombe, Leicester, Liverpool, Rochester and Warrington).

b) Identifying competing suppliers in the relevant local area

7.36 In response to the CMA's Annotated Issues Statement and Working Papers, the Parties provided two lists of suppliers, the 'Conservative Competitor' and 'Enhanced Competitor' sets.[152] Using data provided by the Parties on the locations of these suppliers, as a starting point, we identified all suppliers in these lists within a 62-minute drivetime of the relevant Parties' branch. If, however, the 80% delivery area for the relevant branch was greater than the 62-minute drivetime, to the extent that data was available, we extended the list of competitors to include all those within the 80% delivery area.[153]

7.37 Throughout our investigation the Parties have identified a large number of alternative suppliers who they submitted compete with the Parties to supply circular ducts and fittings in various local areas. However, in many cases the Parties have provided little or no evidence to substantiate their submissions that these suppliers are material competitors to the Parties in circular ducts and fittings. Furthermore, there is evidence that some of the suppliers identified by the Parties are not competing with the Parties in the supply of circular ducts and fittings. For

[152] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 32.
[153] For each branch, the data provided by the Parties included the location of all competitors up to 84 minutes drivetime away. The 80% delivery area for the following branches is larger than 84 minutes: Birmingham (96 minutes), Hailsham (estimated 107 minutes), Manchester (116 minutes) and Sheffield (96 minutes). Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.

example, a number of suppliers identified by the Parties are no longer in operation (for example Makro Teknik and Total Ventilation Supplies),[154] are not based in the England and Wales (for example, Kelvent and Pro-duct),[155] are a customer of the Parties (for example, [✄]),[156] or their activities are focused on the supply of other products (for example, Northern Fan Supplies Limited (**Northern Fan**) and Systemair Limited (**Systemair**)).[157]

7.38 Therefore, in our local assessments we have focussed on suppliers where there is positive evidence from the Parties' internal documents or from third parties that they compete with the Parties to supply circular ducts and fittings in a local area. In doing so we have placed limited weight on (a) emails from Lindab branch managers seeking approval for discounts because, for any local area, there are only a small number of examples of such requests and Lindab was not able to identify which orders contained circular ducts and fittings[158] and (b) limited examples provided by the Parties of customers placing orders with or seeking quotations from other suppliers (see paragraph 7.26) because absent further information (including in many cases confirmation that the lost sales included circular ducts and fittings, the value of lost sales, clear evidence of the specific supplier a customer or order was lost to and evidence that the small number of examples provided are representative) such evidence does not demonstrate that a given supplier is a material competitor to the Parties in the supply of circular ducts and fittings in a given local area.

7.39 We consider that the following suppliers are consistently identified in internal documents provided by the Parties and by third parties as competitors to the Parties: JA Glover; MAS (now acquired by SK Sales);[159] SK Sales; Storm; and VES. For example:

(a) In a recent strategy document, Lindab listed its main competitors in ducting to be HAS-Vent, Storm, MAS, VES, SK Sales and (unnamed) independents.[160]

(b) [✄] provide further evidence that its strongest competitors, in addition to HAS-Vent, are MAS, SK Sales, Storm and VES.[161]

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[154] MAKRO TEKNIK UK LTD overview - Find and update company information - GOV.UK (company-information.service.gov.uk) [last accessed by the CMA on 9 October 2024]; TOTAL VENTILATION SUPPLIES LTD overview - Find and update company information - GOV.UK (company-information.service.gov.uk) [last accessed by the CMA on 9 October 2024].
[155] Contact Us | Kelvent [last accessed by the CMA on 19 August 2024]; and Contact | Pro Duct (pro-duct.co.uk) [last accessed by the CMA on 9 October 2024].
[156] Third party response to the CMA's RFI.
[157] Third party call note; and Third party response to follow-up questions.
[158] Lindab response to the CMA's section 109 Notice 2, June 2024, question 17. The figures reported in Chapter 5 on average discounts are based on an analysis of sales data where the Parties were able to identify sales of circular ducts and fittings.
[159] News & Events SK Sales, 29 July 2024 [last accessed by the CMA on 9 October 2024].
[160] Lindab response to the CMA's section 109 Notice 1, Annex 049.
[161] Lindab response to the CMA's section 109 Notice 1 23, May 2024, question 9 (Annexes 1016-1251); and Lindab response to the CMA's section 109 Notice 2 13, June 2024, question 17 (Annexes 1270-1620).

(c) The most commonly mentioned suppliers in HAS-Vent's quarterly branch reports are Lindab (accounting for [✂]% of all mentions), Storm ([✂]%), SK Sales ([✂]%), MAS ([✂]%), and JA Glover ([✂]%).[162]

(d) Of the 47 customers who responded to our information request, 20 identified Storm, 11 identified SK Sales, nine identified JA Glover, seven identified MAS,[163] and three mentioned VES as good alternative suppliers for all or some of their recent purchase of circular ducts and fittings.[164]

7.40 While the vast majority of suppliers who responded to the relevant question of our information request (24 out of 28), identified both Parties as competitors,[165] most of these suppliers also identified one or more of the following as main competitors: JA Glover; MAS; Mercury H.V.A.C. Distribution Limited (**Mercury**); SK Sales and/or Storm and VES.[166]

7.41 In addition, we also received evidence that the following suppliers are good alternatives to the Parties in certain areas where they have a presence:

(a) Independent Ductwork Limited (**Independent Ductwork**), located in Basingstoke, was identified as a good alternative to the Parties by three customers,[167] and is identified as a competitor in [✂] HAS-Vent branch manager reports.[168] In addition, it was identified as a main competitor by two of the suppliers mentioned above ([✂] and [✂]).[169]

(b) South Yorkshire Ducting Supplies Limited (**SYDS**) located in Manchester and Sheffield, was identified as a good alternative to the Parties by three customers[170] and was identified as a competitor in [✂] HAS-Vent branch manager reports.[171] In addition, it was identified as a main competitor by Independent Ductwork.[172]

(c) Young's Extract Supplies Limited (**Young's**), located in Hull, London and Birmingham, was identified as a good alternative to the Parties by four customers,[173] and was identified as a competitor in [✂] HAS-Vent branch

[162] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.
[163] Third party responses to the CMA's customer RFI 1, question 8.
[164] Third party responses to the CMA's customer RFI 1, question 8.
[165] Third party responses to the CMA's competitor questionnaire, question 8; Third party responses to the CMA's RFI, question 8; Third party responses to the CMA's section 109 Notice 1, question 8; Third party call notes.
[166] Third party responses to the CMA's competitor questionnaire, question 8; Third party responses to the CMA's RFI, question 8; Third party responses to the CMA's s109 notice 1, question 8; Third party call notes.
[167] Third party responses to the CMA's customer questionnaire, 29 February 2024, question 8; and third party response to the CMA's RFI 1, 31 May 2024, question 8.
[168] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 099, 102, 103, 105, 106 and 122.
[169] Third Party call notes.
[170] Third party responses to the CMA's customer questionnaire (one customer identified Vent Centre as a good alternative, which was acquired by South Yorkshire Ducting); and third party response to the CMA's RFI 1.
[171] The [✂] reports for Leeds also identify Vent Centre as a competitor, which was acquired by South Yorkshire Ducting. HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 081, 082 and 107; and HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.
[172] Third party call note.
[173] Third party responses to the CMA's RFI 1; and third party responses to the CMA's RFI 1.

reports.[174] In addition, it was identified as a competitor by Independent Ductwork.[175]

(d) Greenwood Hargreaves Ltd (**Greenwood**), located in Liverpool, was identified as a competitor in [✂] HAS-Vent branch manager reports.[176]

(e) GGS Southern Limited (**GGS**), located in Hailsham, was identified as a competitor in [✂] HAS-Vent branch manager reports.[177]

7.42 We have also received evidence specific to certain local areas indicating that a supplier with a smaller presence is a competitor to the Parties in a specific local area. We have considered this evidence as necessary in our local area assessments below.

c) Assessing the extent of competition lost and remaining competitive constraints

7.43 Given the general evidence indicating that the Parties are close competitors in areas where they both compete to supply customers (see paragraphs 7.4 to 7.11), we consider that the Parties are likely to be close competitors where the relevant branches are located in the same conurbation. Where this is not the case, we consider further what the evidence indicates about the extent to which the relevant branches are serving the same geographic areas. In particular, we look at:

(a) the distance between the branches relative to the 80% delivery area;

(b) whether the evidence (including the 50% drivetime delivery areas and the percentage of sales collected from the branches) suggests the markets are particularly localised; and

(c) any relevant internal document and third party evidence.

7.44 For each of the local area assessments, we assess the strength of remaining competitive constraints within the relevant local area as follows:

(a) First, drawing on the evidence set out above (see paragraph 7.23), we identify which, if any, of Greenwood, GGS, Independent Ductwork, JA Glover, MAS, SK Sales, SYDS, Storm, Young's and VES are located within the 80% delivery area.

(b) We then look at the evidence on the strength of competitive pressure these suppliers may be exerting on the Parties in the relevant local area. In particular:

[174] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 084, 125 and 127.
[175] Third party call note.
[176] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 113-118.
[177] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 102-106.

(i) their location relative to the Parties including whether they have branches in the same conurbation as one or both of the Parties and their drivetimes from the Parties' branches relative to the 80% drivetime delivery area;

(ii) the value of their sales of circular ducts and fittings in the relevant local area (where available) compared with those of the Parties' branches; and

(iii) any other evidence that they may impose a material constraint on the Parties in the local area.

(c) We then consider whether there are any other suppliers in the local area that might make a material contribution to the competitive constraint faced by the Merged Entity. In doing so we considered the evidence available to us on the strength of constraint exerted by all the suppliers identified by the Parties as competitors to a specific branch in the supply of circular ducts and fittings. Therefore, our assessment is not limited to only those suppliers located within the 80% delivery area.[178]

(d) Finally, we consider any evidence of expansion plans specific to the local area.

7.45 In response to our Provisional Findings the Parties argued that the documentary evidence available is not representative of the extent of the competitive constraints which the Parties face and represents only a small snapshot of the interactions.[179] We recognise, for the reasons given by the Parties, that competitive interactions between suppliers will not always be documented. We have, however, considered carefully the documentary and other evidence the Parties have been able to provide and considered this alongside the evidence provided by third parties. We disagree with the Parties' submission that the available evidence represents 'only a small snapshot' of competitive interactions. The Parties' internal documents and the other available evidence cover an extended period of time.[180] For example, the HAS-Vent branch manager reports cover multiple quarters from [✄] to [✄].[181]

7.46 The Parties also made submissions in response to our Provisional Findings regarding specific local area assessments.[182] As these are specific to our assessment of the remaining constraints in the Nottingham and Stoke-on-Trent

[178] This means that in some cases we considered whether there was evidence of the suppliers identified in paragraph 7.44(a) competing from locations beyond the 80% delivery area.
[179] Parties' response to the Provisional Findings, 12 September 2024, page 5.
[180] HAS-Vent response to the CMA's section 109 Notice 1, branch reports; Parties' Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, Page 1; Parties' response to the Provisional Findings, 12 September 2024, Pages 6 to 9 and 11 to 13; Parties response to 240918 RFI Request, Pages 2 to 4.
[181] The exact period covered varies by branch.
[182] Parties' response to the Provisional Findings, 12 September 2024, Pages 2 and 3 and Section 3.

areas, these are considered below in the following section (see paragraphs 7.82 to 7.128).

Local area assessments

7.47 In this section we set out our local area assessments using the approach set out above. First, we discuss those local areas for which our view is that the Lindab branches are unlikely to be serving areas also served by HAS-Vent branches because of their distance from the nearest HAS-Vent branch.[183] In these areas, our view is that the customer bases of the Parties' branches are unlikely to overlap materially and therefore the Parties do not compete with each other to a material degree.

7.48 Second, we discuss those local areas where we consider that the Parties are competing with each other to a material degree but where there is sufficient competition remaining to prevent competition concerns from arising.

7.49 Finally, we discuss those local areas where we consider that the Parties are competing with each other to a material degree and where there is insufficient competition remaining to prevent competition concerns from arising.

Areas where the Parties do not compete with each other to a material degree

7.50 Our view is that the following Lindab branches do not compete to a material degree with a HAS-Vent branch in the supply of circular ducts and fittings:

(a) Lindab Bristol where the nearest HAS-Vent branch is in Birmingham;

(b) Lindab Cardiff where the nearest HAS-Vent branch is in Birmingham;

(c) Lindab Exeter where the nearest HAS-Vent branch is in Southampton;

(d) Lindab Lincoln where the nearest HAS-Vent branch is in Nottingham;

(e) Lindab Newcastle where the nearest HAS-Vent branch is in Leeds; and

(f) Lindab Norwich where the nearest HAS-Vent branch is in Tottenham.

7.51 We note that, with the exception of Lincoln, for each of these Lindab branches the nearest HAS-Vent branch is located more than an 84-minute drive away and there is a closer Storm or SK Sales branch (in particular Storm Yeovil (for Cardiff, Bristol, and Exeter), Storm Norwich and Storm Newcastle). We consider, therefore, that any competitive interaction between the Parties' branches listed above (in paragraph 7.50) is unlikely to be material given the distances between

[183] Based on data provided by the Parties, all HAS-Vent branches are within 61-minutes drivetime of a Lindab branch.

them and the presence of Storm or SK Sales branches. In the case of the Lincoln branch, the nearest HAS-Vent branch is a 64-minute drive away in Nottingham and we note that we did not receive any evidence indicating that the Parties are competing with each other to a material degree in the Lincoln area.

Areas where there is material competition between the Parties but which do not give rise to competition concerns

7.52 Our view is that, for the reasons set out below, while the relative locations of the Parties' branches may mean that the Parties compete with each other to a material degree, there is sufficient competition remaining from alternative suppliers in the relevant local area such that competition concerns are unlikely to arise in the supply of circular ducts and fittings in the local areas centred around:

(a) **Basildon**: where the closest HAS-Vent branch to Lindab Basildon is HAS-Vent North London.

(b) **Birmingham**: where Lindab has branches in Birmingham and Bilston and the closest HAS-Vent branch to each is HAS-Vent Wolverhampton.

(c) **Croydon**: where the closest HAS-Vent branch to Lindab Croydon is HAS-Vent North London.

(d) **Gravesend**: where the closest HAS-Vent branch to Lindab Kent (Gravesend) is HAS-Vent Rochester.

(e) **Hailsham**: where the closest Lindab branch to HAS-Vent Hailsham is Lindab Croydon.

(f) **High Wycombe**: where the closest HAS-Vent branch to Lindab High Wycombe is HAS-Vent North London.

(g) **North London:** where the closest HAS-Vent branch to Lindab Enfield is HAS-Vent Tottenham.

(h) **Leeds**: where the closest HAS-Vent branch to Lindab Leeds is HAS-Vent Leeds.

(i) **Leicester**: where the closest HAS-Vent branch to Lindab Leicester is HAS-Vent Nottingham.

(j) **Liverpool**: where the closest Lindab branch to HAS-Vent Liverpool is Lindab Warrington.

(k) **Manchester**: where the closest HAS-Vent branch to Lindab Manchester is HAS-Vent Manchester.

(l) **Rochester**: where the closest Lindab branch to HAS-Vent Rochester is Lindab Kent (Gravesend).

(m) **Sheffield**: where the closest HAS-Vent branch to Lindab Sheffield is HAS-Vent Leeds.

(n) **Southampton**: where the closest HAS-Vent branch to Lindab Southampton is HAS-Vent Eastleigh.

(o) **Warrington**: where the closest HAS-Vent branch to Lindab Warrington (Ductmann) is HAS-Vent Liverpool.

7.53 We set out our reasons for concluding that the Merger is unlikely to give rise to competition concerns in the supply of circular ducts and fittings in each of these local areas below.

7.54 One third party responded to our Provisional Findings submitting that the Merger also raises concerns more generally (due to the Parties' ability to manufacture) and in particular in the Midlands (Birmingham), Manchester, Liverpool and London. However, this third party did not provide any additional evidence that we had not considered at the time of our Provisional Findings (see in particular **Section 5 'Role of manufacturing and scale to the competitiveness of suppliers'** and the local area assessments covering the Birmingham, Manchester, Liverpool and London areas). Therefore, this submission did not lead us to alter our provisional conclusions.[184]

Basildon and Croydon

7.55 In the **Basildon and Croydon** areas, we found that the Parties may be competing to supply the same customers, as HAS-Vent North London is within both the Lindab Basildon and Lindab Croydon 80% delivery areas. We note, however, that while HAS-Vent North London is well within the Lindab Basildon 80% delivery area, it is on the boundary of the Lindab Croydon 80% delivery area indicating that the competitive interaction between Lindab Croydon and HAS Vent North London may be limited.

7.56 We also found that there are at least three good alternative suppliers located closer to one of the Parties than the Parties are to each other. Therefore, given the relative location of the Parties and other suppliers, our view is that there is sufficient remaining competition in each local area such that the Merger does not give rise to competition concerns in these areas:

[184] Third party emails.

(a) **Basildon** (Lindab only) where SK Sales (including MAS), Storm, and JA Glover are located closer than the nearest HAS-Vent branch in Tottenham; and

(b) **Croydon** (Lindab only) where JA Glover, Storm, and SK Sales (including MAS) are located closer than the nearest HAS-Vent branch in Tottenham.

Birmingham, North London and Manchester

7.57 In the **Birmingham, North London and Manchester** areas, we found that the Parties are likely to be close competitors because, in each of these locations, the relevant branches are located in the same conurbation.

7.58 We also found that the Parties are currently competing with at least three good alternative suppliers for circular ducts and fittings that are also located in the same conurbation (and inside the 80% delivery area of the Parties' relevant branch). Therefore, our view is that there is sufficient remaining competition in each of these local areas such that the Merger does not give rise to competition concerns in any of these local areas:

(a) **Birmingham** (Lindab Birmingham, Lindab Bilston, and HAS-Vent Wolverhampton) where the Parties compete with at least Storm, SK Sales, JA Glover, and VES;

(b) **North London** (Lindab Enfield and HAS-Vent Tottenham) where the Parties compete with at least Storm, JA Glover, and MAS; and

(c) **Manchester** (Lindab and HAS-Vent branches) where the Parties compete with at least Storm, SK Sales, and SYDS.[185]

Gravesend and Rochester

7.59 Lindab Kent (Gravesend) and HAS-Vent Rochester are not located in the same conurbation. They are located a 19-minute drivetime from each other. There is some evidence of competitive interaction. In particular, Lindab Kent (Gravesend) is within the 50% delivery area for HAS-Vent Rochester and vice versa. In addition, [✂] HAS-Vent branch reports identified Lindab as a competitor[186] and a HAS-Vent Rochester customer identified Lindab as a 'good alternative supplier.[187] On this basis, our view is that the Parties are close competitors in these areas.

7.60 In the **Gravesend** area, Allduct Equipment Supplies Ltd (**Allduct**) is located 12-minute drivetime away from Lindab Kent (Gravesend). It is a single site

[185] SYDS acquired Ventilation Centre in February 2024. SYDS now operates from a head office in Sheffield and a former Ventilation Centre branch in Manchester. Third party, response to follow-up questions.
[186] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 121-122.
[187] Third party response to the CMA's RFI 1

manufacturer with sales of circular ducts and fittings of £[✄] million in 2023[188] (compared with Lindab Kent's sales of around £[✄]).[189] Allduct was identified by the Lindab Kent's Branch Manager as a smaller competitor.[190] A number of other suppliers are located at a similar distance from Lindab Kent (Gravesend) as the HAS-Vent branch in Rochester, including: MAS (19 minute drivetime away in East London) and JA Glover (21-minute drivetime away in Rochester). Also, within the 80% delivery area, JA Glover has two other branches, one in Croydon and one in East London, and SK Sales and Storm each have a branch in Basildon. Therefore, our view is that there is sufficient remaining competition in the area around Gravesend such that the Merger does not give rise to competition concerns in this area.

7.61 In the **Rochester** area, we note that the nearest alternative supplier to HAS-Vent's Rochester branch is the JA Glover branch in Chatham (eight-minute drivetime away) and that JA Glover Chatham's sales of circular ducts and fittings were £[✄] million in 2023,[191] compared with HAS-Vent Rochester's sales of around £[✄].[192] Also, within the 80% delivery area, Allduct (25-minute drivetime) and MAS (35-minute drivetime) each have sites. Additionally, the HAS-Vent Rochester branch reports suggest that competition from MAS and JA Glover is [✄].[193] Therefore, our view is that there is sufficient remaining competition in the Rochester area such that the Merger does not give rise to competition concerns in this area.

Hailsham

7.62 The nearest Lindab branch to HAS-Vent **Hailsham** is in Croydon. While the drivetime between these branches is 61 minutes, there is evidence of competitive interaction. In particular, two HAS-Vent branch reports identified Lindab as a competitor and the HAS-Vent branch manager told us that most of its customers are in London and Southeast England and that its main competitors include Lindab.[194] However, Storm, SK Sales, and GGS all have branches which are located nearer to HAS-Vent Hailsham than Lindab Croydon is. Therefore, our view is that there is sufficient remaining competition in the area around Hailsham such that the Merger does not give rise to competition concerns in this area.

[188] Third party response to the CMA's RFI 1
[189] Lindab response to the CMA's s109 notice 1, 23 May 2024, question 1.
[190] Lindab Gravesend Branch Manager call note, 12 June 2024, paragraph 10.
[191] Third party call note
[192] HAS-Vent response to the CMA's s109 notice 1, 23 May 2024, question 1.
[193] Namely, we note that MAS and JA Glover are identified in [✄] HAS-Vent branch reports, while Lindab were identified in [✄]. HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 119, 121 and 122.
[194] HAS HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 103 and 106; HAS-Vent Branch Manager call note, 26 June 2024, paragraph 8.

High Wycombe

7.63 The nearest HAS-Vent branch to Lindab **High Wycombe** is outside the 80% delivery area and we found that there is, therefore, unlikely to be material competitive interaction between these branches. Storm, MAS, Young's, and Independent Ductwork are located closer to Lindab High Wycombe than the nearest HAS-Vent branch in Tottenham. Therefore, given the relative location of the Parties to each other and other suppliers, our view is that there is sufficient remaining competition in the area around High Wycombe such that the Merger does not give rise to competition concerns in this area.

Leeds

7.64 In the **Leeds** area we found that the Parties are likely to be close competitors. Both Parties have a branch located in **Leeds** and the HAS-Vent Leeds branch manager reports indicate that the Parties are close competitors in the area around Leeds.[195]

7.65 Both SK Sales and Storm also have branches in Leeds and both are mentioned in the HAS-Vent branch manager reports.[196] Therefore, we found that both SK Sales and Storm are likely to be strong competitors to the Parties in Leeds. Additionally, we note that the Lindab branch in Leeds delivers over a wide area when compared to other Lindab branches – the 80% delivery drivetime for this branch is 74 minutes.[197] SYDS is located in Sheffield, within this 74-minute drivetime and is identified as a competitor in several HAS-Vent branch manager reports.[198]

7.66 Therefore, our view is that there is sufficient remaining competition in the area around Leeds such that the Merger does not give rise to competition concerns in the Leeds area.

Liverpool and Warrington

7.67 The nearest Lindab branch to the HAS-Vent branch in **Liverpool** is in Warrington (on the outskirts of Manchester) within the 80% delivery area. Consistent with this, a HAS-Vent Liverpool branch report states that '[✂]' and [✂] HAS-Vent Liverpool branch reports mentioned Lindab Warrington.[199] However, we have also received

[195] Lindab is identified in [✂] reports, [✂]. HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 107, 108, 111 and 112; HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023; HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023; and HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 112.
[196] It is noted that SK Sales was identified in [✂] branch manager reports, while Storm was identified in [✂]. HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 107, 108, 111 and 112; and HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.
[197] Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1.
[198] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 082, 085, and 107; and HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.
[199] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 113-118.

evidence to indicate that competition from Lindab in Liverpool may be more limited. Specifically, a Lindab document discussing the Merger identified Liverpool as a 'white spot' for Lindab.[200] Our view is that the evidence, taken in the round, indicates that Lindab Warrington is competing with HAS-Vent Liverpool.

7.68 However, we have received evidence that the Parties face competition from a number of other suppliers in the Liverpool area. In particular, Greenwood is located in Liverpool, and is identified [✂] in the HAS-Vent Liverpool branch reports and is identified as [✂] competitor.[201] Also Greenwood' sales in the supply of circular ducts and fittings were [✂] in 2023[202] compared with HAS-Vent Liverpool branch sales of around £[✂] and Lindab Warrington of £[✂].[203] Additionally, iDuct Limited (**iDuct**) (also located on the outskirts of Manchester) is nearer to HAS-Vent Liverpool than Lindab Warrington is. We consider that to the extent that Lindab Warrington and Lindab Manchester (and iDuct) are competing in Liverpool, then other suppliers with branches in Manchester including Storm, SK Sales and SYDS are also likely to do so.

7.69 Therefore, our view is that the Parties will continue to face competition from a range of different suppliers to supply customers in the Liverpool area. Consequently, our view is that the Merger does not give rise to competition concerns in the Liverpool area.

7.70 The Parties were unable to provide information on the delivery area of Lindab **Warrington**. The nearest HAS-Vent branch is in Manchester (26 minutes drivetime away). Our view is that the Parties are likely to be close competitors as Lindab Warrington is located on the outskirts of the Manchester area. However, as noted above (see paragraph 7.52), the Parties are currently competing with at least three good alternative suppliers in the Manchester area (Storm, SK Sales, and SYDS). Our view, therefore, is that these alternative suppliers located in the Manchester area are likely to provide a sufficient competitive constraint on Lindab Warrington such that the Merger does not give rise to competition concerns in the Warrington area.

Leicester and Sheffield

7.71 For the Lindab branches located in **Leicester** and **Sheffield**, the nearest HAS-Vent branches are located more distantly, in Nottingham for Lindab Leicester and in Leeds for Lindab Sheffield, but they are still within the 80% delivery areas. However, Lindab also has branches in Nottingham and Leeds indicating that the customers of its branches in Leicester and Sheffield may not consider its branches

[200] Lindab response to the CMA's section 109 Notice 1, 7 November 2023, Annex 094, slide 5.
[201] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 113-118.
[202] Third party response to the CMA's RFI
[203] HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1; and Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1.

(and therefore those of other suppliers including HAS-Vent) in Nottingham and Leeds to be good alternatives. As such, our view is that the competitive interaction between (a) the Lindab branches in Leicester and the HAS-Vent branch in Nottingham and (b) the Lindab branch in Sheffield and the HAS-Vent branch in Leeds is likely to be limited.

7.72 Additionally, we note that:

(a) **Leicester:** There is also a JA Glover branch located in Leicester, close to the Lindab branch and considerably nearer than the HAS-Vent branch in Nottingham. Furthermore, to the extent that Lindab Leicester is competing with suppliers based in other conurbations in the Midlands, then SK Sales, Storm and Young's all have branches in Birmingham which are located a similar drivetime distance from the Lindab Leicester branch as the HAS-Vent Nottingham branch.

(b) **Sheffield:** There is also a SYDS branch located in Sheffield, close to the Lindab branch and considerably closer than the HAS-Vent branch in Leeds. Furthermore, to the extent that Lindab Sheffield is competing with suppliers based in Leeds, then SK Sales and Storm also have branches in Leeds.

7.73 Our view, therefore, is that the Merger does not give rise to competition concerns in the Leicester and Sheffield areas.

Southampton

7.74 Lindab has a branch in **Southampton** and HAS-Vent Eastleigh is a six-minute drive away.[204] In addition we noted the following:

(a) A material proportion ([✂]%) of sales by Lindab's branch are collections which is consistent with many of the customers of Lindab Southampton being based in Southampton itself.[205]

(b) While [✂] HAS-Vent branch manager report for Eastleigh notes that HAS-Vent '[✂]' Lindab,[206] [✂] others indicate close competition with Lindab. In particular, [✂] report states that [✂].[207]

(c) The Lindab branch manager identified HAS-Vent as one of two competitors.[208]

[204] Lindab response to the CMA's section 109 Notice 3, 18 June 2024, question 16.
[205] Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.
[206] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 100.
[207] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 099 and 101.
[208] Lindab Branch Manager call note (Southampton), 10 June 2024, paragraph 10.

(d) All three of the Parties' customers in Southampton who responded to our information request identified the other Party as a good alternative.[209]

7.75 Our view, therefore, is that Lindab Southampton and HAS-Vent Eastleigh are close competitors.

7.76 We have also found that the Parties face competition from a number of other suppliers in the area as follows:

(a) **Storm** opened its Romsey branch in February 2023 (13 minutes drivetime from the Lindab branch) and told us that the value of sales of circular ducts and fittings for this branch was £[✂] in 2023 (compared with Lindab Southampton's sales of circular ducts fittings of around £[✂] in 2023 and HAS-Vent's sales of circular ducts and fittings of around £[✂] in 2023).[210] We note that all three customers of the Parties' Southampton branches who responded to our information request identified Storm as a good alternative.[211] Lindab Southampton's branch manager also identified Storm and HAS-Vent as its competitors,[212] and the Parties submitted evidence that the opening of Storm's Romsey branch [✂].[213]

(b) **Independent Ductwork** is based in Basingstoke within the 80% delivery area. Independent Ductwork told us that the value of its sales of circular ducts and fittings in the Southampton area was £[✂] in 2023,[214] and that it currently delivers circular ducts and fittings to the Southampton area several times a week.[215] We note, however, that the Lindab Southampton Branch Manager told us that [✂].[216] Asked whether it would expand its business in the area if the Merger were to go ahead, Independent Ductwork said [✂].[217]

(c) Duct Products Limited (now Elta-Ni Limited) (**Duct Products**) has a branch in Fareham, which is located within the 80% delivery area for Lindab Southampton. It told us that it manufactures circular ducts and fittings, [✂] competes with the Parties, including in Southampton and estimated the value of its sales of circular ducts and fittings to third party distributors and installers by its Fareham branch at £[✂] in 2023.[218] We note, however, that it

[209] A HAS-Vent customer identified Lindab and Storm. A Lindab customer identified HAS-Vent and Storm. A Lindab customer identified HAS-Vent, Storm, and Wells Spiral Tubes. Third party responses to CMA questionnaire.
[210] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 39; Third party response to the CMA's section 109 Notice 1; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1; and Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1.
[211] A HAS-Vent customer identified Lindab and Storm. A Lindab customer identified HAS-Vent and Storm. A Lindab customer identified HAS-Vent, Storm and Wells Spiral Tubes. Third party responses to CMA questionnaire.
[211] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 37.
[212] Lindab Branch Manager call note (Southampton), 10 June 2024, paragraph 10.
[213] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, pages 49-52.
[214] Third party response to follow-up questions.
[215] Third party response to follow-up questions
[216] Lindab Branch Manager call note (Southampton), 10 June 2024, paragraph 12.
[217] Third party response to follow-up questions.
[218] Third party response to follow-up questions.

was not identified as a competitor in the Parties' internal documents or by customers and competitors.

7.77 Our view, therefore, is that the Parties would continue to face strong competition from Storm and Independent Ductwork after the Merger. In particular, we note the evidence presented by the Parties on the impact that Storm's entry has had in the Southampton area and Independent Ductwork's aim to do more work in Southampton. The presence of Duct Products in Fareham is an additional constraint on the Parties in the Southampton area. Our view, therefore, is that these alternative suppliers are likely to provide a sufficient competitive constraint such that the Merger does not give rise to competition concerns in the Southampton area.

Local areas where there is insufficient competition remaining to prevent an SLC

7.78 Our view is that the Parties compete with each other to a material degree and will not face a sufficient competitive constraint from alternative suppliers to prevent the Merger from giving rise to competition concerns in the supply of circular ducts and fittings in the areas around Nottingham and around Stoke-on-Trent.

7.79 The Parties submitted that the approach we have taken to the assessment of remaining competitive constraints in the Nottingham and Stoke-on-Trent areas is unduly narrow in focussing only on those competitors that are located closest to the Parties' branches and, as a result, we have incorrectly dismissed the constraint posed by several good alternative suppliers of circular ducts and fittings.[219] In particular, the Parties submitted that the average 62-minute drive-time for 80% of circular ducts and fittings sales across all Lindab branches is a more appropriate metric for the purposes of assessing the competitive constraints faced by the Parties in the Local Areas.[220]

7.80 The Parties have mischaracterised the approach we have taken to the assessment of the remaining competitive constraints on their Nottingham and Stoke-on-Trent branches. We used information provided by the Parties on the 50% and 80% delivery areas as a starting point for our analysis. We then considered the evidence available to us on the strength of constraint exerted by all the suppliers identified by the Parties as competitors to their Nottingham and Stoke-on-Trent branches in the supply of circular ducts and fittings (see paragraph 7.44).[221] Although the relative proximity of suppliers was one factor we considered, our assessment is not limited to those suppliers situated within the 50% and 80% delivery areas. For this reason, we consider that using the average across all

[219] Parties' response to the Provisional Findings, 12 September 2024, page 3.
[220] Parties' response to the Provisional Findings, 12 September 2024, page 4.
[221] This was illustrated in our Provisional Findings by our consideration of suppliers located beyond the 80% delivery areas for Nottingham and Stoke, eg suppliers based in Birmingham.

Lindab branches, rather than branch specific delivery areas would not affect our findings.

7.81 We discuss each of these local areas and the reasons for our decisions below. We also consider below further points made by the Parties in response our Provisional Findings relating to the evidence submitted on remaining competitive constraints.

Nottingham

7.82 Lindab and HAS-Vent both have branches in Nottingham (13 minutes drivetime apart). The 50% delivery area for Lindab Nottingham is 23 minutes and the 80% delivery area is 44 minutes, and around [✂]% of sales of circular ducts and fittings are collected from the branch.[222] Revenue from the sale of circular ducts and fittings was around £[✂] for Lindab Nottingham and £[✂] for HAS-Vent Nottingham, in 2023.[223]

7.83 As well as the general evidence indicating that the Parties are close competitors in areas where they both compete to supply customers in the same geographic area, we consider that the evidence demonstrates that the Parties are close competitors in Nottingham. In particular:

(a) The Lindab and HAS-Vent branches are located near to each other in Nottingham and the Parties are the only strong suppliers of circular ducts and fittings located in Nottingham itself.

(b) A high proportion of sales by Lindab's branch are made within or very close to Nottingham: [✂]% of sales by value were collected by the customer and the 50% and 80% delivery areas[224] for Lindab Nottingham are 23 and 44 minutes respectively.[225] This is also reflected in Lindab's internal documents which note that these branches have '[✂]' and '[✂]'.[226]

(c) HAS-Vent provided [✂] quarterly branch reports for Nottingham [✂]. All [✂] identified Lindab as a competitor, [✂] undercut [✂].[227]

(d) The HAS-Vent Branch manager identified Lindab as a main competitor.[228]

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[222] Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.
[223] Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.
[224] Using data provided by the Lindab, for each Lindab branch we calculated the shortest drivetime from the branch which accounted for 50% and 80% of the value of circular duct and fitting deliveries by the branch in 2023.
[225] Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.
[226] Lindab internal document, Annex 118.
[227] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 081-086.
[228] HAS-Vent Branch Manager call note, 26 June 2024, paragraph 8.

7.84 The Parties identified the following as competitors to their Nottingham branches: Northern Fans, Systemair, Midland Ventilation Supplies Limited (**Midland Ventilation**), JA Glover, SYDS,[229] as well as a number of other suppliers (discussed below in paragraphs 7.91 to 7.96).[230]

7.85 Our view is that while Northern Fans and Systemair both have branches in Nottingham, they are weak competitors in the supply of circular ducts and fittings. Both Northern Fans and Systemair told us that they do not actively compete with the Parties in the supply of circular ducts and fittings. In particular, Northern Fans told us that it is a customer of HAS-Vent and not a competitor, and explained that it primarily sells fans and sells only a small number of circular ducts and fittings as an add-on to function as a one-stop shop.[231] Systemair told us that it does not compete with the Parties in the supply of circular ducts and fittings.[232] We also note that a HAS-Vent branch report states that '[✂]'.[233] We note that these submissions from Northern Fans and Systemair are also consistent with the comments of the Nottingham HAS-Vent branch manager who stated that Systemair and Northern Fans are smaller competitors but 'mainly fan suppliers'.[234]

7.86 Our view is that Midland Ventilation is a weak competitor to the Parties in the supply of circular ducts and fittings in Nottingham. Midland Ventilation is located in Leicester, a 34-minute drive away and within the 80% delivery area. The Parties have noted [✂] references in a Nottingham HAS-Vent branch report: [✂];[235] [✂].[236] We do not consider these to be evidence of competition in the supply of circular ducts and fittings as the statements relate to products which are not circular ducts or fittings. In addition, a [✂] states that '[✂]'.[237] We consider this statement to be, at best, evidence of Midland Ventilation exerting a weak competitive constraint on Lindab Nottingham given the importance customers attach to reliability and the ability to supply the volumes they require in a timely manner in choosing a supplier (see Chapter 5 'Competition to Supply Circular Ducts and Fittings').

7.87 Midland Ventilation told us that it distributes circular ducts and fittings in the Midlands and North West and that the value of its sales of circular ducts and fittings in 2023 into the Nottingham area was £[✂] (compared with Lindab

[229] [✂]. HAS-Vent Branch Manager call note, 26 June 2024, paragraph 8.
[230] HAS-Vent noted that it has lost customer orders in Nottingham to the following suppliers: [✂]. The Parties also included Youngs Extract Supplies, Spiral Ductwork Services, DW Ducting Express Services Ltd, Full Metal Fabrications Ltd, and Duct Spares in their analysis of competitors within the Nottingham area (Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 7 August 2024; Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024; and Parties, Annex 3 to additional response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024).
[231] Third party call note.
[232] Third party, response to follow-up questions.
[233] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 124; and Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, paragraph 2.9.
[234] HAS-Vent Branch Manager call note, 26 June 2024, paragraph 8.
[235] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 084.
[236] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 082.
[237] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 083.

Nottingham sales in 2023 of around £[✂] and HAS-Vent sales of around £[✂] in 2023).[238] It explained that it [✂].[239] We note that the evidence is that price is a key factor for customers in choosing a supplier (see Chapter 5 'Competition to supply circular ducts and fittings'). It also said that the Merged Entity would '[✂]'.[240]

7.88 In response to our Provisional Findings the Parties noted that Midland Ventilation's sales of £[✂] into the Nottingham area was [✂]% of the value of Lindab Nottingham's sales.[241] The Parties submitted that this was material and that the total value of quotations (and by implication the competitive constraint) provided by Midland Ventilation would exceed this figure.[242] In contrast, we consider that the extent to which suppliers make sales in an area is a good indicator of the competitiveness of that supplier in that area. Consequently, our view is that Midland Ventilation's sales in the Nottingham area (which are considerably smaller than the Parties' sales both individually and in combination) is a good indicator that Midland Ventilation is a relatively weak competitor to the Parties in the supply of circular ducts and fittings in Nottingham.

7.89 Our view is that JA Glover is a weak competitor to the Parties in the supply of circular ducts and fittings in Nottingham. The nearest JA Glover branch is also located in Leicester. JA Glover has told us that sales by the Leicester branch into the Nottingham area are minimal.[243] This is consistent with JA Glover not being identified as a good alternative to the Parties by any customers of the Parties' Nottingham branches contacted by the CMA.[244] Again, we also note that a HAS-Vent Nottingham branch report states that [✂].[245]

7.90 Our view is that SYDS is likely to provide at most a limited constraint on the Parties' supply of circular ducts and fittings to customers in the Nottingham area. The nearest SYDS branch is located in Sheffield. The drive time from Nottingham to this branch is 52 minutes which is significantly further than the 80% delivery area for Lindab Nottingham of 44 minutes.[246] SYDS was identified in [✂] HAS-Vent Nottingham branch manager reports, although [✂].[247] This also contrasts with Lindab which is mentioned in [✂] HAS-Vent branch manager reports and referred to as the '[✂]'.[248] Asked whether it delivered circular ducts and fittings to

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[238] Third party response to follow-up questions; Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; and HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.
[239] Third party response to CMA follow-up questions.
[240] Third party response to CMA questionnaire.
[241] The Parties also submitted that it is unclear which precise area these suppliers may consider constitutes Nottingham and they may well have responded to the CMA's question by reference to the narrow geographic limits of the inner city. However, we asked Midland Ventilation to provide an estimate of their sales of circular ducts and fittings in the 'Nottingham area' and we have no reason to believe that they interpreted this request as being limited to the inner city of Nottingham.
[242] Parties' response to the Provisional Findings, 12 September 2024, page 7.
[243] Third party, response to follow-up questions.
[244] Third party responses to CMA questionnaire, 31 May 2024, question 8.
[245] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 083, page 1.
[246] Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1.
[247] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 082 and 085.
[248] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 081-086.

Nottingham, SYDS said it did but also indicated that [✂]. In particular, it said that its deliveries in the Nottingham area dependent on where its customers' sites are located.[249]

7.91 Our view is that Storm is likely to provide at most a limited constraint on the Parties in Nottingham. The nearest Storm branch is located in Birmingham. The drive time from Nottingham to this branch is 47 minutes which is outside the 80% delivery area for Lindab Nottingham. This is consistent with the HAS-Vent Nottingham branch manager reports which [✂] mention Storm [✂], identifying that [✂].[250] Asked whether it delivered circular ducts and fittings to Nottingham from its Birmingham branch, Storm said that it did about [✂] and that the value of sales was around £[✂] in 2023 (compared with combined sales by the Parties' Nottingham branches of over £[✂] million).[251] We consider that this indicates that Storm is not targeting customers in the Nottingham area.

7.92 In response to our Provisional Findings the Parties noted that Storm's sales of £[✂] into the Nottingham area was [✂]% of the value of Lindab Nottingham's sales.[252] The Parties submitted that this was material and that the total value of quotes (and by implication the competitive constraint) provided by Storm would exceed this figure.[253] In contrast, as set out above (see paragraph 7.91), we consider that Storm's sales in the Nottingham area (which are considerably smaller than the Parties' sales both individually and in combination) is a good indicator that Storm is a relatively weak competitor to the Parties in the supply of circular ducts and fittings in Nottingham.

7.93 The Parties also submitted that Greenmill Supply Company Limited (**Greenmill**) (located in Bedford), iDuct (located in Liverpool), Young's and VES (both located in Birmingham) are competitors to the Nottingham branch.[254] Our view is that these suppliers are not exerting a meaningful constraint on the Parties' Nottingham branches given their distance from Nottingham. We also note that the evidence submitted by the Parties is limited to [✂] which are not specific to circular ducts and fitting products (see paragraph 7.38), and examples of customers seeking quotations from or placing orders with some of these suppliers or being offered better terms in response to competition from these suppliers which, for the reasons given above (see paragraph 7.38), we consider do not

[249] Third party response to follow-up questions
[250] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 084.
[251] Third party responses to follow-up questions. Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.
[252] The Parties also submitted that it is unclear which precise area these suppliers may consider constitutes Nottingham and they may well have responded to the CMA's question by reference to the narrow geographic limits of the inner city. However, we asked Storm to provide an estimate of their sales of circular ducts and fittings in the 'Nottingham area' and we have no reason to believe that they interpreted this request as being limited to the inner city of Nottingham.
[253] Parties' response to the Provisional Findings, 12 September 2024, page 9.
[254] Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, pages 18, 19, 21, 35, 37.

demonstrate that these suppliers exert a material competitive constraint on the Parties in the supply of circular ducts and fittings in the Nottingham area.[255]

7.94 The Parties have also submitted that the following suppliers compete with them in the Nottingham area: Alpha Air Ventilation Supplies; Bratts Ladders; DW Ducting Supplies; Ducting Express Services; Dust Spares; Full Metal Fabrication; Impact Ducting Sales and MasterAir.[256] However, we have not seen evidence that indicates these suppliers exert a meaningful constraint on the Parties' Nottingham branches. In particular, none of these suppliers are mentioned in any internal documents provided by the Parties, or during Branch Manager calls. Nor were any of them identified by any third party that has provided evidence to us. Furthermore, we found evidence that some of these additional suppliers are not material competitors to the Parties in the supply of circular ducts and fittings. In particular, Bratts Ladders is primarily a supplier of ladders and we have found no evidence it sells circular ducts and fittings from its website or online shop.[257] Similarly, Impact Ducting Sales told us that it no longer competes with the Parties in the supply of circular ducts and fittings to end customers and supplies Lindab and HAS-Vent with stainless steel spiral ducts and fittings.[258]

7.95 The Parties also included Eliteduct Limited (**EliteDuct**) in the 'enhanced' competitor set (see paragraph 7.14).[259] Eliteduct was also identified by the HAS-Vent Nottingham Branch Manager as a competitor but they noted that it 'mainly [supplies] rectangular products but have added circular'.[260] EliteDuct is a customer of both Parties[261] and it is not mentioned in any internal documents provided by the Parties, nor was it identified by any third party who has provided evidence to us.

7.96 The Parties also included Metalduct (Nottingham) Limited (**Metalduct**) in the 'enhanced' competitor set.[262] Metalduct is located in Nottingham. Metalduct was also identified by the HAS-Vent Nottingham Branch Manager as competitor but they noted again that it 'mainly [supplies] rectangular products but have added circular'.[263] A Nottingham HAS-Vent branch report identified Metalduct competing on [✂].[264] We note that Metalduct is also a customer of both Parties.[265] As a Lindab customer, Metalduct identified only HAS-Vent as a good alternative, and expressed concerns that if the Merger went ahead it would be forced to source

[255] Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 7 August 2024, pages 17-19, 33-35 and 37.
[256] Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, page 43.
[257] Bratts Ladders - Products [last accessed by the CMA on 9 October 2024].
[258] Third party call note
[259] Parties, Annex 3 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024.
[260] HAS-Vent Branch Managers call note, 26 June 2024, paragraph 8.
[261] Third party responses to CMA questionnaire.
[262] Parties, Annex 3 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024.
[263] HAS-Vent Branch Managers call note, 26 June 2024, paragraph 8.
[264] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 085, page 1.
[265] Third party responses to CMA questionnaire.

products from another company that is not local resulting in higher costs and longer lead times.[266]

7.97 In response to our Provisional Findings the Parties submitted that they did not recognise the characterisation of the Leicester based competitors (such as JA Glover and Midland Ventilation) as weak competitors and SYDS as ‘at most a limited’ competitive constraint, in the Nottingham area.[267] The Parties also submitted that SK Sales, Storm, VES and Vent Vision act as competitive constraints on the Parties' Nottingham branches.[268] To support these submissions the Parties identified a number of examples which the Parties stated showed their Nottingham branch customers seeking quotations from and/or placing orders with other named suppliers and being offered favourable terms in response to this competition. As noted in paragraph 7.38, these examples related to a very small number of orders and active customers,[269] and the Parties did not provide evidence that these examples are representative of the competitive constraints they face in the Nottingham area. Furthermore, in some cases the Parties provided only the quotation the Parties had provided the customer and did not provide any evidence that the customer had indeed placed orders with the alternative supplier. Therefore, our view is that this evidence does not demonstrate that the named suppliers exert a material competitive constraint on the Parties in the supply of circular ducts and fittings in the Nottingham area.

7.98 In response to our Provisional Findings the Parties also provided a heatmap showing the distribution of sales for Lindab Nottingham between 2021 and 2023. The Parties submitted that this heatmap illustrated that delivery locations vary and that there are additional competitors outside the 50% and 80% delivery areas used in our Provisional Findings which had not been taken into account.[270]

7.99 We note that the Parties’ additional heatmap shows a similar pattern to those in the earlier data provided by the Parties which covered 2022. Specifically, there is a concentration of sales around the Nottingham conurbation itself with sales further afield being dispersed.[271] Furthermore, as noted at paragraph 7.80, in our assessments we have considered evidence regarding the competitive constraint from all suppliers, regardless of whether the supplier is located within the 50% or 80% delivery area with relative proximity being just one factor in our assessment. Therefore, we do not consider that this evidence changes our provisional assessment.

[266] Third party response to CMA questionnaire.
[267] Parties’ response to the Provisional Findings, 12 September 2024, pages 6 and 8.
[268] Parties’ response to the Provisional Findings, 12 September 2024, pages 8 and 9.
[269] In 2023 Lindab Nottingham had [✂] active customers and [✂] orders and HAS-Vent Nottingham had [✂] active customers, for circular ducts and fittings See Parties’ response to CMA’s RFI dated 18 September 2024 Page 2.
[270] Parties’ response to the Provisional Findings, 12 September 2024, pages 10 and 11.
[271] We also note that the spread of sales shown by these heatmaps is consistent with statements by other suppliers that they will deliver to Nottingham and Stoke to meet the needs of their customers but not actively competing for customers in these areas (see paragraphs 7.90 and 7.91).

7.100 The Parties also noted that the discounts offered on circular ducts and fittings by their Nottingham branches do not support there being limited competition in these areas because they are consistent with or greater than the average for all HAS-Vent and Lindab branches.[272] We consider this comparison of average discount rates to be of limited evidential value compared to the other (more direct) evidence available for two reasons:

(a) First, the level of discounting at a branch could be affected by factors other than the extent of local competition including the range and mix of circular ducts and products sold by a branch which, in turn, may depend on the types of projects in an area.

(b) Second, it is possible that the level of discounting in Nottingham primarily reflects competition between the Parties (which would be lost as a result of the Merger) as opposed to competition between the Parties and other suppliers. Therefore, it is not possible to draw the inference made by the Parties simply by observing discount rates in isolation.

7.101 Finally, the Parties submitted that a significant number of their customers in the Nottingham area receive deliveries outside of the 50% and 80% delivery areas to locations situated closer to competitors in other areas. Therefore, they submitted that any worsening of the terms for the supply of circular ducts and fittings would risk losing a significant proportion of their revenue to competitors located in these other areas.[273]

7.102 Our view is that the supporting statistics reported by the Parties are indirect evidence of competition to the Parties' Nottingham branches from other suppliers. Specifically, the Parties infer from these statistics that a significant number of the Parties' customers would consider these other suppliers to be good alternatives in the supply of circular ducts and fittings. However, if this inference was correct then we would expect it to be illustrated by the more direct evidence provided by the Parties' internal documents, competitors and customers on competitive market conditions in the supply of circular ducts and fittings in the Nottingham area. However, as we explain above this is not the case. Furthermore, it appears to us that the argument being made by the Parties is inconsistent with their submission that customers overwhelmingly source circular ducts and fittings from their local suppliers.[274]

7.103 Therefore, we do not consider the indirect evidence provided by the Parties' analysis to contradict the more direct evidence of the competitive constraints they face and which we have considered above.

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[272] Parties' response to the Provisional Findings, 12 September 2024, pages 14 and 15.
[273] Parties' response to the Provisional Findings, 12 September 2024, page 3 and Section 4.
[274] Parties' response to the CMA's Annotated Issues Statement and Working Papers, 29 July 2024, page 5.

7.104 Given the above, our assessment is that the strongest competitors to the Parties' Nottingham branches (excluding each other) in the supply of circular ducts and fittings are likely to be the JA Glover and Midland Ventilation branches located in Leicester. However, these suppliers are located a significant distance from the Parties' branches in Nottingham and our view is that they are likely to be weak competitors to the Parties' branches in Nottingham. Asked whether, if the Merger were to go ahead, they would expect to expand their business in the Nottingham area, [✂].[275] We note that all other suppliers are either located significantly further away (for example, SYDS and Storm) and/or we have not received evidence to indicate that they are meaningful competitors to the Parties in Nottingham.

7.105 In contrast, the Parties are the only strong suppliers of circular ducts and fittings located in Nottingham itself and the evidence indicates that a high proportion of Lindab's sales from its Nottingham branch are made to customers within or very close to Nottingham (paragraphs 7.82 and 7.83(b)). This indicates that the Parties are likely to be much stronger competitors to each other in the Nottingham area than alternative suppliers who are located further away and this is reflected in the HAS-Vent branch manager reports (paragraph 7.83(c)). In addition, we note that several of the Parties' Nottingham branch customers expressed concerns about the Merger as follows:

(a) One customer said that 'in Nottingham we have two suppliers, HAS Vent and Lindab' and 'concern once the[y] merger that the prices for both will increase'.[276]

(b) Another customer said they are 'only concerned prices may go up'.[277]

(c) Another customer said that if the Parties merge it would 'force us to use another company that's not local to us costing us more money and the lead times would be a lot longer'.[278]

7.106 Consequently, our view is that, subject to our findings on countervailing factors, the Merger has resulted or may be expected to result in a substantial lessening of competition in the supply of circular ducts and fittings in the Nottingham area.

Stoke-on-Trent

7.107 Lindab and HAS-Vent both have branches in Stoke-on-Trent (three minutes drivetime apart). The 50% delivery area for Lindab Stoke-on-Trent is 15 minutes and the 80% delivery area is 44 minutes, and around [✂]% of sales of circular

[275] Third party responses to follow-up questions.
[276] Third party response to the CMA's RFI.
[277] Third party response to the CMA's RFI.
[278] Third party response to the CMA's RFI.

ducts and fittings are collected from the branch.[279] Revenue from the sale of circular ducts and fittings was around £[✂] for Lindab Stoke-on-Trent and £[✂] for HAS-Vent Stoke-on-Trent in 2023.[280]

7.108 As well as the general evidence indicating that the Parties are close competitors in areas where they both compete to supply customers in the same geographic area, we consider that the evidence is that the Parties are close competitors in supply of circular ducts and fittings in the Stoke-on-Trent area. In particular:

(a) the Parties' branches are located close to each other in Stoke-on-Trent and the Parties are the only strong suppliers of circular ducts and fittings located in Stoke-on-Trent itself;

(b) The evidence shows that a significant proportion of Lindab Stoke-on-Trent's sales are in the immediate Stoke-on-Trent area. The 50% delivery area for the Lindab branch is only a 15 minutes drivetime and [✂]% of orders are collected.[281] Supporting this, a Lindab internal document dated August 2023 states that Lindab Stoke-on-Trent has '[✂]' and '[✂]'.[282]

(c) [✂] HAS-Vent branch reports identified Lindab as a main competitor.[283] [✂].[284,285,286] [✂].[287]

(d) The Lindab branch manager identified HAS-Vent as a main competitor.[288]

7.109 The Parties submitted that there are three other suppliers in Stoke-on-Trent itself, namely Holdsworth Ventilation Limited (**Holdsworth Ventilation**), North Staffs Ducting Supplies Limited (**North Staffs Ducting**) and Systemair.[289] The nearest other suppliers identified by the Parties are located in Birmingham and Manchester and the Lindab Stoke-on-Trent branch manager stated that Storm and SK Sales (whose nearest branches are in Birmingham) had come into the area.[290] The Parties also submitted that Stoke-on-Trent HAS-Vent branch customers had obtained quotations from and/or placed orders with iDuct, and that they

[279] Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.
[280] Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.
[281] Lindab response to the CMA's section 109 Notice 3, 7 January 2024, question 1; and Lindab, accompanying dataset to submission titled 'Evidence on local nature of competition', 9 July 2024.
[282] Lindab internal document, Annex 118.
[283] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annexes 124-126; HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023; and HAS-Vent response to the CMA's section 109 Notice 1.
[284] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 124, page 1.
[285] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.
[286] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023.
[287] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 125.
[288] Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 11.
[289] The Lindab Stoke-on-Trent branch manager also identified Staffs Sheet Metal. However, we understand that this is the same entity as North Staffs Ducting, Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 11.
[290] Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 11.

understand that iDuct actively quoted against HAS-Vent.[291] The only other supplier identified by the Parties as a competitor in the supply of circular ducts and fittings that is located within the 80% delivery area for Lindab Stoke-on-Trent is Stearn Electric Company Limited (**H&V**).

7.110 Holdsworth Ventilation confirmed that it is a manufacturer and installer based in Stoke-on-Trent. However, asked whether it manufactures circular ducts and fittings, it said '[✄]' and then only '[✄]'. Asked whether it sells to distributors and/or installers it said 'no'. It also buys circular ducts and fittings from the Parties.[292] We also note that while identified as a competitor in the supply of circular ducts and fittings by the Lindab Stoke-on-Trent Branch Manager,[293] it is identified in [✄] HAS-Vent Stoke-on-Trent branch report [✄],[294] and has not been identified by any third party as a competitor in the area. Therefore, we consider that the evidence is not consistent with Holdsworth Ventilation being a material competitor to the Parties in the supply of circular ducts and fittings in the Stoke-on-Trent area.

7.111 North Staffs Ducting was also identified by the Lindab Stoke-on-Trent branch manager as a competitor.[295] North Staffs Ducting told us that it manufactures circular ducts, imports circular fittings, is based in Stoke-on-Trent and its customers are installers in the local area.[296] It explained that it is part of the Staffs Sheet Metal business and its turnover in the sale of circular ducts and fittings is very low at around £[✄] in 2023 (compared to Lindab Stoke-on-Trent sales of circular ducts and fittings of around £[✄] and HAS-Vent Stoke-on-Trent sales of circular ducts and fittings of around £[✄] in 2023).[297] When asked whether it has plans to expand the business, it told us that [✄].[298] Furthermore, we have not seen any evidence in internal documents or from third parties to indicate that North Staffs Ducting exerts any meaningful constraint on the Parties' Stoke-on-Trent branches. Therefore, we consider that North Staffs Ducting is at most a weak competitor to the Parties in the supply of circular ducts and fittings in the Stoke-on-Trent area.

7.112 We have also not seen any evidence in internal documents or from third parties to indicate that H&V exerts any meaningful constraint on the Parties' branches in Stoke-on-Trent in the supply of circular ducts and fittings. We note that H&V

[291] Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, pages 19 and 20; Parties' response to the Provisional Findings, 12 September 2024, page 13.
[292] Third party response to the CMA's follow up questions.
[293] Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 11.
[294] HAS-Vent response to the CMA's section 109 Notice 1, 7 November 2023, Annex 125, page 1.
[295] Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 9.
[296] Third party call note.
[297] Third party call note; Lindab response to the CMA's section 109 Notice 1, 23 May 2024, question 1; and HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 1.
[298] Third party call note.

describes itself as 'stocking a vast range of domestic controls, pumps & chemicals from the industry's leading manufacturers'.[299]

7.113 As noted above (see paragraph 7.85), Systemair has told us that it does not compete with the Parties in the supply of circular ducts and fittings.[300]

7.114 The nearest SK Sales branch is located in Birmingham 52 minutes drivetime from Lindab Stoke-on-Trent and so outside the 44 minutes drivetime 80% delivery area for Lindab Stoke-on-Trent. We note that SK Sales was not identified as a main competitor by Lindab Stoke-on-Trent Branch Manager although they did say that they had been 'told that Storm and SK Sales had come into the area'.[301] The only evidence submitted by the Parties suggesting some activity by SK Sales in Stoke-on-Trent is [✂].[302] Furthermore, we have not seen any evidence in internal documents or from third parties to indicate that SK Sales exerts any meaningful constraint on the Parties' Stoke-on-Trent branches.

7.115 The nearest Storm branch is also located in Birmingham outside the 80% delivery area for Lindab Stoke-on-Trent. However, Storm told us that, while the distance from branch that accounts for most of its sales of circular ducts and fittings [✂], it is generally within [✂] miles.[303] Storm's Birmingham branch is around 50 miles from Stoke-on-Trent. However, the Lindab Stoke-on-Trent Branch Manager only noted that he had been 'told that Storm [..] had come into the area'.[304] We also note that there is no mention of Storm as a competitor in the Stoke-on-Trent area in the internal documents provided by the Parties and Storm was not identified as a competitor in the area by third parties. On this basis, our view is that Storm exerts at most a weak competitive constraint on the Parties' branches in Stoke-on-Trent.

7.116 **iDuct** is a single-site manufacturer of circular ducts and fittings located in Leigh (near Manchester), 49 minutes drivetime from Lindab Stoke-on-Trent and so outside the 44 minutes drivetime 80% delivery area. iDuct told us that its sales of circular ducts and fittings are mainly to sites in the North of England.[305] We note that iDuct was not identified in HAS Vent branch reports or by the Lindab Branch Manager as a competitor. We have not seen evidence in internal documents or from third parties to indicate that iDuct exerts a meaningful constraint on the Parties' Stoke-on-Trent branches.

7.117 More generally, we asked several suppliers of circular ducts and fittings with locations in Birmingham and Manchester (specifically [✂]) whether they deliver to

[299] Home - H&V (hav.co.uk) [last accessed by the CMA on 9 October 2024].
[300] Third party response to follow-up questions.
[301] Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 9.
[302] Parties, Annex 2 to response to the CMA's Annotated Issues Statement and Working Papers, 5 August 2024, page 13.
[303] Third party response to the CMA's section 109 Notice.
[304] Lindab Branch Manager call note (Stoke-on-Trent), 11 June 2024, paragraph 9.
[305] Third party response to CMA questionnaire.

the Stoke-on-Trent area and, if yes, in what circumstances, how frequently and the value of sales of circular ducts and fittings. All of these suppliers confirmed that they deliver to Stoke-on-Trent in some limited circumstances only and the total value of these sales, by those suppliers who were able to provide an estimate, was less than £[✂] in 2023.[306] In particular:

(a) [✂].[307]

(b) [✂].[308] [✂].[309]

(c) [✂].[310] [✂].[311] [✂].[312]

(d) [✂].[313]

7.118 In response to our Provisional Findings the Parties noted that Storm's sales of £[✂] into the Stoke area was [✂]% of the value of Lindab Stoke's sales. The Parties submitted that this was material and that the total value of quotes (and by implication the competitive constraint) provided by Storm would exceed this figure.[314] In contrast, as set out above (see paragraph 7.88), we consider that Storm's sales in the Stoke-on-Trent area (which are considerably smaller than the Parties' sales both individually and in combination) is a good indicator that Storm is a relatively weak competitor to the Parties in the supply of circular ducts and fittings in Stoke-on-Trent.

7.119 Consequently, we consider that the above evidence is consistent with suppliers located in Birmingham and Manchester being a weak competitive constraint on the Parties' branches located in Stoke-on-Trent.

7.120 We also asked these suppliers whether, if the Merger were to go ahead, they would expect to expand their business in the Stoke-on-Trent area. None of the responses indicated they would be likely to target the Stoke-on-Trent area.

7.121 In response to our Provisional Findings the Parties submitted that they did not recognise the CMA's view that Storm and iDuct exert only a weak competitive constraint on their Stoke-on-Trent branches.[315] To support these submissions the Parties identified a number of examples which the Parties stated showed their Stoke-on-Trent branch customers seeking quotations from and/or placing orders with these suppliers and being offered favourable terms in response to this

[306] Third party responses to follow-up questions, question 1.
[307] Third party response to follow-up questions.
[308] Third party response to follow-up questions.
[309] Third party response to follow-up questions.
[310] Third party response to follow-up questions.
[311] Third party response to follow-up questions.
[312] Third party response to the CMA's RFI.
[313] Third party response to follow-up questions.
[314] Parties' response to the Provisional Findings, 12 September 2024, page 12.
[315] Parties' response to the Provisional Findings, 12 September 2024, page 11.

competition.[316] The Parties also submitted evidence of [✂].[317] As noted in paragraph 7.38, these examples relate to a small number of orders and active customers, and the Parties did not provide evidence that these examples are representative of the competitive constraint they face in the Stoke-on-Trent area.[318] Furthermore, in some cases the Parties provided only the quotation the Parties had provided the customer and did not provide evidence that the customer had indeed placed orders with the alternative supplier. Therefore, our view is that this evidence does not demonstrate that the named suppliers exert a material competitive constraint on the Parties in the supply of circular ducts and fittings in the Stoke-on-Trent area.

7.122 In response to our Provisional Findings the Parties provided a heatmap showing the 50% and 80% delivery areas for Lindab Stoke-on-Trent between 2021 and 2023.[319] The Parties submitted that this heatmap illustrated that there are additional competitors that are a competitive constraint on the Parties for those sales.

7.123 We note that the Parties' additional heatmap shows a similar pattern to those in the earlier data provided by the Parties which covered 2022. Specifically, there is a concentration of sales around the Stoke-on-Trent conurbation itself with sales further afield being dispersed. Furthermore, as noted at paragraph 7.80 in our assessments we have considered evidence regarding the competitive constraint from all suppliers, regardless of whether the supplier is located within the 50% or 80% delivery area with relative proximity being just one factor in our assessment. Therefore, we do not consider that this evidence changes our provisional assessment.

7.124 The Parties also noted that the discounts offered on circular ducts and fittings by their Stoke branches do not support there being limited competition in these areas because they are consistent with or greater than the average for all HAS-Vent and Lindab branches.[320] We consider this comparison of average discount rates to be of limited evidential value for the reasons given at paragraph 7.100 in the context of Nottingham.

7.125 Finally, the Parties submitted that a significant number of their customers in the Stoke-on-Trent area receive deliveries outside of the 50% and 80% delivery areas to locations situated closer to competitors in other areas. Therefore, they submitted that any worsening of the terms for the supply of circular ducts and

[316] Parties' response to the Provisional Findings, 12 September 2024, pages 11, 12 and 13; Lindab response the CMA's RFI dated 18 September 2024 Pages 3 and 4; Lindab Updated response to the CMA's RFI dated 18 September 2024 Pages 3 and 4.
[317] Parties' response to the Provisional Findings, 12 September 2024, page 13
[318] In 2023 Lindab Stoke-on-Trent had [✂] active customers and [✂] orders and HAS-Vent Stoke-on-Trent had [✂] active customers, for circular ducts and fittings See Lindab's response to CMA's RFI dated 18 September 2024 Page 2.
[319] Parties' response to the Provisional Findings, 12 September 2024, page 14.
[320] Parties' response to the Provisional Findings, 12 September 2024, pages 14 and 15.

fittings would risk losing a significant proportion of their revenue to competitors located in these other areas.[321]

7.126 As described at paragraphs 7.102 and 7.103 in the context of Nottingham and for the same reasons, we do not consider the indirect evidence provided by the Parties' analysis to contradict the more direct evidence of the competitive constraints they face and which we have considered above

7.127 In summary, based on the evidence set out above, we consider that the Parties are the only strong suppliers of circular ducts and fittings located in Stoke-on-Trent itself. Other suppliers, such as SK Sales and Storm, are located a considerable distance from Stoke-on-Trent and the evidence indicates that they are currently likely to be a weak competitive constraint on the Parties' branches located in Stoke-on-Trent. This assessment is consistent with the statements in HAS-Vent Stoke-on-Trent's branch manager reports summarised at paragraph 7.108(c).

7.128 Our view, therefore, is that, subject to our findings on countervailing factors, the Merger has resulted or may be expected to result in a substantial lessening of competition in the supply of circular ducts and fittings in the Stoke-on-Trent area.

Summary of our findings

7.129 Based on the evidence set out above, our view is that the Parties are close competitors in areas where the location of the Parties' branches means that they are both competing to supply customers within the local area. We also find that the Merged Entity's branches in Nottingham and Stoke-on-Trent would not be sufficiently constrained by alternative suppliers, either individually or in aggregate, as to prevent competition concerns from arising.

7.130 Accordingly, we conclude that, subject to our findings on countervailing factors, the Merger has resulted or may be expected to result in an SLC in the supply of circular ducts and fittings in the local areas centred around (i) Nottingham and (ii) Stoke-on-Trent.

[321] Parties' response to the Provisional Findings, 12 September 2024, page 3 and Section 4.

8. COUNTERVAILING FACTORS

Introduction

8.1 The MAGs indicate that, in some instances, there may be countervailing factors that prevent or mitigate any SLC arising from a merger.[322]

8.2 There are two main countervailing factors:

(a) the entry and/or expansion of third parties in reaction to the effects of a merger; or

(b) merger efficiencies.[323]

Entry and expansion

Framework of assessment

8.3 If effective entry and/or expansion occurs as a result of the merger and any consequent adverse effect (for example, a price rise), the effect of the merger on competition may be mitigated and the CMA might conclude that no SLC arises as a result of the merger.[324] In assessing entry or expansion, the CMA considers whether it would be timely, likely and sufficient to prevent an SLC.[325]

8.4 In terms of timeliness, the MAGs state that, typically, effective[326] entry within two years would be considered to be timely although, depending on the nature of the market, the CMA may consider a period of time shorter or longer than this.[327] The CMA will seek to ensure that the evidence is robust when confronted with claims of entry or expansion being timely, likely, and sufficient to prevent an SLC from arising. It is likely to place greater weight on detailed consideration of entry or expansion and previous experience of entry and expansion (including how frequent and recent it has been).[328]

8.5 The CMA will consider the scale of barriers to entry and expansion. In a market characterised by low barriers to entry and/or expansion, potential entrants may nevertheless be discouraged from entering by the small size of the available market, or the credible threat of retaliation by incumbents.[329]

[322] MAGs, paragraph 8.1.
[323] MAGs, paragraph 8.1.
[324] MAGs, paragraph 8.28.
[325] MAGs, paragraph 8.31.
[326] Entry or expansion should be of sufficient scope and effectiveness to prevent an SLC from arising as a result of the merger (MAGs, paragraph 8.37).
[327] MAGs, paragraph 8.33.
[328] MAGs, paragraph 8.30.
[329] MAGs, paragraph 8.35.

8.6 In chapter 7, we found that the Merger would (subject to any countervailing factors) result in an SLC in the supply of circular ducts and fittings in the local areas centred around (i) Nottingham and (ii) Stoke-on-Trent. Therefore, we assess in this chapter whether entry or expansion would be timely, likely and sufficient to prevent the adverse effects we have identified in the supply of circular ducts and fittings in the local areas around Nottingham and Stoke-on-Trent.

8.7 We have focused our assessment on barriers to entry and expansion, as this will impact the timeliness, likelihood and sufficiency of entry or expansion, as well as considering any evidence of possible entry or expansion.

Parties' views on entry and expansion

8.8 The Parties submitted that barriers to entry are low,[330] as found in the Office for Fair Trading's decision in *Lindab/CCL* (**Lindab/CCL**).[331] In particular, the Parties submitted that:[332]

(a) it is not costly to establish a branch and European importers of pressed and fabricated fittings offer favourable credit terms so that a new entrant would not need to pay for the stock upfront;

(b) given that both HAS-Vent and Lindab earn significant revenues from the sale of products other than circular ducts and fittings, this demonstrates that entry would be easy for distributors in adjacent markets who already have a branch, vehicles, customer contracts etc to start supplying circular ducts and fittings;

(c) there are no reputational or regulatory barriers. Reputation is easily gained, as demonstrated by the fact that there are numerous one-branch distributors and manufacturers. Furthermore, customers are not tied to contracts;

(d) circular ducts and fittings are standardised products made to European/UK standard specifications. Furthermore, barriers are low because no IP is required to manufacture ducts and fittings which are commoditised, manufacturing machines are widely available, and operators are not highly skilled;

(e) the pool of potential entrants is large and includes entirely new entrants, existing rectangular duct manufacturers, distributors and installers; and

[330] Parties' response to the Phase 2 Issues Statement, 19 June 2024, page 3.
[331] See, Lindab AB/CCL Veloduct Ltd, 'OFT's decision on reference under section 33' given on 31 October 2006.
[332] Parties' response to the Phase 2 Issues Statement, 19 June 2024, pages 9-10.

(f) if the price of circular ducts and fittings were to rise significantly, this would encourage installers to enter and this acts as an additional deterrent to existing distributors.

8.9 The Parties also submitted that it is also possible to distinguish between different types of entry and expansion, including:

(a) existing distributors of circular ducts and fittings opening distribution branches in new areas of the country;

(b) existing distributors of other ventilation products that do not currently supply circular ducts and fittings (such as rectangular ducts and fittings) beginning to use their existing distribution branches to supply circular ducts and fittings; and

(c) de novo entry of suppliers without current distribution branches.[333]

8.10 We consider the Parties' submissions as part of our assessment.

Barriers to entry and expansion

8.11 We have assessed the extent to which the following factors may represent barriers to entry into and expansion in the market for the supply of circular ducts and fittings:

(a) initial investment costs;

(b) low margins; and

(c) reputation, customer relationships and a good level of customer service.

Initial investment costs

Parties' and third parties' views

8.12 Lindab estimated that the cost to enter the market for the supply of circular ducts and fittings would be: (i) £[✄] to open a sales branch, and, (ii) £[✄] to open a manufacturing and distribution branch. These estimates are based on Lindab's experience of overall operating costs for branches engaged in manufacturing and distribution, and solely distribution, and reflect entry costs for approximately three months of operation, after which, in Lindab's view, a new branch, be it a distribution branch or a manufacturing and distribution branch, will begin to generate cash income from sales and become self-financing.[334]

[333] Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, page 42.
[334] Lindab's response to the CMA's RFI 1, 4 July 2024, question 1.

8.13 Lindab submitted that the entry costs provided to us are comprised of costs associated with purchasing: (i) computer and office equipment, (ii) warehouse racking, (iii) stock for resale, (iv) stock of raw materials (for a manufacturing and distribution branch only), and (v) working capital to cover rent, delivery vehicles, staff salaries, machinery (for a manufacturing and distribution branch only) and other ongoing operating costs such as forklift hire, IT connectivity, advertising, travel costs and legal and consultancy fees (see paragraphs 4(a) to 4(d) of Appendix C).

8.14 In the Parties' view, the cost of entry is likely to be considerably lower in circumstances where a supplier of other ventilation products uses an existing branch to begin selling circular ducts and fittings given that such a supplier is likely to already have the required infrastructure to support such entry (such as commercial vehicles and sufficient storage space). Similarly, the Parties considered that for suppliers with existing distribution branches, adding manufacturing capabilities would require only a relatively small investment to lease or finance a spiral manufacturing machine and that the other infrastructure would already be in place.[335]

8.15 Third parties (see paragraphs 9 to 13 of Appendix C) estimated that entry investment costs are in the range of:

(a) c.£500k up to £1 million for a manufacturing and distribution branch; and

(b) £175k (for three months of operation only) up to £1 million for a distribution branch.

8.16 We note that the estimates provided by Lindab (£[✂] for manufacturing and distribution and £[✂] for distribution) are the lowest of the range of entry costs provided to us, but the entry costs estimated by Lindab for a distribution branch do broadly tally with an estimate provided by a third party. Some of the difference may be explained by the fact that the estimates from Lindab and one third party cover a three-month period. Lindab considered that at the end of the three-month period, an entrant would be able to cover the ongoing operating costs with cash income from sales and with customers paying [✂].[336]

8.17 In response to our Provisional Findings, the Parties submitted that the range of initial investment costs estimated by third parties is unjustifiably high, except for the estimate provided by one third party which broadly tallied with Lindab's figure. The Parties also submitted that most of the third parties which provided cost estimates to the CMA had not opened a branch recently.[337]

[335] Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, pages 48-49.
[336] Lindab's response to the CMA's RFI 1, 4 July 2024, question 1.
[337] Parties' response to CMA's Provisional Findings Report, 12 September 2024, pages 21-22.

8.18 After the publication of our Provisional Findings, we obtained additional evidence from a number of third parties (including one third party which recently opened a manufacturing and distribution branch) on: (i) initial investment costs, and (ii) the length of time that it would take for a new branch to become self-financing (see paragraphs 13, 14 and 21 of Appendix C). Contrary to Lindab's submission (described in paragraph 8.12 above), none of those third parties considered that a distribution branch or a manufacturing and distribution branch could become self-financing in approximately three months of opening.

8.19 One third party (which has experience of recent entry) told us that if an existing supplier opened a new manufacturing and distribution branch, it would take between 6 to 12 months in order for that branch to return a profit, and it would involve a set-up cost of £1 million.[338]

8.20 Another factor which could impact on entry costs is customer credit limits. We understand that favourable credit limits are often extended by Lindab's competitors [✂].[339] In response to our Provisional Findings, the Parties submitted that upstream circular duct and fitting suppliers (eg those supplying pressed fittings or the full range of ventilation products) offer generous credit limits to circular duct and fitting suppliers and this provides new entrants with the opportunity to offer favourable credit terms to their own customers. As a result, the Parties submitted that this: (i) increases the pool of installers that are likely to prefer to obtain supply of circular ducts and fittings from a new entrant offering more generous credit limits than Lindab, and (ii) assists in encouraging and enabling new entry, rather than hindering it.[340]

8.21 Entry costs may also be impacted by an increasing trend in recent years which has been mentioned by the Parties and a third party of frequent rent reviews and related rent increases. See paragraphs 4(d)(i) and 10 of Appendix C.

8.22 As concerns staffing, the Parties submitted that entry and expansion are facilitated by the fact that there are no significant skill or staff issues to contend with. The Parties told us that it is particularly easy for an individual who has worked within a ventilation distributor or duct manufacturer for some time, to leave and set up their own business.[341] The Parties also stated that senior sales staff are regularly recruited with a view to obtaining their local contacts and customer bases and in recent years, both Lindab and HAS-Vent have lost senior sales staff and branch managers to competitors. Rather than creating a barrier to entry, the Parties considered that senior sales managers with existing customer relationships offer suppliers considering entering or expanding an opportunity to generate sales as

[338] Third party response to CMA's RFI.
[339] Lindab Main Party Hearing transcript, page 65, lines 21-23.
[340] Parties' response to CMA's Provisional Findings Report, 12 September 2024, pages 22-23.
[341] Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 30.

soon as they do so.[342] We note however that at the Main Party Hearing, HAS-Vent acknowledged that recruitment is difficult in the construction industry at the moment.[343]

8.23 Contrary to the Parties' submissions, a number of third parties told us that finding staff with the relevant experience would be challenging and would represent a barrier to entry (see paragraphs 9 to 21 of Appendix C). As noted above by Lindab, and discussed later in this chapter, staff working at local branches (particularly branch managers) hold customer relationships. Therefore, finding staff who can bring along a customer base is an important factor when considering barriers to entry.

8.24 Furthermore, one third party told us that it closed a local distribution branch after the branch manager resigned to join a competitor.[344] This, in addition to the Parties' submissions outlined above on recruitment of staff by competitors, suggests that branch managers and sales staff are important to the operation of a branch and that competition for experienced senior staff is likely to be fierce.

Our assessment

8.25 While the Parties have submitted that barriers to entry are low (in line with the decision in Lindab/CCL), we note that the Lindab/CCL decision reflects market conditions at the time of the merger in 2006, which is not necessarily reflective of the market conditions today. In line with the CMA's evidenced-based approach, we have assessed barriers to entry based on the evidence received and market conditions existing at the time of this Phase 2 investigation.

8.26 A number of suppliers have referenced entry costs as a barrier to entry. The evidence from the Parties and third parties provided a wide range of entry costs, and we note that Lindab's estimated costs of entry are at the lower end of the range although they broadly align with the costs estimated by one third party with experience of entry.

8.27 When considering entry and the need for an entrant to establish itself on the basis of a competitive offering, new entrants may need to extend favourable credit limits to customers in order to gain customer loyalty. While the Parties considered that the offer of generous credit limits by upstream circular duct and fitting suppliers would enable entry, our view is that a new entrant would be taking a considerable risk if it were to take advantage of credit terms offered by upstream suppliers and in turn, extend high credit limits to its customers. This is because of the operational (and reputational) risk implied by delayed invoice payments by the new entrant's customers which may result in the new entrant not being able to meet the payment

[342] Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, page 50.
[343] HAS-Vent Main Party Hearing transcript, page 10, lines 17-18.
[344] Third party call note.

terms of its own upstream suppliers. In support of this view, we have been told by some third parties that there is a high risk of bad debt in the market for the supply of circular ducts and fittings[345] and that substantial cashflow is required for a number of reasons, including credit arrangements with customers.[346] Having carefully considered the Parties' submission on credit limits in response to the Provisional Findings alongside the evidence from third parties we still consider that extending high credit limits to customers would, in turn, require a new entrant to have high levels of working capital to ensure that it can meet the payment terms of its own suppliers in case some of the new entrant's customers pay their invoices late (or not at all). This would therefore further increase the initial investment costs estimated by Lindab above.

8.28 In its estimates, Lindab has assumed that a branch would become self-financing within approximately three months of opening. We consider this to be optimistic. This presumes that within three months, an entrant would be able to: (i) establish its position in the market, (ii) develop a sufficiently strong customer base from which to generate sales, (iii) overcome working capital pressures associated with credit limit extensions to customers and the risk of bad debt, and (iv) overcome potential margin erosion caused by the need to price competitively in order to ensure successful sales following entry. As mentioned above, the additional third-party evidence gathered after the Provisional Findings also revealed that a new branch might take substantially more than three months until it would become self-financing.

8.29 While the infrastructure required to enter the market and operate a manufacturing or distribution branch may not be difficult to source, the investment costs are not trivial, especially when viewed against the fairly low margins reported by Lindab and other suppliers in this market (discussed in more detail in the section below).

8.30 We also note that the risk of future rent increases represents both an entry cost and potentially ongoing operational costs which may increase the time taken to break even.

8.31 Our view is that entry costs are difficult to predict and are subject to uncertainties including the time it would take for a new entrant to win sufficient customers to be able to cover its operating costs and start earning a return on its initial investment costs. In our view, these costs may exceed £500k for a typical new branch.

8.32 Regarding staff recruitment, a number of third parties told us that hiring staff who have the relevant expertise is a challenge and we note that one third party competitor had to close a branch after losing its branch manager to a competitor. We also note the Parties' submission on the regular recruitment of their branch manager/senior sales staff by competitors. While the Parties take the view that the

[345] Third party call note.
[346] Third party call note.

ability to recruit sales staff and branch managers from a competitor would offer an opportunity for an entrant to generate sales as soon as they entered, such an entrant would need to present an attractive proposition to induce such staff to transfer given the demand for experienced sales staff.

8.33 We recognise that the need to hire experienced staff (such as branch managers) would vary to some extent depending on the type of entrant concerned, and therefore would represent a lower barrier to entry in some cases, for example:

(a) a new market entrant would need to find a branch manager (in a competitive market) with experience in the supply of circular ducts and fittings, who could bring customer relationships with them, and offer them an attractive role in order to encourage them to take the risk of transferring to a new business with no established trading history. In this example, staffing needs are likely to be a high barrier to entry; and

(b) for existing third parties who are active in supplying ventilation products (eg a non-circular duct manufacturer or distributor), this staffing barrier is likely to be lower given that such a third party would either already have the experience required to run a branch or would have a track record as an established business offering job security which may incentivise staff to transfer.

8.34 Based on the above, we conclude that initial investment costs and the recruitment of senior (branch-manager level) staff with the relevant expertise represents a barrier to entry for new entrants without existing experience in the supply of circular ducts and fittings. However, we note that should an existing manufacturer or distributor of non-circular ducts and fittings or an existing installer (for example) wish to enter a local market for the manufacturing and/or distribution of circular ducts and fittings, the incremental cost to do so would likely be more manageable as it would require investment only in the machinery, potentially additional staff, and possibly a larger warehouse.

8.35 Concerning staffing, while a third party who is already active in the supply of ventilation products would likely have the relevant expertise to take on a branch manager role, they may not have the capacity to do so. In these circumstances, they may need to recruit staff to fulfil such a role (eg by poaching from a competitor). However, there appears to be strong competition in the market for experienced branch managers and there will inevitably be a finite number of individuals at a given point in time that could meet the requirements of such a role. Additionally, there are other barriers to entry which an entrant with prior experience in the supply of ventilation products would also face, as discussed below.

Margins

Parties' and third parties' views

8.36 Lindab told us that it does not consider that the margin on ducts and fittings is so low that this would operate as a barrier to entry.[347] We note that the HAS-Vent business has a higher operating profit margin (14% in 2022)[348] than Lindab Limited (5% in 2022)[349] and that this is part of the rationale for the Merger. Lindab recognised that through the acquisition of HAS-Vent, it would [✄].[350]

8.37 HAS-Vent also submitted that low margins do not create a barrier to entry, as recent entry has shown.[351] At the HAS-Vent Main Party Hearing, the Parties' economic advisors commented that circular ducts and fittings are only part of HAS-Vent's business and there are other products that they cross-sell to support their business.[352] This point was echoed by the Parties in their response to the Annotated Issues Statement where they stated that the sale of circular ducts and fittings is in all cases accompanied by sales of other products, some of which are less commoditised and [✄].[353]

8.38 HAS-Vent told us that when it assesses quotes for orders which have been lost to a third party, it would expect [✄]. Furthermore, HAS-Vent told us that it has seen examples in the Southampton area with margins at [✄]%. In considering how new entrants would compete for business, HAS-Vent told us that [✄] would be the focus of a new market entrant, and that they would have to enter the market with [✄] to develop a service level, develop a reputation and then develop a relationship.[354]

8.39 The evidence which we have gathered from third party suppliers and public sources (see paragraphs 25 to 30 of Appendix C) suggests that low margins may be a general characteristic of the market for the supply of ventilation products which may therefore represent a barrier to entry. A third party also told us that to gain initial market share, a new entrant's margins may well need to be lower than budget in order to attract customers to a new supplier.[355] The low margin nature of the market for the supply of ventilation products is also supported by the statutory

[347] Lindab's response to the CMA's section 109 Notice 3, 18 June 2024, question 7(a).
[348] CMA calculations based on HAS-Vent Limited's statutory accounts filed with Companies House for year-ended 30 September 2022.
[349] CMA calculations based on Lindab Limited's statutory accounts filed with Companies House for year-ended 31 December 2022.
[350] Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, page 5.
[351] HAS-Vent response to the CMA's section 109 Notice 3, 18 June 2024, question 7(a).
[352] HAS-Vent, Main Party Hearing transcript, page 64, lines 17-22.
[353] Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, page 48.
[354] HAS-Vent Main Party Hearing transcript, page 60, lines 20-22 and 23-25 and page 63, lines 9-12.
[355] Third party response to CMA's follow-up questions.

accounts of some third parties operating in the industry (see paragraphs 29 and 30 of Appendix C).

Our assessment

8.40 With a turnover of £20 million in 2022, HAS-Vent's operating profit was reported as £2.9 million.[356] Lindab UK's turnover in the same year was much higher at £66 million, but with an operating profit of only £3.5 million.[357] These figures show that while overall operating profits for the Parties do vary, Lindab UK operates with a relatively low operating profit margin overall.

8.41 We have considered whether entry would be attractive in the event that prices (and margins) for circular ducts and fittings were to rise post-Merger. While it is possible that increased prices would encourage entry on a short-term basis, an entrant would need to take a long-term view of its entry plans and future returns on its investment costs. Given that successful entry would result in further competition in the market, this would drive prices (and margins) back down towards pre-Merger levels. An entrant would be aware of this in deciding whether or not to enter, taking into account market prices and the related return on its investment on a long-term basis.

8.42 Entry on the basis of temporary higher prices would therefore be unlikely and would be unlikely to prevent an SLC. This is in line with the MAGs, which state '[a] firm may only find it profitable to enter or expand if prices remain above pre-merger levels. Such cases of entry or expansion are unlikely to restore pre-merger prices and are unlikely to prevent an SLC from arising'.[358]

8.43 In respect of the Parties' submissions that suppliers typically sell a range of products, some of which have higher margins and that this supports their business overall, we note that the SLCs which we have identified in Chapter 7 are in the supply of circular ducts and fittings. Therefore, while additional higher margin products could be offered by an entrant which may make entry more attractive, we do not consider this to be sufficient basis on which to presume that successful entry into the market for the supply of circular ducts and fittings would occur on a more long-term and sustained basis, sufficient to prevent the SLCs. The evidence also suggests that a successful entrant would need to offer a wider range of products than just circular ducts and fittings. This would represent an additional barrier to entry.

8.44 As we have heard from third parties and the Parties themselves, in order for an entrant to establish itself in the market following entry, it would need to compete on price. This would likely lead to further margin erosion in order for an entrant to

[356] HAS-Vent Limited's statutory accounts filed with Companies House for year-ended 30 September 2022.
[357] Lindab Limited's statutory accounts filed with Companies House for year-ended 31 December 2022.
[358] MAGs, paragraph 8.36(b).

create a strong reputation for itself and develop the customer relationships which would then follow on the basis of that reputation (discussed in detail in the section below). This is likely to make entry unattractive as it would take time to develop the customer base and it would take longer for an entrant to be able to recoup its investment costs if it is substantially reducing its margins to compete on price.

8.45 We therefore consider that low margins coupled with the initial investment costs and the need for an entrant to compete on price to win customers over, is likely to make entry unattractive for a potential new market entrant, including existing non-circular duct manufacturers/distributors and installers.

Reputation, customer relationships and good levels of customer service

Parties' and third-party views

8.46 Lindab submitted that customer relationships are important, and a salesperson will try to encourage customer loyalty; however, customers look for the best price and timely deliveries and customers can switch easily. Lindab also submitted that customers learn from experience whether a distributor is reliable and competitive and it is not difficult to establish a track record for good pricing, a good range of products and on-time delivery (as demonstrated by the growth of Storm).[359] HAS-Vent submitted that customer relationships are important, but relationships can only be developed once a competitive offering has been agreed. However, even with a good relationship, HAS-Vent submitted that [✂]. In respect of the need for a good reputation and established track record in the industry, HAS-Vent submitted that this is helpful [✂].[360] This view was repeated by HAS-Vent during the Main Party Hearing.[361]

8.47 The evidence which we have gathered from third parties (see paragraphs 35 to 40 of Appendix C) suggests that suppliers view reputation and an established track record as being important in attracting new customers and retaining existing customers (a large percentage of which are repeat customers). Furthermore, third parties consider it to be important that a good level of customer service is provided (eg fast and on time deliveries, out of hours service etc). Additionally, the existence of a good relationship between a customer and a manufacturer/distributor appears to be key in retaining customers, but is also a significant factor driving both the development of: (i) new businesses which enter the market for the supply of circular ducts and fittings (eg when a distributor decides to set out on its own), and (ii) existing businesses (eg where a person decides to move from one competitor to another) given that customers will typically follow a contact where they have a good and well-established supplier/customer

[359] Lindab's response to the CMA's section 109 Notice 3, 18 June 2024, question 7(c) and 7(d).
[360] HAS-Vent's response the CMA's section 109 Notice 3, 18 June 2024, question 7(c) and 7(d).
[361] HAS-Vent Main Party Hearing transcript, page 62, lines 23-25 and page 63, lines 1-5.

relationship. In support of this assessment, we note that one supplier estimated that [✂].[362]

Our assessment

8.48 Notwithstanding the Parties' views that reputation is not a barrier to entry and can, in any event, be easily gained, the views provided by competitors indicate that reputation and an established track record can be important in attracting new customers and retaining customers. Furthermore, strong customer relationships (driven by a good level of customer service) are seen as important, and customers will likely change their supplier if their contact moves from one company to another, or sets out on their own – provided the price is right, and an equivalent level of customer service could be maintained.

8.49 For example, we understand that Storm (which has expanded since entering the market in 2017 and now operates from 10 branches) was established following the departure of staff from SK Sales. As explained in paragraph 39 of Appendix C, Storm estimated that [✂], demonstrating the relative importance of strong personal relationships with customers in developing a competitive business.

8.50 Given that personal relationships between manufacturers/distributors and their customers are built over time and developed on the basis of a good level of customer service, it follows that reputation is important and would represent a barrier to entry. Should a new market entrant or existing non-circular duct distributor or manufacturer wish to enter the market for the supply of circular ducts and fittings, we consider that the need for an established reputation is likely to be important.

8.51 While a third party newly entering a local market for the supply of circular ducts and fittings may be able to drive small volumes of sales on the basis of a competitive price offering without an established reputation, it would take time to build customer loyalty and for the new entrant to develop its capability and increase sales volumes to the point where it is able to compete with the Parties locally and provide a sufficient competitive constraint.

8.52 Finally, as concerns the potential for entry from an existing manufacturer or distributor of non-circular ducts and fittings, we consider that such entrants would find it easier to overcome the barrier requiring an established reputation given that they may already have a reputation in an adjacent market which they would be able to leverage. An existing manufacturer or distributor of non-circular ducts and fittings may also be able to leverage their existing customer base to sell to or could attempt to recruit senior sales staff from eg a competitor, in order to transfer their contacts and customer relationships. We therefore consider the

[362] Third party response to the CMA's section 109 Notice.

reputation/customer relationship/customer service barrier to be lower for entry from an existing player who is already supplying ventilation products.

Conclusion on barriers to entry and/or expansion

8.53 Our conclusion is that the barriers to entry set out above would have the effect of making it challenging for a third party (who was not already active in supplying ventilation products) to enter the market for the supply of circular ducts and fittings, and to do so in a timely manner. We consider it unlikely that such an entrant could build customer loyalty, develop a strong customer service offering and relatedly, a good reputation, to develop its business to the point where it is able to compete with the Parties on a local basis within a reasonable timeframe.

8.54 Concerning a third-party entrant with current experience in adjacent product or geographic markets, we consider that the reputation/customer relationship and customer service barrier to entry would be lower as such an entrant would already have an established reputation in that location (albeit in an adjacent product market) or could attempt to recruit senior sales staff from a competitor (and could bring customer relationships with them). However, such an entrant would still be required to invest capital to varying degrees – depending on the type of entrant concerned and whether they intended to enter manufacturing which would require higher levels of investment due to the size of the premises needed and the machinery required. Such investment may be unattractive in light of the margins that it could potentially obtain. As noted above, an entrant would need to compete on price to establish itself in the market following entry and there is more risk that it would not be able to recoup its investment costs if it is substantially reducing its margins to compete on price.

8.55 We also note that the markets in which we have found SLCs (ie the areas around Nottingham and Stoke-on-Trent) are relatively small in size, reducing the scale of the opportunity for a new entrant relative to the costs needed to enter.

Sources of entry and/or expansion

8.56 This section covers sources of entry in the market for the supply of circular ducts and fittings and sets out the evidence that the Parties have provided.

Parties' views

8.57 The Parties submitted that the pool of potential entrants is large and that existing manufacturers can easily incorporate circular duct production into their existing facilities, as they will already have some of the machinery needed, as well as the necessary storage space, vehicle(s) and machine operators.[363] As explained

[363] Parties' response to the Phase 2 Issues Statement, 19 June 2024, page 10.

above, the Parties stated that it is possible to distinguish between different types of entry and expansion (eg existing distributors of circular ducts and fittings opening new branches, existing distributors of other ventilation products beginning to supply circular ducts and fittings and de novo entry).[364]

8.58 The Parties provided us with 17 examples of historic entry/expansion in the market for the supply of circular ducts and fittings which they considered support their view of successful entry and expansion in the market.[365] The Parties stated that this evidence shows that: (i) barriers to entry are low, (ii) there is no one particular area of England and Wales where expansion is taking place and all areas of the country have recent experience of branch openings, (iii) expansion is occurring from all types of third parties (eg multi-site, single site etc) and is occurring in manufacturing too, (iv) branch openings have taken place in all types of macroeconomic environments, and (v) the most frequent types of entry/expansion are existing suppliers of circular ducts and fittings opening distribution branches in new areas of the country and existing suppliers of non-circular ducts and fittings using their existing distribution branches to supply circular products.[366]

Our assessment

8.59 Of the 17 examples provided by the Parties representing evidence of third-party entry and expansion across all markets in England and Wales, we only have clear evidence that eight of these third parties are competing with the Parties in the supply of circular ducts and fittings in some local areas. As noted in Chapter 7, throughout our investigation the Parties have identified a large number of alternative suppliers who they submit compete with the Parties to supply circular ducts and fittings. However, in many cases the Parties have provided little or no evidence to substantiate their submissions that these suppliers are material competitors to the Parties in the supply of circular ducts and fittings.

8.60 Therefore, in considering the Parties' submissions on historic entry we have focussed on the following eight suppliers where there is clear evidence that the supplier is competing with the Parties in the supply of circular ducts and fittings in some local areas:

(a) Storm – entered in 2017 and has expanded to a network of ten branches;

(b) L&B Ventilation Supplies Limited – entered in 2017 and has two branches;

[364] Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, page 42.
[365] Parties' submission to the CMA 'Submission 1 to the Competition and Markets Authority on Competition Analysis', 18 March 2024, pages 16 and 30-31; Parties' response to the Phase 2 Issues Statement, 19 June 2024, pages 10-11; and Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, pages 43-46.
[366] Parties' response to the CMA's Annotated Issues Statement, 29 July 2024, pages 43 and 47.

(c) iDuct – previously a manufacturer of rectangular ductwork which entered in 2021 and has one manufacturing branch;

(d) Allduct – a general ventilation equipment supplier which entered in 2023 and has one branch;

(e) McCulloughs Limited – previously an installer which entered with one branch;

(f) CVK Ductwork Services Limited – previously a supplier of rectangular ductwork which entered in 2016 and has one branch;

(g) Duct & Vent Ltd - previously a supplier of rectangular ductwork and which entered in the last five years with one branch; and

(h) Greenmill – previously an air conditioning distributor which entered in 2018 with one branch.

8.61 We note that six of these suppliers are existing manufacturers of non-circular vents and fittings, existing distributors/suppliers or other third parties already active in supplying other ventilation products in some form. This supports the Parties' views that third parties of this kind would be the most likely entrants to the market for the supply of circular ducts and fittings.

8.62 We observe however, that of the list of eight suppliers, only three have entered or expanded in the market recently in the last three years (iDuct's entry in 2021, Allduct's entry in London in 2023 and Storm's expansion in Leeds and Crawley in 2022 and Romsey in 2023). While the five other examples demonstrate that entry/expansion has occurred in the market for the supply of circular ducts and fittings across various geographic areas, this entry/expansion occurred some time ago, including as far back as 2016.

8.63 As concerns Allduct and iDuct, both suppliers have entered the market for the supply of circular ducts and fittings recently and have done so successfully (see paragraphs 7.60 7.61 and 7.68). We consider that these examples provide some evidence that entry/expansion is possible on a timely basis, although these are only two examples of successful recent entry from the list of examples provided by the Parties, in two separate local areas.

8.64 We agree with the Parties' submission that Storm has entered the market for the distribution of ducts and fittings, and moreover, has done so at scale. However, it has taken Storm seven years to establish its network of ten branches. We also note that Storm's success has, in part, been driven by [✂]. Storm noted that the staff and managers which it employed [✂].[367] Furthermore, the example of Storm's entry into the Southampton area (see paragraph 7.76(a)) shows that after

[367] Third party response to the CMA's section 109 Notice.

ten months of operation, its sales were [✂] of the smaller of the Parties' branches, and around [✂]% of the Parties' combined sales, [✂].

8.65 While entry at a local level may be prompted in response to the Merger, we have not received any submissions or evidence from any third parties to suggest that any suppliers have firm plans in place to enter the market for the supply of circular ducts and fittings, and to do so in a timely manner in order to prevent the SLCs which we have found. Furthermore, the Parties have not provided us with any evidence of a third party stating an intention and/or having firm plans to enter, in the near future, any of the local areas where we have identified an SLC in the supply of circular ducts and fittings.

8.66 The Parties have submitted that entry is easy, however, a number of suppliers identified by HAS-Vent as competing with them in the supply of circular ducts and fittings, have also exited the market or closed one or some of their branches in recent years.[368] This is also true for HAS-Vent. For example:

(a) HAS-Vent took the decision to close its branch in Cambridge given that [✂].[369]

(b) Ventilation Centre was placed into receivership in January 2024 and was subsequently acquired by SYDS.[370] Out of the four locations listed on Ventilation Centre's website,[371] we understand that three branches have been closed, and SYDS only continued to operate the legacy Ventilation Centre Stockport branch.[372]

(c) [✂].[373]

(d) A number of third parties have dissolved their businesses.[374]

8.67 Therefore, while the Parties take the view that entry and expansion is widespread, it may be the case that successful entry and expansion in the market for the supply of circular ducts and fittings is more challenging on a long-term basis.

[368] HAS-Vent response to the CMA's section 109 Notice 1, 23 May 2024, question 2.
[369] HAS-Vent Main Party Hearing transcript, page 25, lines 9-12.
[370] Third party response to the CMA's follow-up questions.
[371] Trade Centre Locations - Ventilation Centre (ventilationcentreshop.co.uk) [last accessed by the CMA on 9 October 2024].
[372] Third party response to the CMA's follow-up questions.
[373] Third party call note.
[374] Total Ventilation Supplies was dissolved in February 2024 following the appointment of a liquidator in 2019 (TOTAL VENTILATION SUPPLIES LTD insolvency - Find and update company information - GOV.UK (company-information.service.gov.uk) [last accessed by the CMA on 9 October 2024]; Makro Teknik was dissolved in 2018 (MAKRO TEKNIK UK LTD filing history - Find and update company information - GOV.UK (company-information.service.gov.uk) [last accessed by the CMA on 9 October 2024]; Air Movement Distribution Limited was dissolved in 2020 (AIR MOVEMENT DISTRIBUTION LIMITED filing history - Find and update company information - GOV.UK (company-information.service.gov.uk) [last accessed by CMA on 9 October 2024]; and Allduct Equipment Sales was dissolved in 2019 (ALLDUCT EQUIPMENT SALES LIMITED overview - Find and update company information - GOV.UK (company-information.service.gov.uk) [last accessed by the CMA on 9 October 2024].

8.68 While we have seen evidence of some plans by existing suppliers to expand (see Chapter 7), the plans are neither firm, nor documented, and there are no specific timeframes associated with the expansion goals.

Our assessment of sources of entry and/or expansion

8.69 We consider that the most likely source of entry to the market for the supply of circular ducts and fittings would be from an existing installer or distributor/manufacturer of non-circular ducts and fittings, or from an existing supplier of circular ducts and fittings opening a new branch in a new area.

8.70 Having assessed the evidence provided by the Parties, we note that three third parties have: (i) successfully entered or expanded in the market for the supply of circular ducts and fittings, (ii) have done so recently (in the last three years), and (iii) are considered to be competing with the Parties in the areas where they are located. In the two areas where we have found SLCs, we have not seen evidence of recent entry, nor of plans to enter or expand as a result of the Merger.

8.71 As a result, we do not consider that these examples provide evidence of sufficient weight to demonstrate that effective entry to both local markets where we have identified an SLC: (i) can be expected to occur on a timely basis, (ii) would be likely (given that we do not consider it is 'easy', as submitted by the Parties), and (iii) would be sufficient in order to prevent the SLCs which we have identified.

Conclusion on entry and/or expansion as a countervailing factor

8.72 Based on the assessment set out above, we conclude that entry and/or expansion would not be timely, likely and sufficient to prevent the SLCs arising from the Merger in the market for the supply of circular ducts and fittings.

Efficiencies

8.73 We have also considered whether there are any efficiencies arising from the Merger which could be considered a potential countervailing factor to the SLCs that we have found arise from the Merger. The details of our assessment are set out below.

Framework for assessment

8.74 Efficiencies arising from a merger can enhance rivalry with the result that a merger does not give rise to an SLC. In order for that to be the case, the efficiencies must:

(a) enhance rivalry in the supply of those products where an SLC may otherwise arise;

(b) be timely, likely and sufficient to prevent an SLC from arising;

(c) be merger-specific; and

(d) benefit customers in the UK.[375]

8.75 The MAGs state that merger firms who wish to make efficiency claims are encouraged to provide verifiable evidence to support their claims in line with the CMA's framework.[376] The MAGs also note that it is for the merger firms to demonstrate that the merger will result in efficiencies and the CMA must be satisfied that the evidence shows that the above criteria are met.[377]

Parties' and third party views

8.76 The Parties submitted that they will be able to offer HAS-Vent customers a broader product range and [✄]. Lindab customers will be offered flat, oval and Colourduct products, not currently offered by Lindab Limited and customers in Liverpool and Eastbourne will be able to more easily access Lindab products as Lindab does not currently have any branches in these locations. Further, the Parties submitted that economies of scale in purchasing are anticipated, which can be passed on to customers.[378]

8.77 In response to a request from us to quantify any synergies or cost/quality benefits, Lindab submitted that it hoped that additional volume discounts from third party suppliers will enable joint sourcing at an overall lower cost which would assist in offering competitive prices/discounts to customers. Furthermore, Lindab stated that HAS-Vent will have access to [✄].[379]

8.78 In response to the same request, HAS-Vent stated that a number of synergies are envisaged, including: (i) enabling HAS Vent's access to [✄], and (ii) benefits from the purchasing of [✄] and economies of scale when group purchasing, which in turn, HAS-Vent believes will enable it to offer a more competitive offering to the market.[380]

8.79 On the impact of the Merger, one third party stated that the Merged Entity would have access to preferential input prices and, in turn, this could mean lower product prices.[381]

[375] MAGs, paragraph 8.8.
[376] MAGs, paragraph 8.7.
[377] MAGs, paragraph 8.15.
[378] Parties' response to the CMA's section 109 Notice 1, 7 November 2023, question 35.
[379] Lindab's response to the CMA's section 109 Notice 3, 18 June 2024, question 6.
[380] HAS-Vent response to the CMA's section 109 Notice 3, 18 June 2024, question 6.
[381] Third party call note.

Our assessment

8.80 The Parties have not substantiated their efficiency claims with any evidence in order for us to assess the impact of any efficiencies arising from the Merger, including whether such efficiencies enhance rivalry in the market for the supply of circular ducts and fittings, or whether they qualify as relevant customer benefits under the Act, and are likely to be passed onto customers.

8.81 We therefore consider that the merger efficiencies submitted by Lindab would not be timely, likely, and sufficient to mitigate or prevent an SLC from arising in the market for the supply of circular ducts and fittings.

Conclusion on countervailing factors

8.82 Based on the assessment set out in this chapter, we conclude that there are no countervailing factors arising from entry and/or expansion or Merger efficiencies that could offset the anti-competitive effects of the Merger and prevent the SLCs which we have identified from arising.

9. CONCLUSION

9.1 As a result of our assessment, we have concluded that:

(a) the completed acquisition by Lindab of HAS-Vent has resulted in the creation of an RMS; and

(b) the creation of that RMS has resulted, or may be expected to result, in an SLC in the supply of circular ducts and fittings in the local areas centred around Nottingham and Stoke-on-Trent.

10. REMEDIES

Introduction

10.1 We have concluded that the completed acquisition by Lindab of HAS-Vent has resulted, or may be expected to result, in an SLC in the supply of circular ducts and fittings in the local areas centred around Nottingham and Stoke-on-Trent.

10.2 Where the CMA makes a finding of an SLC, it must then decide whether, and if so what, action should be taken (or be recommended to be taken by others) to remedy, mitigate or prevent the SLC concerned and/or any adverse effects resulting, or which may be expected to result, from the SLC.[382]

10.3 This chapter sets out our assessment of, and final decision on the appropriate remedies to the SLCs that we have identified in this final report.

10.4 In the Notice of Possible Remedies (**Remedies Notice**), we sought views on possible remedies to the SLCs.[383] Subsequent to the publication of the Remedies Notice, we issued our Remedies Working Paper to the Parties. The Remedies Working Paper set out our provisional decisions on remedies.

10.5 This chapter has been prepared after consideration of written and oral responses received from the Parties and third parties following the publication of the Remedies Notice and the issuing of the Remedies Working Paper. In reaching our decision on remedies, we have, in particular, considered:

(a) the Parties' various submissions and responses to our questions, including on remedies;

(b) evidence from our response hearings with each of the Parties;

(c) evidence from third parties on possible remedies including from existing competitors and potential purchasers; and

(d) the Parties' joint response to the Remedies Working Paper.

Framework for the assessment of remedies

10.6 The Act requires that the CMA, when considering remedies, shall in particular, have regard to the need to achieve as comprehensive a solution as is reasonable and practicable to the SLC and any adverse effects resulting from it.[384]

10.7 To fulfil this requirement, the CMA will seek remedies that are effective in addressing the SLC and any resulting adverse effects. The CMA will assess the

[382] Section 35(2) and (3) and section 41 of the Act.
[383] The Remedies Notice sets out the actions which the CMA considers it might take for the purpose of remedying the SLC and resulting adverse effects identified in the Provisional Findings.
[384] Sections 35(4) and 36(3) of the Act.

effectiveness of remedies in addressing the SLC and resulting adverse effects before going on to consider the costs likely to be incurred by the remedies.[385]

10.8 In determining an appropriate remedy, the CMA will consider the extent to which different remedy options will be effective in remedying, mitigating or preventing the SLCs and any resulting adverse effects. Assessing the effectiveness of a remedy involves several distinct dimensions:[386]

(a) Impact on the SLC and its resulting adverse effects by restoring the rivalry between market participants.

(b) Appropriate duration and timing. Remedies need to address the SLC effectively throughout its expected duration.

(c) Practicality in terms of effective implementation, monitoring and enforcement.

(d) Acceptable risk profile, relating in particular to the risk that the remedy will not achieve its intended effect.

10.9 Once the CMA has determined the remedies that are effective in addressing the SLC and its resulting adverse effects, it will then select the least costly and intrusive remedy that it considers to be effective. The CMA will seek to ensure that no remedy is disproportionate in relation to the SLC and its adverse effects.[387] The CMA may also have regard, in accordance with the Act, to any relevant customer benefits (**RCBs**) arising from the merger.[388]

Nature of the SLCs and their adverse effects

10.10 We have concluded the Parties are close competitors in areas where the location of the Parties' branches means that they are both competing to supply customers within the local area. We also found that the Merged Entity's branches in Nottingham and Stoke-on-Trent would not be sufficiently constrained by alternative suppliers, either individually or in aggregate, as to prevent competition concerns from arising. [389]

10.11 Accordingly, we concluded that the Merger has resulted or may be expected to result in an SLC in the supply of circular ducts and fittings in the local areas centred around: (i) Nottingham, and (ii) Stoke-on-Trent (the **SLC Areas**).

10.12 In this chapter, we assess potential remedies to address the SLCs as set out in this final report.

[385] CMA 'Merger Remedies Guidance', 13 December 2018 (CMA87), (**Merger Remedies Guidance**), paragraph 3.5.
[386] Merger Remedies Guidance, paragraph 3.5.
[387] Merger Remedies Guidance, paragraph 3.12.
[388] Sections 35(5) and 36(4) of the Act at phase 2. Merger Remedies Guidance, paragraph 3.4.
[389] Paragraph 7.129 of this final report.

Overview of remedy options

10.13 As set out in our Merger Remedies Guidance, remedies are conventionally classified as either structural or behavioural:[390]

(a) Structural remedies, such as prohibition and divestiture, are generally one-off measures that seek to restore or maintain the competitive structure of the market by addressing the market participants and/or their shares of the market.

(b) Behavioural remedies are normally ongoing measures that are designed to regulate or constrain the behaviour of merger parties.

10.14 As set out in our Merger Remedies Guidance, the CMA prefers structural remedies, such as divestiture or prohibition, over behavioural remedies, because:[391]

(a) structural remedies are more likely to deal with an SLC and its resulting adverse effects directly and comprehensively at source by restoring rivalry;

(b) behavioural remedies are less likely to have an effective impact on the SLC and its resulting adverse effects, and are more likely to create significant costly distortions in market outcomes; and

(c) structural remedies rarely require monitoring and enforcement once implemented.

10.15 In the Remedies Notice, we set out the following remedy options:

(a) divestiture of one of the Parties' sites in each of the SLC Areas;

(b) in the event that remedy (a) is found not to be effective, divestiture of the entire HAS-Vent business;

(c) behavioural remedies; and

(d) any other practicable remedy that could be effective in comprehensively addressing the SLCs.[392]

10.16 In the Remedies Notice, we set out our initial view that a behavioural remedy was very unlikely to be an effective remedy.[393] Since then, neither the Parties nor third parties that engaged with us on remedies told us that we should be considering a behavioural remedy, and we have also not received any evidence to suggest that we should be considering any other type of remedy.

10.17 Accordingly, we focus the remainder of this chapter on assessing the effectiveness of the following structural remedy options:

[390] Merger Remedies Guidance, paragraph 3.34.
[391] Merger Remedies Guidance, paragraph 3.46.
[392] Remedies Notice, paragraphs 18(a), 18(b), 20 and 21.
[393] Remedies Notice, paragraph 20.

(a) divestiture of one of the Parties' sites in each of the SLC Areas; and

(b) divestiture of the entire HAS-Vent business.

10.18 We go on to consider the proportionality of any effective remedies and set out our conclusions on what we consider to be the least costly and least intrusive remedy, that is effective in addressing the SLCs we have identified.

10.19 We then consider risks associated with the divestiture process (and how to mitigate any such risks) before setting out our final decision on remedies.

Effectiveness of remedy options

10.20 In this section, we discuss the effectiveness of the two remedy options set out above, and conclude on which remedy option would represent an effective remedy to the SLCs and/or any of their adverse effects which we have identified.

10.21 Where the CMA has decided that a merger results in an SLC, our Merger Remedies Guidance states that to be effective in restoring or maintaining rivalry in a market, a divestiture remedy will involve the sale of an appropriate divestiture package to a suitable purchaser through an effective divestiture process.[394]

10.22 There are three broad categories of risks that may impair the effectiveness of a divestiture remedy:[395]

(a) *Composition risks:* these are risks that the scope of the divestiture package may be too constrained or not appropriately configured to attract a suitable purchaser or may not allow a purchaser to operate as an effective competitor in the market.

(b) *Purchaser risks:* these are risks that a suitable purchaser is not available or that the merger parties will dispose to a weak or otherwise inappropriate purchaser.

(c) *Asset risks:* these are risks that the competitive capability of a divestiture package will deteriorate *before* completion of the divestiture, for example, through the loss of customers or key members of staff.

10.23 An effective divestiture remedy must give us sufficient confidence that these practical risks can be properly addressed. We therefore consider the following issues: (i) the scope of the divestiture package; and (ii) the availability and suitability of potential purchasers. As noted above, we consider how to ensure an effective divestiture process after our assessment of the proportionality of the remedies which we consider to be effective.

10.24 In considering the appropriate scope for a divestiture package, we should ensure that it:

[394] Merger Remedies Guidance, paragraph 5.2.
[395] Merger Remedies Guidance, paragraph 5.3.

(a) is sufficiently broad in scope to address all aspects of the SLC(s) and resulting adverse effects;

(b) would enable the eventual purchaser to operate the divested business as an effective competitor; and

(c) is sufficiently attractive to potential purchasers.

10.25 In defining the scope of a divestiture package that will satisfactorily address an SLC, the CMA will normally seek to identify the smallest viable, stand-alone business that can compete successfully on an ongoing basis and that includes all the relevant operations pertinent to the area of competitive overlap.[396]

Effectiveness of divestiture of one of the Parties' sites in each of the SLC Areas

Manufacturing capability

10.26 As noted earlier in this final report, we did not receive clear evidence that having in-house manufacturing capability provides a significant competitive advantage and we noted that several of the larger suppliers have very different approaches to manufacturing. Specifically, HAS-Vent has a single manufacturing site, Lindab has manufacturing capability located in some branches and not others, while Storm and SK Sales[397] do not have any in-house manufacturing capability, instead relying on supplies from third parties. Therefore, while there may be advantages and disadvantages to different approaches to manufacturing, it is possible for these different approaches to be competitive.[398]

Parties' views

10.27 The Parties submitted that there should be no requirement for manufacturing assets to form part of the divestiture package, and that manufacturing assets should only be included in the divestiture package at the discretion of the purchaser.[399] Furthermore, the Parties submitted that if the CMA were to prescribe that manufacturing assets should form part of the divestiture package, this would have the effect of reducing the pool of suitable purchasers.[400]

[396] Merger Remedies Guidance, paragraph 5.7.
[397] As noted in this final report (paragraph 7.39 and footnote 167), SK Sales and the Airvance Group acquired Mechanical Air Supplies Ltd (**MAS**) (a manufacturer and distributor of circular ducts and fittings), News & Events SK Sales, 29 July 2024 [last accessed by the CMA on 9 October 2024]. As a result of the acquisition of MAS, SK Sales now has manufacturing capability.
[398] Paragraph 5.25.
[399] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.10.
[400] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.11.

Third-party views

10.28 Generally, third parties were of the view that the divestment of one of the Parties' sites in each of the SLC Areas would likely be an effective remedy.[401] However, we received a mixed response from third parties as to whether the divestment of one of the Parties' sites in each of the SLC Areas would be an effective remedy without manufacturing assets.

10.29 Some third parties told us that the divestment package would be more attractive to purchasers if manufacturing facilities were included,[402] and that manufacturing capability is important in order to be competitive.[403] Alternatively, one third party told us that that it only saw a need to divest manufacturing assets with the divestment sites, if the relevant sites already have manufacturing assets prior to the divestment – in which case, the status quo should be maintained. It also noted that the attractiveness of including manufacturing assets in the divestment package would depend on the purchaser's business model.[404] This view was echoed by another third party who considered that the extent to which manufacturing assets should be added to the divestiture package would depend on whether the purchaser was an existing supplier in the market.[405]

10.30 We note that one third party considered that the SLC is wider than the local areas identified by the CMA in its Provisional Findings, and that, in its view, the SLC originates from two separate but reinforcing factors: a dominating manufacturing footprint, and a dominating local sales and distribution presence. This third party submitted that while divesting local branches creates opportunities for other players to open a sales branch, it does not reduce the manufacturing footprint of the Parties. It also submitted that manufacturing assets should be included in the divestment given that without reducing the manufacturing footprint of the Parties, the CMA would not be addressing the SLC.[406]

10.31 In the following sections, we consider in more detail whether manufacturing capability should be included in the scope of the divestiture package, and set out the views of the Parties and third parties on:

(a) third-party sourcing of circular ducts and fittings;

(b) the potential divestment of HAS-Vent's central Wombourne manufacturing facility; and

(c) the potential for the Parties to enter into a transitional supply agreement with the purchaser(s) of the divestment sites.

401 [✂], [✂], [✂], [✂] and [✂].
402 Third party call note and Third party call note.
403 Third party call note and Third party call note.
404 Third party call note.
405 Third party call note.
406 Third party response to CMA's RFI.

Third-party sourcing of circular ducts and fittings

Parties' views

10.32 HAS-Vent told us that a number of its competitors do not manufacture their own products (eg Storm).[407] The CMA understands that fittings are made on a machine (although the process requires manual input) and HAS-Vent told us that manufacturing for pressed fittings would not be available in the UK and that instead a purchaser would need to procure these from mainland Europe.[408]

10.33 Lindab told us that it manufactures certain fabricated fittings for its circular products at the Lindab site in Manchester.[409] However, Lindab took the view that a purchaser of the divestment sites in the SLC Areas could gain access to fabricated fittings from other third parties[410] and could rely on the knowledge of the staff within the divestment sites on where to source from, given that Lindab staff sometimes source fabricated fittings from third parties when Lindab's manufacturing site is unable to meet demand.[411]

10.34 Lindab further explained that some of its pressed fittings are imported from Direct Vent in Poland which is a Lindab-owned entity.[412] While Direct Vent is owned by Lindab, Lindab told us that it supplies fittings to Lindab's competitors in the UK.[413] Lindab mentioned that Vento and Air Spiralo are also potential sources of supply for fittings, and therefore Lindab considered that it would be easy for a buyer of the divestment sites to establish relationships with suppliers for fittings.[414]

10.35 Lindab told us that it would not be challenging for a purchaser of the divestment sites to establish supply of circular ducts and fittings.[415] However, if a potential buyer was interested in [✄], Lindab noted that it would be willing to [✄].[416] Lindab also explained that, if the sites were sold to one purchaser, the Lindab Nottingham site could also supply the demand of the Stoke-on-Trent site given that the spiral machine based in Nottingham [✄].[417]

10.36 Lindab suggested that a spiral machine could be transferred to the purchaser of the divestment sites, and decommissioned and recommissioned in one week.[418] However, HAS-Vent told us that at its sites in the SLC Areas, at the most, HAS-Vent could foresee a spiral machine being transferred to the branches, but not a fittings machine given the availability of space at the branches. HAS-Vent also

[407] HAS-Vent Response Hearing transcript, 10 September 2024, page 4, lines 22-25.
[408] HAS-Vent Response Hearing transcript, 10 September 2024, page 5, lines 6-9.
[409] Lindab Response Hearing transcript, 10 September 2024, page 6, lines 24-25 and page 7, line 1.
[410] Lindab Response Hearing transcript, 10 September 2024, page 7, line 16.
[411] Lindab Response Hearing transcript, 10 September 2024, page 7, lines 17-20.
[412] Lindab Response Hearing transcript, 10 September 2024, page 8, lines 16-18.
[413] Lindab Response Hearing transcript, 10 September 2024, page 8, lines 23-24.
[414] Lindab Response Hearing transcript, 10 September 2024, page 9, lines 15-20.
[415] Lindab Response Hearing transcript, 10 September 2024, page 6, line 7.
[416] Lindab Response Hearing transcript, 10 September 2024, page 6, lines 8-10.
[417] Lindab Response Hearing transcript, 10 September 2024, page 10, lines 21-23.
[418] Lindab Response Hearing transcript, 10 September 2024, page 14, lines 9-10.

noted that the use of space at the branches to accommodate manufacturing would put pressure on the sites' stock holding capability.[419]

Third-party views

10.37 We note that the sourcing of circular ducts and fittings from third party manufacturers is possible and is in line with the model adopted by a number of other suppliers in the market. In our evidence gathering process, we asked third parties to comment on alternative sources of supply for circular ducts and fittings, and how easy it would be for a purchaser to establish supply from a third-party manufacturer.

10.38 We received a mixed response from third parties on this point. Some third parties considered that it would be easy for a purchaser to establish sources of supply of circular ducts and fittings to serve the demand of one or two additional sites,[420] and that a purchaser could rely on external (domestic or ex-UK) suppliers.[421] One third party also told us that in terms of third party circular duct and fitting suppliers, there are a few options in the UK, mainland Europe and in China and in its view, there are no significant risks involved in relying on foreign third party supply for circular ducts and fittings.[422]

10.39 However, other third parties considered that it would be difficult for a purchaser to establish the relationships needed with third-party manufacturers of circular ducts and fittings in order to supply products to the divestment sites for the following reasons: (i) because the manufacturers may have concerns about the impact on their relationships with their existing customers if they start to supply other distributors,[423] (ii) because Lindab already controls the supply of pressed fittings and circular ducts,[424] or (iii) the substantial cost of sourcing the products from a third party for supply to just one or two branches could make this arrangement unprofitable.[425] In particular, one third party told us that, as concerns circular ducts, it would be very unlikely for a purchaser to find supply that makes economic sense.[426]

Divestment of Wombourne

Parties' views

10.40 The Parties submitted that the divestment of Wombourne would be disproportionate in remedying the local area SLCs given that: (i) it is HAS-Vent's head office, (ii) it is the manufacturing hub for the entire HAS-Vent business, and

[419] HAS-Vent Response Hearing transcript, 10 September 2024, page 14, lines 10-12.
[420] Third party call note.
[421] Third party response to CMA's RFI.
[422] Third party call note.
[423] Third party call note.
[424] Third party call note.
[425] Third party call note.
[426] Third party response to CMA's RFI.

(iii) only approximately [✀]% of the production capacity at Wombourne relates to circular ducts and fittings.[427]

10.41 HAS-Vent told us that it manufactures all of its circular ducts and fabricated fittings centrally at the Wombourne site which serves the demands of HAS-Vent's entire branch network (ten sites).[428] At the Wombourne site (which is a [✀] square foot facility and also HAS-Vent's headquarters), HAS-Vent told us that it also manufactures rectangular and flat oval ducts as well as other specialist products.[429] A number of the manufacturing staff [✀][430] [✀] and therefore HAS-Vent considered that carving out this manufacturing facility would be difficult and costly.[431]

10.42 Lindab submitted that it is strongly of the view that the HAS-Vent Wombourne site should not form part of the divestiture package.[432]

Third party views

10.43 In relation to the potential for the CMA to require the Parties to divest the HAS-Vent central Wombourne manufacturing facility in order to support the supply of circular ducts and fittings to the potential divestment sites, most third parties we spoke to told us that this would be an attractive proposition. In particular, some third parties were potentially interested in acquiring the rectangular duct manufacturing capability at the Wombourne site,[433] or considered that by acquiring Wombourne, the purchaser(s) of the divestment sites would have more control over the production costs and ultimately the selling price of the products, and could therefore better compete with the Parties on price.[434] One third party also told us that including the HAS-Vent Wombourne branch in a potential divestiture package would be very attractive to purchasers, particularly as it is very difficult to find labour to operate machines in the industry. Therefore, if a particular branch has a manufacturing setup with competent staff, this would offer an established base and would be attractive to purchasers.[435]

10.44 One third party told us that the inclusion of HAS-Vent's central manufacturing facility in Wombourne may be attractive to some potential purchasers. However, this third party stated that this was not the case for itself since manufacturing is outside its expertise, and the acquisition of manufacturing assets may also damage its relationships with its existing circular ducts and fittings suppliers.[436]

[427] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.13.
[428] HAS-Vent Response Hearing transcript, 10 September 2024, page 6, line 4.
[429] HAS-Vent Response Hearing transcript, 10 September 2024, page 6, lines 19-23.
[430] HAS-Vent Response Hearing transcript, 10 September 2024, page 6, line 20.
[431] HAS-Vent Response Hearing transcript, 10 September 2024, page 22, lines 5-6 and page 22, line 13.
[432] Lindab response to CMA's RFI3, 10 September 2024, question 1.
[433] Third party call note and Third party call note.
[434] Third party call note.
[435] Third party call note.
[436] Third party call note.

Transitional manufacturing supply agreement

Parties' views

10.45 The Parties submitted that, subject to agreeing reasonable terms and conditions with the purchaser, the Parties would be prepared to enter into a supply agreement with the purchaser for the supply of circular ducts and fittings, to the extent that this were required by a non-manufacturing purchaser (and considered acceptable to the CMA).[437]

10.46 In paragraph 10.49 below, we set out the views of a third party that raised concerns about the ability of the Parties to circumvent this manufacturing supply agreement. In response to this concern, Lindab suggested that it would enter into a performance-related agreement with a potential purchaser that includes [✂],[438] and that it would be prepared to offer a supply agreement to a purchaser for a period of [✂].[439]

10.47 This view was echoed by HAS-Vent, with HAS-Vent suggesting that at present, it supplies its branches with ducts and fabricated fittings on a [✂] turnaround time and could offer the same service to a purchaser of the divestment sites.[440] HAS-Vent stated that it would be willing to agree a service level agreement with the purchaser with [✂].[441] However, in any event, HAS-Vent noted that there is a lot of choice in terms of third-party manufacturers and a purchaser would always be able to source products from someone else.[442] In terms of pressed fittings, HAS-Vent stated that the purchaser would need to engage with suppliers in Europe.[443]

Third party views

10.48 In our discussions with third parties, we invited views on whether a transitional manufacturing supply agreement between the Parties and the purchaser would be helpful in order to ensure a smooth transition of the divestment sites to the purchaser. We received mixed views on this, and one third party noted concerns about the potential for the Parties to circumvent such an arrangement.

10.49 Specifically, one third party noted that a transitional manufacturing supply agreement would be difficult to implement in practice as the Parties would be reluctant to be helpful and they could delay deliveries to the purchaser and implement onerous payment terms.[444] Alternatively, three third parties we spoke to did not raise any concerns in relation to a transitional manufacturing supply

[437] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.20. We consider the 'acceptability' of such an agreement at paragraph 10.56 below.
[438] Lindab Response Hearing transcript, 10 September 2024, page 11, lines 24-25 and page 12, lines 13 to 18.
[439] Lindab Response Hearing transcript, 10 September 2024, page 24, lines 1-3.
[440] HAS-Vent Response Hearing transcript, 10 September 2024, page 8, lines 11-14.
[441] HAS-Vent Response Hearing transcript, 10 September 2024, page 8, lines 23-25.
[442] HAS-Vent Response Hearing transcript, 10 September 2024, page 9, lines 6-8.
[443] HAS-Vent Response Hearing transcript, 10 September 2024, page 8, lines 14-16.
[444] Third party call note.

agreement and noted that this may be helpful.[445] In particular, one of these third party's noted that under this arrangement, Lindab should be required to supply the purchaser at a set price, in line with the price at which Lindab supplies its own branch network. Furthermore, it thought that Lindab should be prevented from selling below this price in each SLC Area.[446]

Our assessment

10.50 As explained earlier in this chapter, we note that there are different models which are adopted by suppliers for the supply of circular ducts and fittings, with some suppliers choosing to manufacture circular ducts and fittings at some of their own branches but not others, some manufacturing circular ducts and fittings in one central facility, and others sourcing circular ducts and fittings from third parties without any in-house manufacturing capability. We consider this to be a key factor in determining the scope of the divestiture package given that depending on their business model, potential purchasers may find it attractive to acquire central or site-related manufacturing assets, while others may not see this as being necessary in order to compete and consider it to be an unattractive proposition.

10.51 While a number of third parties were firmly of the view that central or site-related manufacturing assets should be included in the divestiture package, one third party told us that acquiring manufacturing assets would not be attractive.[447]

10.52 As to whether the entire HAS-Vent central manufacturing facility in Wombourne should be included in the divestiture package, some third parties told us that this would be attractive or necessary in order for a purchaser to compete post-divestment. However, we note these comments come from some third parties that: (i) are looking to either expand their geographic manufacturing capability generally, (ii) are looking to expand/enter the market for the manufacturing of rectangular products, or (iii) did not agree with the CMA's Provisional Findings and considered that the SLC is wider than just the local areas and that manufacturing capability is important to compete. These factors may be relevant in driving some of the third-party views on whether or not the HAS-Vent central manufacturing facility in Wombourne, needs to be included in the divestiture package.

10.53 We note that the Wombourne facility is a large, central manufacturing facility and covers the manufacturing of all HAS-Vent products (not just circular ducts and fittings). Wombourne is the headquarters of HAS-Vent and houses staff in central, back-office functions. We also understand that some staff at the site [✂]. We have therefore considered whether a carve-out of the circular duct and fitting manufacturing capability at the Wombourne facility to support the divestment sites would be effective. Our view is that such a carve-out would not only be complex, costly and time-consuming, but it would also introduce composition risk to the

[445] Third party call notes.
[446] Third party call note.
[447] Third party call note.

divestiture package. Therefore, we consider that a carve-out of the circular duct and fitting manufacturing capability at the Wombourne site would not be effective.

10.54 Based on the evidence gathered from third parties, we consider that the divestment of the entire Wombourne site would be effective, and would also be attractive to potential purchasers. However, we consider that it is not necessary to include the entire Wombourne central manufacturing facility in the divestiture package in order to make individual site divestment effective. This is discussed in more detail in paragraph 10.57 below.

10.55 We received mixed views from third parties on whether a purchaser would be able to easily source circular ducts and fittings from third party manufacturers. However, we note that in most cases, if the purchaser were an established circular duct and fitting supplier operating under a third party supply business model, this would not be a concern given that it would already be sourcing circular ducts and fittings from third party manufacturers. A concern was raised about the ability of a purchaser(s) of the divestment sites to source products from a third party and make this arrangement profitable. We agree that it may be more challenging for a new entrant to enter the market, establish relationships with third party manufacturers and source circular ducts and fittings at a competitive price if it only acquires one divestment site. However, we note that existing suppliers (either with one branch or multiple branches) that wish to acquire one or more of the potential divestment sites: (i) will either already have these third party manufacturing relationships established, (ii) will already be manufacturing products themselves and will have considered how they can scale up and supply the divestment site(s) based on their existing branch/manufacturing footprint, or (iii) could potentially acquire the Lindab site in Nottingham in order to manage their circular duct manufacturing capability and ensure the necessary capacity exists to serve the customer demand of the divestment sites.

10.56 While we consider that a temporary manufacturing supply agreement between the purchaser of the divestment site(s) and the Parties may facilitate a smooth transfer of the divestment sites to the purchaser, we do not consider that this would be an effective or appropriate long-term arrangement and, furthermore, may impact upon the purchaser's suitability as concerns its independence from the Parties. To address any concerns from third parties on the potential for the Parties to circumvent any such transitional manufacturing supply agreement, we would expect to see a [✂] service level agreement in place, with the purchaser being supplied on arms-length, commercial terms and [✂] if service levels are not met. This would ensure that the Parties are incentivised to deliver supplies of the required quality within agreed timescales and not act in a way to undermine the competitive position of the purchaser. The CMA would review and approve transaction documents, including the scope, terms and duration of any transitional manufacturing supply agreement, as part of the remedy implementation process.

10.57 Given the various models adopted by suppliers in the supply of circular ducts and fittings, and in order to protect against purchaser risk and ensure the widest pool of potential purchasers, on balance, we consider that: (i) it would be appropriate to provide potential purchasers with the option to acquire relevant site-related manufacturing assets if they so wish, but, (ii) it is not necessary to include the HAS-Vent central Wombourne manufacturing facility in the divestiture package in order for site divestment to be effective. We have reached this view on the basis that, while manufacturing assets would be attractive to some potential purchasers, other potential purchasers may already have manufacturing assets or third-party circular duct and fitting supply agreements in place to compete effectively. This therefore leads us to the conclusion that mandating the divestment of HAS-Vent's central manufacturing facility in the divestiture package would not be necessary in order to ensure the effectiveness of individual site divestment.

10.58 Our view, therefore, is that Lindab should be required to market all of the potential divestment sites for sale (Lindab Nottingham, Lindab Stoke-on-Trent, HAS-Vent Nottingham and HAS-Vent Stoke-on-Trent).[448] Lindab told us that following the marketing of the potential divestment sites, it would then make its own assessment of which sites it intends to formally offer to potential purchasers for divestment, and would therefore choose which sites it prefers to: (i) invite formal expressions of interest from potential purchasers on, and (ii) provide high-level information on in order to allow potential purchasers to make an informed choice as to whether they wish to bid for the preferred sites.[449] Further detail on the key stages of the sales process are covered later in this chapter where we discuss the divestiture process.

10.59 In order for site divestment to be effective, we consider that it would be necessary for a purchaser(s) to demonstrate to the satisfaction of the CMA that it either has the in-house manufacturing capability, capacity and the ability to supply circular ducts and fittings to the divestment sites, and/or a formal written commitment from one or more third-party manufacturers of circular ducts and fittings to ensure the effective supply of circular ducts and fittings to the purchaser(s) of the divestment sites, as required to meet the customer demand at the divestment sites. The CMA will take into account the experience and capability of the potential purchaser in determining the level of the formal written commitment required from the purchaser's chosen third-party supplier(s) of circular ducts and fittings. This is covered in more detail later in this chapter where we discuss the identification and suitability of potential purchasers.

Mix-and-match divestiture

10.60 The CMA's Merger Remedies Guidance sets out that a divestiture of a mixture of assets from both merger parties (a so-called 'mix-and-match' approach) may create additional composition risks such that the divestiture package will not

[448] Lindab will be required to publicise the option for potential purchasers to acquire one or two sites out of the four potential divestment sites, including on its website, to ensure sufficient visibility and awareness of the sales process. The process and manner of the marketing associated with the divestment will be subject to the approval of the CMA.
[449] Parties' Response to the Remedies Working Paper, 1 October 2024, paragraph 3.4.

function effectively.[450] An element of mix-and-match can be acceptable in some circumstances, however, as our guidance states, it generally involves some additional risks, such as:

(a) incentives on the Parties to select the weaker asset in each overlap area, and the difficulty for the CMA to establish whether this is the case;

(b) a loss of synergies, or lack of commercial coherence, in the divestiture package; and

(c) greater execution risk associated with the complexity of the sales process or additional due diligence that may be required.

10.61 These potential risks are assessed in the following section of this chapter.

Parties' views

10.62 The Parties submitted that Lindab should have the discretion to determine which HAS-Vent or Lindab sites should be divested in each of the local areas.[451] Further, the Parties submitted that a mix-and-match approach will not result in any composition risk given that the divestiture package is limited in nature and the branches are distinct [✂].[452] By retaining the possibility of a mix-and-match approach, the Parties considered that this will increase the number of interested suitable purchasers.[453]

10.63 HAS-Vent told us that it did not see any concerns with a mix-and-match approach given that both the HAS-Vent and Lindab potential divestment sites serve the local markets on an [✂].[454] HAS-Vent did not have any strong views on which of the Parties' branches in the SLC Areas would be more attractive to potential purchasers and noted that all branches were credible options in their own right.[455]

Third party views

10.64 On whether the Parties should be allowed to choose which site to divest in each SLC Area and to follow a mix-and-match approach, third parties generally did not have strong views and noted that either site could be divested. Four third parties noted the relative turnover/profitability of the divestment sites as being a relevant factor in deciding whether Lindab or HAS-Vent branches are divested,[456] and one of these third parties also noted that the capability of the staff team at each site would be a relevant factor.[457] Only one third party told us that the HAS-Vent sites should be divested given that the acquisition of HAS-Vent is what has changed the

[450] Merger Remedies Guidance, paragraph 5.16.
[451] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.6.
[452] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.8.
[453] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.9.
[454] HAS-Vent Response Hearing transcript, 10 September 2024, page 10, lines 24-25.
[455] HAS-Vent Response Hearing transcript, 10 September 2024, page 11, lines 12-13.
[456] Third party call notes. Third party response to CMA's RFI.
[457] Third party call note.

competitive dynamics, and the Lindab network of branches has already been in place for some time.[458]

Our assessment

10.65 Earlier in this chapter, we discussed the question as to whether central or site-related manufacturing assets would be needed by the purchaser and concluded that, given there are different manufacturing and distribution models which are used by suppliers, it would be appropriate to only include site-related manufacturing assets, at the option of the purchaser. On this basis, and given that only the Lindab Nottingham site includes manufacturing capability for the production of circular ducts, a mix-and-match approach would help provide optionality for purchasers. This would require Lindab to offer all four potential divestment sites for sale in any sales process (and to sufficiently publicise this so that potential purchasers are aware) and the potential purchaser would then decide which site(s) it wishes to submit an expression of interest for. Lindab would however retain the discretion as to which sites are ultimately divested (subject to the purchaser(s) satisfying the CMA's purchaser approval criteria) which could result in the sale of Lindab-only sites, HAS-Vent only sites, or one site from each of the Parties.

10.66 We consider that a mix-and-match approach would ensure the effectiveness of the divestiture package from: (i) a composition risk perspective (eg by only including site-related manufacturing assets if required by the purchaser and not forcing the purchaser to acquire circular duct and fitting manufacturing capability if it does not wish to do so) and also, (ii) a purchaser risk perspective (eg by requiring the Parties to market all the potential divestment sites for sale and ensuring that no potential buyers are excluded from the pool of potential purchasers as a result of requiring the purchaser to acquire site-related manufacturing assets, or due to the lack of site manufacturing capability being available).

10.67 [✂] and therefore we do not consider that there would be synergies to be gained by a purchaser from acquiring HAS-Vent only, or Lindab only, sites.[459]

10.68 Furthermore, we do not consider that a mix-and-match approach would lead to any additional execution risk in terms of the divestiture process given both Lindab's comments on the small and non-complex nature of the operations of the divestment sites (covered later in this chapter where we discuss the divestiture process), and the fact that the sites may be sold to separate purchasers (discussed in the section below).

[458] Third party response to CMA's RFI.
[459] As explained in the section below where we set out our views on the sale of the divestment sites to one or two separate purchasers, there may be synergies in terms of the supply of products manufactured at the Lindab Nottingham divestment site to the Stoke-on-Trent divestment site, however, as stated throughout this paper, not all potential buyers will require manufacturing assets and therefore any potential synergies to be gained will depend entirely on the wishes of the purchaser and its preferred business model.

10.69 While the Parties may have an incentive to select the weaker site for divestment in each of the SLC Areas, given that we have concluded in this final report that each of the Parties' sites in the SLC Areas exert a competitive constraint on one another, a divestment of one of the Parties' sites (even the weaker site) would address the SLCs identified (provided we conclude that site divestment is effective, and there is a suitable purchaser for each site). In any event, requiring the Parties to market all of the potential divestment sites for sale will mitigate any such risks.

10.70 In relation to one third party's comments that the HAS-Vent sites should be divested given that the acquisition of HAS-Vent is what has changed the competitive dynamics in the market, while our starting point is usually divestiture of all or part of the acquired business, we do have the flexibility to consider a divestiture drawn from the acquiring business if this is not subject to greater risk in addressing the SLC.[460] Given the conclusions reached above on the manufacturing element of the divestiture package, we consider that a divestiture of a Lindab branch in each of the SLC Areas would also address the concerns which we have found and therefore do not propose to mandate the divestment of a site in each SLC Area only from the HAS-Vent business.

10.71 In the specific circumstances of this case therefore, we consider that there are minimal risks in allowing for a mix-and-match approach to divestiture and furthermore, allowing a mix-and-match approach will likely ensure the effectiveness of the divestiture package and reduce purchaser risk.

Divestment to one or two purchasers

Parties' views

10.72 The Parties submitted that the sale of the divestiture assets to separate purchasers may result in a larger pool of purchasers, and therefore reduce any purchaser risks associated with the divestiture.[461] Furthermore, while not ruling out a sale to a single purchaser, the Parties considered that the sale of the divestiture sites to different purchasers would also not introduce material execution risk, given that each sales process would only involve the sale of one single branch, and would be straightforward to execute. Given this, the Parties' considered that Lindab should be afforded the flexibility to decide whether the divestiture assets should be sold to one or two purchasers.[462]

Third party views

10.73 Third parties generally did not have strong views on whether both sites should be sold to one purchaser or whether the CMA should allow separate purchasers to

[460] Merger Remedies Guidance, paragraph 5.6.
[461] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.14.
[462] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.15.

each acquire a divestment site. In particular, two third parties commented that selling the sites to two separate buyers may increase the number of potential purchasers,[463] and one third party noted that a sale of both sites to one purchaser may create further competition concerns.[464] Another third party also noted that a multiple purchaser scenario would be viable with a sale to someone already active in the market (or in adjacent market) and wishing to expand their geographical area being the most likely outcome.[465]

Our assessment

10.74 On balance, based on the evidence gathered from the Parties and third parties, our view is that the divestment sites could be sold to one or two purchasers. We consider that a sale of each of the divestment sites to separate purchasers would likely result in a larger pool of potential buyers (thereby reducing the purchaser risk associated with the divestment). We also note the Parties' submission that a sale of the divestment sites to two separate buyers would not create concerns from a divestiture process perspective given Lindab's extensive M&A experience and the fact that it envisages the divestiture process for the overlapping sites to be non-complex and straightforward to execute, regardless of whether the sites are sold to one or two buyers.

10.75 While there may be potential manufacturing supply synergies in selling the sites to one purchaser, this is largely dependent on whether the purchaser would require site-related manufacturing capability and therefore whether it wishes to acquire the Lindab site in Nottingham to also serve the customer demand of the Stoke-on-Trent site. Given our conclusions above, in particular, that the inclusion or exclusion of site-related manufacturing assets will depend on the requirements of the purchaser, we consider that allowing the Parties to sell the divestment sites to either one or two separate purchasers will provide the Parties with maximum flexibility in terms of finding a suitable purchaser.

10.76 As concerns the risk raised by one third party that a sale to one purchaser may create further competition concerns, we would address such a risk when assessing potential purchasers against the CMA's standard purchaser suitability criteria (described in paragraph 10.98 of this chapter) which includes the requirement that the divestiture to the purchaser should not create a realistic prospect of further competition or regulatory concerns.

[463] Third party call note and Third party call note.
[464] Third party response to CMA's RFI.
[465] Third party response to CMA's RFI.

Staff

Parties' views

10.77 In the Parties' response to the Remedies Notice, the Parties submitted that any divestiture package should ensure that sufficient personnel transfer in order to enable the effective operation of the local branch, and the Parties aim [✂].[466]

10.78 HAS-Vent told us that all staff located at the HAS-Vent potential divestment sites would be needed by the purchaser as HAS-Vent believes that each site has the [✂].[467] [✂].[468] HAS-Vent has also communicated [✂].[469]

10.79 Lindab told us that it appreciates the importance of ensuring that all staff at the potential Lindab sites to be divested must remain in place until the divestment process has completed, given all staff are likely to be needed by any purchaser.[470] [✂].[471]

10.80 In relation to staff with national responsibilities, the Parties submitted that these staff would not be required by the purchaser. Similarly, the Parties submitted that regional staff are not essential for the operation of the local branches given that the running of the branches and the majority of commercial decisions are carried out by the local branch managers.[472]

10.81 In particular, HAS-Vent told us that it employs [✂].[473,474] One of these members of staff covers four of the HAS-Vent branches, including [✂], and another covers [✂] with a small input to [✂].[475] Similarly, Lindab employs [✂] that primarily provides and follows up on quotes, and [✂].[476] However, Lindab considers that the key relationships with customers are held at a branch level as opposed to a [✂].[477] A purchaser may need to consider whether it wishes to employ a [✂], but Lindab noted that not many third parties have [✂].[478]

Third party views

10.82 All third parties that we held calls with told us that a purchaser would require all of the staff at the divestment sites.[479]

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[466] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.16.
[467] HAS-Vent Response Hearing transcript, 10 September 2024, page 15, lines 18-25 and page 16, lines 1-2.
[468] HAS-Vent Response Hearing transcript, 10 September 2024, page 17, lines 5-6.
[469] Email from Monitoring Trustee to the CMA, 7 October 2024.
[470] Parties' response to the Remedies Working Paper, 1 October 2024, paragraph 4.1.
[471] Parties' response to the Remedies Working Paper, 1 October 2024, paragraph 4.2.
[472] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.17.
[473] We understand that 'external' sales roles are focused on sales [✂].
[474] HAS-Vent Response Hearing transcript, 10 September 2024, page 19, lines 15-20 and page 20, line 13.
[475] HAS-Vent Response Hearing transcript, 10 September 2024, page 19, lines 17 to 22.
[476] Lindab Response Hearing transcript, 10 September 2024, page 21, lines 13-15 and 19-20.
[477] Lindab Response Hearing transcript, 10 September 2024, page 21, lines 13-15.
[478] Lindab Response Hearing transcript, 10 September 2024, page 24, line 25 and page 25, lines 1-2.
[479] [✂], [✂], [✂], [✂], [✂] and [✂].

10.83 In terms of who should be considered key staff at each potential divestment site, we received mixed views, however, most third parties we spoke to suggested that the branch manager should certainly be considered key staff.[480] Some third parties also told us that it will be important for any buyer of the branches to put in place a retention package for the branch managers,[481] and one of these third parties suggested that such a retention package should cover a period of at least six months to one year.[482]

10.84 Other third parties told us that other staff at the divestment sites such as production/manufacturing workers, warehouse operatives, staff supporting the branch manager (the 'number 2's'), engineers, drivers and staff involved in purchasing and logistics should be considered key staff.[483]

Our assessment

10.85 The evidence provided by the Parties and third parties overwhelmingly suggests that all staff at the divestment sites would be required by any purchaser. We note that the Lindab and HAS-Vent staff numbers at all potential divestment sites vary between [✂] and [✂] individuals and in the case of HAS-Vent, some staff [✂], which supports the efficient operation of the branch.

10.86 As concerns who should be considered key staff at each branch, we have received mixed views from third parties but most third parties consider the branch manager to be key staff. We also note that HAS-Vent [✂]. Similarly, Lindab is [✂]. Given: (i) the [✂] of the staffing at the branches and the impact that [✂] and (ii) the uncertainty that may have been caused by the CMA's Provisional Findings and Remedies Notice, [✂] is an important requirement to help ensure the potential divestment sites are attractive to potential purchasers. As such, we welcome the Parties' [✂] until the completion of the divestment process.

10.87 Furthermore, in order to support the ongoing viability of the divestment sites, we consider that it is appropriate to impose a non-solicitation obligation on the Parties to ensure that the Parties do not actively solicit key staff of the divestment sites for a period of time ([✂]) post-divestment.

10.88 As concerns the [✂] at Lindab and HAS-Vent, based on the submissions of the Parties, we do not consider these roles to be key in supporting the ongoing viability of the potential divestment sites given that, as noted above, the majority of customer relationships at each branch are held by the branch manager. Furthermore, the need for a [✂] will depend entirely on the size/set-up of the purchaser(s) of the divestment sites.

[480] Third party call note, Third party call note, Third party response to CMA's RFI, Third party call note, Third party call note.
[481] Third party call note, Third party call note, Third party call note, Third party call note.
[482] Third party call note.
[483] Third party call note, Third party call note, Third party call note, Third party response to CMA's RFI and Third party response to CMA's RFI.

Back-office support

Parties' views

10.89 The Parties submitted that back-office functions are unlikely to be required by a purchaser and could, in any event, be quickly and easily established by the purchaser. However, to the extent that temporary back-office support was needed by the purchaser in order to ensure the continued operation of the branches for a time-limited period, the Parties would be happy to agree to this.[484] Furthermore, the Parties submitted that they would in principle, be prepared to agree a customary transitional services agreement (**TSA**) ([✄]) to the extent that such services were required by the purchaser. The scope and duration of the TSA would depend on the requirements of the purchaser.[485]

10.90 Lindab also told us that the acquisition of a divestment site by an established circular duct and fitting supplier in the market would be the equivalent of opening another branch for them so it would not be a complex exercise to ensure that back-office support is established.[486] Furthermore, Lindab considered that the back-office IT needs (eg an ERP system) could be met by off the shelf products and financial/accountancy requirements could be addressed by a high-street accountant at a cost of approximately £20,000 per annum.[487] Lindab did not consider that a TSA with a duration of more than [✄] months would be needed.[488] In any event, Lindab noted that the Lindab Group has experience of TSAs with some of the divestments which it has carried out and is already preparing draft TSAs so they are ready, if required by the purchaser.[489]

10.91 Similarly, HAS-Vent noted that the back-office IT (ERP) support required by the divestment sites could be met with off-the-shelf software from a number of providers including, Sage, Microsoft Dynamics, SAP and Oracle.[490] In terms of HR support, HAS-Vent considered that a full-time person would not be required and that accountancy/bookkeeping services could be easily managed through a third party if a purchaser did not already have this back-office support in place.[491] HAS-Vent considered that a TSA of approximately [✄] months would likely be sufficient for any purchaser (if required at all) and noted that a deadline for expiration of the TSA would also encourage progress to transition the services to the purchaser.[492]

[484] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.18.
[485] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.19.
[486] Lindab Response Hearing transcript, 10 September 2024, page 22, lines 13-16.
[487] Lindab Response Hearing transcript, 10 September 2024, page 23, lines 3-9.
[488] Lindab Response Hearing transcript, 10 September 2024, page 23, lines 21-23.
[489] Lindab Response Hearing transcript, 10 September 2024, page 24, lines 7-9.
[490] HAS-Vent Response Hearing transcript, 10 September 2024, page 23, lines 1-3.
[491] HAS-Vent Response Hearing transcript, 10 September 2024, page 23, lines 4-10.
[492] HAS-Vent Response Hearing transcript, 10 September 2024, page 24, lines 7-8 and 12-13.

Third party views

10.92 In general, third parties took the view that a potential purchaser of the divestment sites would likely have the back-office functions required to support the divestment sites, or this could be sourced externally to ensure the transfer of the divestment site to the purchaser without disruption to the operations.[493] However, a TSA may be helpful, but this would depend entirely on the needs of the purchaser.[494] Two third parties offered a view on the appropriate duration of a TSA with one third party indicating that approximately three months would likely be a sufficient amount of time in order to transfer back office functionality from the Parties to the purchaser,[495] and another third party suggesting that six months to one year may be needed if it was to acquire the divestment sites.[496]

10.93 Two third parties[497] noted that key information will need to transfer to the purchaser including price lists, information on key suppliers and customer data. We set out some concerns raised by a third party on the confidentiality of customer data later in this chapter where we discuss the divestiture process.

Our assessment

10.94 The evidence which we have gathered from the Parties and third parties suggests that back-office functionality would not need to form part of the divestiture package for the divestment sites given that: (i) a purchaser that is already active in the market would have the back-office functionality needed to support the divestment sites and therefore it would simply be a case of integrating the divestment sites within its own systems and services, and (ii) the back-office support required could, in any event, be easily acquired by a purchaser with off the shelf products and by outsourcing to third parties such as an accountant or book-keeper, HR services provider etc.

10.95 To the extent that a purchaser requires a short-term TSA from the Parties in order to ensure a smooth transfer of the divestment sites to the purchaser, the Parties have indicated a willingness to offer a TSA [✂].

10.96 We have not received any evidence that agreeing a TSA would be a concern for purchasers and consider that it would not threaten an effective divestiture process nor impact the independence of any potential purchaser. Our view is that the Parties should be required to offer a short-term TSA of [✂] months to a purchaser, with this being subject to CMA review and approval of the scope, terms and duration, as part of the remedy implementation process.

493 [✂], [✂], [✂], [✂], [✂] and [✂].
494 [✂], [✂], [✂], [✂] and [✂].
495 Third party call note.
496 Third party call note.
497 [✂] and [✂].

Identification and availability of a suitable purchaser

10.97 This section sets out evidence received and our assessment of the identification and availability of a suitable purchaser(s) for the potential divestment sites.

10.98 We must be satisfied that a prospective purchaser:

(a) is independent of the Parties;

(b) has the necessary capability to compete;

(c) is committed to competing in the relevant markets; and

(d) will not create further competition concerns.[498]

10.99 In the section below, we set out the views provided by the Parties and third parties on the identification and availability of a suitable purchaser, and what expertise a purchaser should be required to demonstrate to the CMA in order to be deemed a suitable purchaser.

Parties' views

10.100 The Parties submitted that:

(a) The divestiture assets will attract interest from a wide range of suitable purchasers, and noted that [✂].[499]

(b) In terms of purchaser suitability, there are a number of different types of credible competitive constraints in this market, ranging from single site to multi-site suppliers, as well as manufacturers and pure distributors.[500]

(c) The limited nature of the divestment package (eg two local branches) will help to ensure that a wide range of third parties may be interested in the package, given that the assets will be relatively affordable, even to smaller scale operators.[501]

(d) A purchaser does not need to be active in the supply of circular ducts and fittings in order to be considered a suitable candidate for the divestiture assets. In any event, interested purchasers would likely already have a background in the supply of circular ducts and fittings and/or ventilation products more broadly.[502]

(e) There are no particular categories of purchasers which should be discounted by the CMA.[503]

[498] Merger Remedies Guidance, paragraph 5.21.
[499] Parties' response to the Remedies Notice, 5 September 2024, paragraph 4.1.
[500] Parties' response to the Remedies Notice, 5 September 2024, paragraph 4.2.
[501] Parties' response to the Remedies Notice, 5 September 2024, paragraph 4.3.
[502] Parties' response to the Remedies Notice, 5 September 2024, paragraph 4.4.
[503] Parties' response to the Remedies Notice, 5 September 2024, paragraph 4.5.

(f) Lindab does not have an incentive to sell the divestment assets to a weak or otherwise inappropriate purchaser, and Lindab's priority is to complete the sales process as quickly as possible.[504]

10.101 Lindab told us that it would not be essential for a potential purchaser to have previous experience in the ventilation industry in order to be considered a suitable purchaser, but it would be helpful.[505] Similarly, HAS-Vent stated that it would not be necessary for a purchaser to have experience or credentials in the ventilation industry as the purchaser would be acquiring experienced staff within the divestment branches in order to make them a viable proposition to the new owner. However, if a purchaser was active in the supply of ventilation products, it would be able to offer its skillset to the business.[506]

10.102 Lindab also told us that [✂].[507]

Third party views

10.103 We have discussed with third parties whether or not a purchaser should be required to demonstrate to the CMA that it has previous experience in: (i) the supply of circular ducts and fittings, or (ii) the supply of ventilation products more broadly.

10.104 The majority of third parties we spoke to told us that it would be important for a purchaser to have previous experience in either of the product areas noted above[508] in order to ensure that the purchaser is able to attract and retain talent,[509] and has the relevant industry knowledge and technical know-how.[510] One third party also noted that it would be crucial for the purchaser to have strong financial backing in order to sustain the business because there is a high risk of bad debt in the industry.[511]

10.105 One third party told us that previous experience in a related or adjacent market to the supply of ventilation products (such as mechanical and electrical services or construction) would be important for a potential purchaser, and noted that a buyer with experience in an adjacent market would be able to cross-sell to an existing customer base.[512]

10.106 Only one third party considered that experience and knowledge in the supply of ventilation products may not be necessary if the key staff with knowledge of the operations of the divested branches are retained after the divestment. Therefore, investment companies may qualify as potential buyers with in-branch key staff

[504] Parties' response to the Remedies Notice, 5 September 2024, paragraph 4.6.
[505] Lindab Response Hearing transcript, 10 September 2024, page 28, line 16.
[506] HAS-Vent Response Hearing transcript, 10 September 2024, page 31, lines 2-6.
[507] Lindab Response Hearing transcript, 10 September 2024, page 27, lines 14-19.
[508] Third party call note, Third party call note, Third party call note, Third party response to CMA's RFI, Third party call note.
[509] Third party call note.
[510] Third party call note, Third party call note.
[511] Third party call note.
[512] Third party call note.

support. However, some experience in manufacturing and logistics may be important but this could be experience from a different industry.[513]

10.107 We also asked third parties whether they had any views on potential purchasers for the divestment sites. A number of third parties told us that they would potentially be interested in acquiring one or more of the divestment sites. Some third parties also provided us with specific names of potential third-party purchasers based on their knowledge of the market for the supply of circular ducts and fittings.

Our assessment

10.108 The evidence which we have gathered from the Parties and third parties suggests that there are a number and variety of potential purchasers for the divestment sites, and some third parties [✂]. Furthermore, we consider that by: (i) offering the Parties the flexibility to sell the potential divestment sites to either one or two purchasers, and (ii) requiring that all potential divestment sites (including the Lindab Nottingham site which includes circular duct manufacturing capability) are marketed for sale during the sales process, this will have the effect of ensuring that the pool of potential purchasers remains as broad as possible, thereby reducing purchaser risk associated with the divestment.

10.109 As set out earlier in this chapter, we consider that in order for a purchaser of the divestment sites to be able to compete with the Parties post-divestment, it will need to demonstrate to the satisfaction of the CMA that it either has:

(a) in-house manufacturing capability, capacity and the ability to supply circular ducts and fittings to the divestment sites;[514] and/or

(b) a formal written commitment[515] from one or more third-party manufacturers of circular ducts and fittings to ensure the effective supply of circular ducts and fittings to the purchaser of the divestment sites, as required to meet the customer demand at the divestment sites.

10.110 In order to avoid the risk that the Parties put forward a potential purchaser that either does not already have in-house manufacturing capability, is unable to supply the divestment sites effectively from its existing sites, or is unable to establish the relationships required with third party manufacturers to ensure the supply of circular ducts and fittings to the divestment sites, we consider it necessary to include the additional requirement described in paragraph 10.109

[513] Third party call note.
[514] Should a purchaser wish to acquire the Lindab Nottingham divestment site (which Lindab will be required to market), we note that it would be acquiring manufacturing capability to supply circular ducts, but it would need to demonstrate to the CMA that it has manufacturing capability to produce fittings, or a formal written commitment from a third party source of supply for fittings.
[515] The CMA will take into account the experience and capability of the potential purchaser in determining the level of the formal written commitment required from the purchaser's chosen third party supplier(s) of circular ducts and fittings.

above to our general purchaser suitability criteria (which is described in paragraph 10.98).

10.111 Furthermore, and in line with the evidence gathered from third parties, we consider that a purchaser should be required to demonstrate to the CMA that it has previous experience in supplying ventilation products (eg experience in manufacturing, distribution, installation etc). We therefore propose to include an additional requirement on purchaser expertise, as described in this paragraph, to our general purchaser suitability criteria (which is set out in paragraph 10.98).

10.112 While we do not consider it necessary to include a specific requirement in the purchaser suitability criteria for a purchaser to demonstrate to the CMA its ability to retain staff at the divestment sites, we do consider that this will form a key part of the overall assessment by the CMA of the purchaser's capability and commitment to maintain and operate the divestment sites as part of a viable and active business in competition with the Parties and other competitors in the relevant market. We will therefore expect potential purchasers to demonstrate to the CMA that they have carefully considered and developed an effective plan to ensure staff retention at each of the divestment sites post-divestment. This could, for example, include a retention scheme for the key staff (especially branch managers) at each of the divestment sites in order to help ensure the ongoing viability and competitive capability of the divestment sites.

Conclusion on the effectiveness of divestment of one of the Parties' sites in each of the SLC Areas

10.113 Taking all of the above in the round, our view of the effectiveness of the divestment remedy consisting of a sale of one of the Parties' sites in each of the SLC Areas is that this would be an effective remedy which would address the SLCs which we have identified.

Assessment of the effectiveness of full divestiture of HAS-Vent

10.114 This section sets out our assessment of the effectiveness of a divestiture of the entire HAS-Vent business, and our conclusions.

Parties' views on the overall effectiveness of a full divestiture of HAS-Vent

10.115 The Parties submitted that they do not dispute that the divestment of the entire HAS-Vent business would remedy the provisional SLCs which the CMA identified in its Provisional Findings.[516] Lindab and HAS-Vent also echoed these views at

[516] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.4.

their respective Response Hearings, but noted concerns on the proportionality of this potential remedy option (as outlined in detail later in this chapter).[517]

10.116 In terms of potential purchasers, neither Lindab nor HAS-Vent have expressed any views on who may potentially be interested in purchasing the entire HAS-Vent business. HAS-Vent did state, however, that full divestment will limit interested buyers.[518]

Third party views on the overall effectiveness of a full divestiture of HAS-Vent

10.117 The evidence gathered from third parties suggests that the divestment of the entire HAS-Vent business would be an effective remedy to the SLCs which we have found in the SLC Areas. While most third parties told us that the divestment of HAS-Vent would be attractive or effective, two third parties stated that the financials of the HAS-Vent business would be a relevant consideration,[519] and one of these third parties also noted that staff morale would be an important factor to consider.[520]

10.118 One third party told us that the HAS-Vent manufacturing plant would be a focal point of interest for all potential purchasers and it would only be an attractive acquisition for strategic or financial investors if the HAS-Vent headquarters were to be included.[521] Another third party told us that there would likely be more interest and appetite in the market for the divestment of the overlapping branches compared to the full divestment of HAS-Vent which will require a much larger initial investment.[522]

10.119 We also asked third parties whether they had any views on potential purchasers for the entire HAS-Vent business. A number of third parties told us that they would potentially be interested in acquiring the entire HAS-Vent business. Some third parties also provided us with specific names of potential third-party purchasers for the entire HAS-Vent business based on their knowledge of the market for the supply of circular ducts and fittings.

10.120 In terms of purchaser suitability and the question of whether or not the CMA should require that a purchaser has previous experience in the market for the supply of circular ducts and fittings in order to be considered a suitable purchaser of the HAS-Vent business, most third parties we spoke to suggested that it would be important for a purchaser to have previous experience in the supply of ventilation products. However, we were also told that experience in a related or adjacent market would most likely be sufficient and would also offer an opportunity

[517] Lindab Response Hearing transcript, 10 September 2024, page 25, lines 16-17, HAS-Vent Response Hearing transcript, 10 September 2024, page 26, lines 22-23.
[518] HAS-Vent Response Hearing transcript, 10 September 2024, page 32, lines 11-12.
[519] Third party call note and Third party call note.
[520] Third party call note.
[521] Third party response to CMA's RFI.
[522] Third party call note.

for an existing supplier in another market to enter the market for the supply of circular ducts and fittings and cross-sell to an existing customer base.[523]

Our assessment

10.121 Following completion of the Merger and the CMA's subsequent investigation into the Merger, the Parties have been subject to an Initial Enforcement Order (IEO) which seeks to ensure that no pre-emptive action takes place which might impede the CMA's remedial options. The IEO requires the Parties to ensure the separation of their respective businesses, ensure that no integration takes place and that no actions are taken which might impair the ability of either business to compete independently in the market. A Monitoring Trustee has also been closely monitoring the Parties' compliance with the IEO since its appointment on 24 May 2024.

10.122 While [✂] since the IEO came into force ([✂]), the HAS-Vent business as was acquired by Lindab remains intact. Pre-Merger, and following the imposition of the IEO, HAS-Vent has operated as a viable, standalone business and comprised all of the staff and assets which any purchaser would need in order to compete with the Parties. We do not have any composition risk concerns therefore on a divestiture package consisting of the entire HAS-Vent business.

10.123 In terms of potential purchasers, we have been told by third parties that a number of non-UK suppliers may be interested in acquiring the HAS-Vent business. We have also been told by most third parties that it would be important for a purchaser to have previous experience in supplying ventilation products. While we agree with the Parties' submission that the pool of potential purchasers for the entire HAS-Vent business is likely to be smaller than the pool of potential buyers for one of the Parties' sites in each of the SLC Areas, we do not consider there to be a material risk that the Parties would be unable to identify a suitable purchaser for the HAS-Vent business, even if we required that a purchaser should demonstrate previous experience in supplying ventilation products (eg experience in manufacturing, distribution, installation etc), in order to be considered suitable.

Conclusion on the effectiveness of full divestiture of HAS-Vent

10.124 Our conclusion therefore is that the divestment of the entire HAS-Vent business would be an effective remedy which would address the SLCs which we have identified, by restoring the status quo ante.

[523] Third party call note.

Conclusions on effective remedies

10.125 Based on the evidence provided to us and assessed above, we have concluded that the following remedies would be effective in remedying the SLCs and adverse effects that we have found:

(a) Divestiture of one of the Parties’ sites in each of the SLC Areas; and

(b) Divestiture of the entire HAS-Vent business.

Assessment of proportionality of our preferred remedies

10.126 In order to be reasonable and proportionate, the CMA will seek to select the least costly remedy, or package of remedies, that it considers will be effective. If the CMA is choosing between two remedies which it considers will be equally effective, it will select the remedy that imposes the least cost or that is least intrusive or restrictive. In addition, the CMA will seek to ensure that no remedy is disproportionate in relation to the SLC and its adverse effects.[524]

10.127 In conducting this proportionality assessment, we first consider if there are any relevant costs attached to either effective remedy, ie whether the merger has or is expected to result in any RCBs which would be lost if either of the effective remedy options were implemented.

Assessment of relevant customer benefits

10.128 When deciding on remedies, the CMA may have regard to the effects of remedial action on any RCBs.[525] In this section, we consider whether there are any RCBs (within the meaning of the Act) that should be taken into account in our remedy assessment.

10.129 An effective remedy to an SLC might be considered disproportionate if it prevents the realisation of any RCBs arising from the Merger, where these benefits outweigh the SLC and any resulting adverse effects. Insofar as these benefits constitute RCBs for the purposes of the Act, the statutory framework allows us to take them into account when we decide whether any remedy is proportionate.

10.130 RCBs that will be foregone due to the implementation of a particular remedy may be considered as costs of that remedy. The CMA may modify a remedy to ensure retention of RCBs or it may change its remedy selection. For instance, it may decide to implement an alternative effective remedy which retains RCBs, or it may decide that no remedy is appropriate.[526]

10.131 Neither the Parties, nor any third parties have identified any potential RCBs to which we should have regard under the Act. Nor did we identify any RCBs

[524] Merger Remedies Guidance, paragraph 3.6.
[525] Section 35(5) of the Act.
[526] Merger Remedies Guidance, paragraph 3.16.

ourselves. Consequently, we have not modified our view of the appropriate remedies in light of RCBs.

The proportionality of effective remedies

10.132 In our conclusions on remedy effectiveness above, we summarised our view on which remedies would be effective in addressing the SLCs and the resulting adverse effects. We set out below our assessment of, and conclusions on, which of the two remedies discussed in this chapter would constitute a proportionate remedy.

Framework for assessment of proportionality of merger remedies

10.133 As explained above, if it is choosing between equally effective remedies, the CMA will select the remedy that imposes the least cost or that is least restrictive (we call this the 'least onerous effective remedy'). In addition, the CMA will seek to ensure that no remedy is disproportionate in relation to the SLC and its adverse effects.[527]

10.134 To facilitate this assessment, we first consider whether there are any relevant costs associated with each effective remedy option. When considering the costs of an effective remedy, the CMA's considerations may include (but are not limited to):[528]

(a) distortions in market outcomes;

(b) compliance and monitoring costs incurred by the Parties, third parties, or the CMA; and

(c) the loss of any RCBs that may arise from the Merger which are foregone as a result of the remedy.

10.135 The CMA will generally attribute less significance to the costs of a remedy that will be incurred by the merger parties than the costs that will be imposed by a remedy on third parties, the CMA or other monitoring agencies.[529] In particular, for completed mergers, the CMA will not normally take account of costs or losses that will be incurred by the merger parties as a result of a divestiture remedy, as it is for the merger parties to assess whether there is a risk that a completed merger would be subject to an SLC finding, and the CMA would expect this risk to be reflected in the agreed acquisition price.[530]

10.136 Having considered the least onerous effective remedy, we then consider whether the least onerous remedy would be proportionate to the SLC and its adverse

[527] Merger Remedies Guidance, paragraph 3.6.
[528] Merger Remedies Guidance, paragraph 3.10.
[529] Merger Remedies Guidance, paragraph 3.8.
[530] Merger Remedies Guidance, paragraph 3.9.

effects. In doing so, we compare the level of harm which is likely to arise from the SLC with the relevant costs of the proposed remedy.[531]

Parties' views

10.137 As concerns the potential for the CMA to require the divestment of the entire HAS-Vent business, the Parties submitted that full divestiture of the HAS-Vent business would be disproportionate given that:

(a) The CMA has identified two local area SLCs, in circumstances where HAS-Vent operates from ten local area branches;

(b) HAS-Vent supplies a wide range of ventilation products with circular ducts and fittings only comprising a minority of the revenue generated by the entire HAS-Vent business (in 2023, circular ducts and fittings accounted for [✄]% of HAS-Vent's total sales in England and Wales); and

(c) Sales of circular ducts and fittings in 2023 by the HAS-Vent branches in Stoke-on-Trent and Nottingham amounted to approximately [✄]% of the total revenue generated by the entire HAS-Vent business in that same year.[532]

10.138 The Parties also submitted that when weighing up the remedy options set out in the Remedies Notice, the CMA must choose the divestiture of the overlapping sites, given that this option remedies the SLCs and is the less costly/restrictive option.[533]

10.139 Furthermore, the Parties took the view that the sale of the two overlapping sites will attract a larger number of suitable purchasers than would be the case if the entire HAS-Vent business were to be sold (given that this would be a much larger divestment and would exclude potential purchasers that do not have the financial capacity to make such an acquisition).[534] The Parties also stated that the divestment of the entire HAS-Vent business would also increase the risk of additional competition concerns arising in each of the local areas in which HAS-Vent currently operates.[535]

Our assessment

10.140 In our assessment of proportionality, we first identify those remedies that would be effective and select the remedy with the lowest cost, or that is least restrictive or onerous. We then consider whether this remedy is disproportionate in relation to the SLC and its adverse effects.

[531] Merger Remedies Guidance, paragraph 3.6.
[532] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.2.
[533] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.4.
[534] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.5.
[535] Parties' response to the Remedies Notice, 5 September 2024, paragraph 3.5.

Identification of the least onerous, effective remedy

10.141 In considering the costs of each of the effective remedies (individual site divestment and the full divestiture of HAS-Vent), we note that neither remedy option imposes relevant costs beyond the divestiture process itself,[536] and there would be no market distortion, no costs to third parties, no costs to the CMA or other monitoring agencies in ensuring compliance with the remedies and no loss of RCBs.

10.142 Although we find that both the sale of one of the Parties' sites in each of the SLC Areas, and the sale of the entire HAS-Vent business are effective remedies to the SLCs which we identified, we note that the divestiture of the entire HAS-Vent business would be a more intrusive remedy than is necessary to remedy the SLCs (eg the sale of one of the Parties' sites in each of the SLC Areas). Therefore, we conclude that the sale of one of the Parties' sites in each of the SLC Areas is the least onerous, effective remedy.

Proportionality to the SLC and its adverse effects

10.143 The CMA will seek to ensure that no remedy is disproportionate in relation to the SLC and its adverse effects.[537]

10.144 In this final report we have concluded that the Merger could lead to higher prices and reduced choice for customers of the Parties in the local areas centred around Nottingham and Stoke-on-Trent.[538]

10.145 We have therefore compared the extent of harm associated with the SLCs with the relevant costs of the least onerous effective remedy, and consider that requiring the sale of one of the Parties' sites in each of the SLC Areas would not be disproportionate in relation to the SLC and its adverse effects.

Conclusion on proportionality

10.146 Following this assessment and given the requirement on the CMA to impose the least costly or least restrictive remedy where two remedies are found to be equally effective (as is the case here), our view is that the divestiture of one of the Parties' sites in each of the SLC Areas, is an effective and a proportionate remedy to the SLCs we have found, and is the least intrusive of the two potential effective remedy options.

[536] Noting that the CMA will generally attribute less significance to the costs of a remedy that will be incurred by the merger parties than the costs that will be imposed by a remedy on third parties, the CMA and other monitoring agencies (Merger Remedies Guidance, paragraph 3.8).
[537] Merger Remedies Guidance, paragraph 3.6.
[538] Paragraph 30 of the final report.

Effective divestiture process

10.147 An effective divestiture process will safeguard the competitive potential of the divestiture package before disposal and will enable a suitable purchaser to be secured in an acceptable timescale, as well as allowing prospective purchasers to make an appropriately informed acquisition decision.[539]

10.148 In this section we will consider the following risks in relation to the divestiture process when assessing:

(a) the appropriate timescale for divestiture to take place;

(b) whether, and under what circumstances, there is a need to appoint an external and independent trustee to complete a divestiture (a Divestiture Trustee) to mitigate the risk that the divestiture does not complete within the timescales specified; and

(c) the role of interim measures during the divestiture process.

10.149 We consider each of these points in turn below.

Timescale for the divestiture process

10.150 Given our view above that the divestiture of one of the Parties' sites in each of the SLC Areas would be an effective and the most proportionate remedy to the SLCs we have found, this section discusses the appropriate timescale for the divestment of one of the Parties' sites in each of the SLC Areas.

Parties' views

10.151 The Parties submitted that:

(a) the CMA should not impose a prescribed timetable for the divestiture process and that the imposition of an unnecessarily expedited timeframe may only serve to reduce the number of potential suitable purchasers;[540]

(b) there is also no reason that the Parties will not be able to complete the sales process in an expeditious manner given that Lindab has extensive M&A experience, and the divestment assets are relatively low value and non-complex in nature;[541]

(c) [✂];[542]

(d) the Parties are incentivised to complete the divestiture process as soon as possible. Completion of the divestiture will also allow Lindab to proceed with

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[539] Merger Remedies Guidance, paragraph 5.33.
[540] Parties' response to the Remedies Notice, 5 September 2024, paragraph 5.2.
[541] Parties' response to the Remedies Notice, 5 September 2024, paragraph 5.3.
[542] Parties' response to the Remedies Notice, 5 September 2024, paragraph 5.3.

the integration of the HAS-Vent business and realise the synergies envisaged by the Merger;[543] and

(e) even if the divestiture assets were to be sold to multiple purchasers, this would not necessarily extend the overall divestiture timescale.[544]

10.152 HAS-Vent told us that a period of [✂] months should be a reasonable timeframe to enable the sale of the divestment sites.[545]

10.153 Lindab told us that the Lindab Group has an experienced M&A team and the approval for the divestment of the potential divestment sites would only require [✂] and would not be a decision which needs [✂].[546] This would therefore expedite the process, however, Lindab is also reliant on how quickly interested parties and the CMA are able to progress.[547] Lindab also told us that it does not intend to appoint M&A advisors, but it will work with local lawyers in the UK and Lindab UK to facilitate the sales process.[548]

10.154 As explained above where we outline the scope of the divestiture package for a divestment of one of the Parties' sites in each of the SLC Areas, Lindab will be required to market all four potential divestment sites for sale to prospective purchasers, and will then make its assessment of which sites it intends to formally offer to potential purchasers for divestment. It is at this stage that Lindab will invite formal expressions of interest and provide high-level information to potential purchasers so that they can make an informed choice as to whether they wish to bid for the preferred sites.[549] Lindab told us that it will engage openly with all purchasers that are interested in the preferred sites and which Lindab considers are likely to satisfy the CMA's purchaser suitability criteria.[550]

10.155 Lindab noted the following key milestones in the sales process and suggested that either regular update meetings could be held, or, before and after each milestone, Lindab could report to the Monitoring Trustee appointed in this case, and the CMA as necessary:[551]

(a) Lindab will contact industry participants, eliciting interest through contacts and phone calls;

(b) One or two candidates will be selected, or a shortlist drawn up (assuming there is enough interest). Lindab will consider the suitability of those third parties on the shortlist at this point;

(c) The candidates will be invited to sign an NDA;

[543] Parties' response to the Remedies Notice, 5 September 2024, paragraph 5.4.
[544] Parties' response to the Remedies Notice, 5 September 2024, paragraph 5.5.
[545] HAS-Vent Response Hearing transcript, 10 September 2024, page 31, line 21.
[546] Lindab Response Hearing transcript, 10 September 2024, page 29, lines 23-25 and page 30, lines 1-2.
[547] Lindab Response Hearing transcript, 10 September 2024, page 30, lines 4-8.
[548] Lindab Response Hearing transcript, 10 September 2024, page 30, lines 19-24.
[549] The Parties' response to the Remedies Working Paper, 1 October 2024, paragraph 3.4.
[550] The Parties' response to the Remedies Working Paper, 1 October 2024, paragraph 3.7.
[551] Lindab response to CMA RFI (3), 10 September 2024, question 2.

(d) Limited data will be shared with the purchasers, based possibly on an information pack or as requested by the candidate. The preparation of a data room is not envisaged;

(e) The candidate(s) would be required to provide a letter of intent to Lindab within a certain timeframe;

(f) The selected candidate(s) would then proceed to due diligence, with customary information sharing safeguards in place (such as clean teams and/or redaction of potentially sensitive information);

(g) The candidate(s) make an offer by a certain deadline. It is at this stage that Lindab anticipates learning of any transitional services requirements (eg a TSA) a buyer might have and how manufacturing is to be included (if relevant);

(h) Lindab selects its preferred purchaser;

(i) Final negotiations on price, scope and terms, including on any TSA; and

(j) Signing of the sale and purchase agreement and closing.

10.156 We also note Lindab's comments that it is willing to be led by the CMA and Monitoring Trustee and that its aim is to achieve a smooth handover and expedite the sales process, as far as possible.[552]

Third party views

10.157 One third party told us that six months would be sufficient for the divestment of the potential divestment sites, either to one single buyer or two separate buyers, since the process should be straightforward.[553] Another third party told us that one month would be sufficient to enable a purchaser to conduct the necessary due diligence on the divestment sites.[554]

10.158 In addition, two third parties told us that, in order to support the continued operation of the divestment sites, it is crucial that customer data is transferred to the purchaser.[555] One third party set out its concern that for any purchaser of the divestment sites, there is a risk that, post-divestment of the sites, the Parties retain customer databases to the disadvantage the purchaser.[556] We raised this concern with Lindab and its response to this concern is set out below in our assessment.

Our assessment

10.159 Having considered the submissions of the Parties and comments provided by third parties, we consider that a maximum period of [✂] months would be sufficient in

[552] Lindab response to CMA RFI (3), 10 September 2024, question 2.
[553] Third party call note.
[554] Third party call note.
[555] Third party call notes.
[556] Third party response to CMA's RFI.

order to enable Lindab to complete the divestment of one of the Parties' sites in each of the SLC Areas. Given that Lindab has a dedicated M&A team, extensive M&A experience and itself considers that a divestiture process for one of the Parties' sites in each of the SLC Areas is non-complex and straightforward to execute, we do not discount that Lindab may be able to conclude the divestiture process within a period of less than [✄] months. However, a maximum divestiture period of [✄] months will provide Lindab with some flexibility given that it will also be reliant on timely engagement by potential purchasers.

10.160 While we understand that Lindab does not intend to run the type of formal sales process which might be expected for larger transactions (including for example, preparation of an information memorandum, collation of data for a data room etc), Lindab has set out some key milestones which it envisages for the sales process for the divestment sites.[557]

10.161 As explained earlier in this chapter, given that different manufacturing models are adopted by different suppliers in the market for the supply of circular ducts and fittings, by including or excluding manufacturing assets from the scope of the divestiture package, the Parties may limit the pool of potential purchasers. On this basis and as concluded earlier in this chapter, Lindab should be required to market all four potential divestment sites for sale during the divestiture process (and to publicise the option for potential purchasers to acquire one or two sites out of the four potential divestment sites, including on its website, to ensure sufficient visibility and awareness of the sales process).[558] Depending on the outcome of Lindab's assessment, potential purchasers will then be invited to submit formal expressions of interest for their preferred sites.

10.162 We note Lindab's suggestion outlined at paragraph 10.155(b) that one or two candidates will be selected or a shortlist drawn up. We consider that if Lindab only puts forward one candidate per site or for both sites, this may result in a risk to the sales process given: (i) that candidate may not be considered a suitable purchaser by the CMA, and/or (ii) the potential for the one candidate to drop out of the sales process which would derail the divestiture process. In order to avoid this risk, Lindab may need to provide high-level information on the divestment sites to more than one purchaser in order to ensure that a suitable purchaser can be proposed as a prospective purchaser to the CMA for its approval.

10.163 Lindab will be required to run an open and transparent sales process and keep the CMA and Monitoring Trustee closely informed of all discussions and engagement with potential purchasers as the sales process progresses. This approach will ensure that the CMA has sufficient oversight of how the sales process is being conducted by Lindab, and importantly, which purchasers are progressing (or not) through the sales process and why.

[557] Lindab response to CMA RFI (3), 10 September 2024, question 2.
[558] The process and manner of the marketing associated with the divestment will be subject to the approval of the CMA.

10.164 On balance, given that: (i) different purchasers will have different requirements as concerns manufacturing, and (ii) the CMA and Monitoring Trustee will have close oversight of the sales process and Lindab's engagement with potential purchasers for the divestment sites as the process progresses, we consider that Lindab will likely be able to find a suitable purchaser for two of the four potential divestment sites (one in each of the SLC Areas) which are marketed for sale.

10.165 If we do not have sufficient confidence that Lindab is making good progress with the sales process, or we are concerned that no suitable purchaser will emerge, we would require the appointment of a Divestiture Trustee, as set out in more detail below.

10.166 In response to the concerns noted above relating to the protection of customer data, Lindab told us that it understands the importance of ensuring that confidential customer data held by the Parties at the potential divestment sites is not retained (or is appropriately ring-fenced) by the Parties.[559] The Parties are also actively taking steps to investigate how this can be achieved internally.[560] As concerns the deletion of confidential customer data following completion of the divestment, the Parties submitted that some customer data will need to be retained for legitimate retention requirements,[561] but that any such retained information will be sufficiently ring-fenced within the Parties' businesses, including within Lindab and HAS-Vent's respective ERP systems.[562] The CMA will engage with the Parties and Monitoring Trustee on these important issues in preparation for the sales process in order to ensure that the purchaser of the divestment sites does not face any issues which adversely affects its viability as a future competitor to the Parties.

Provision for appointment of a Divestiture Trustee

10.167 It is the CMA's standard practice to provide for the appointment of a Divestiture Trustee to dispose of the divestiture package, if the acquirer fails to achieve an effective disposal within the initial divestiture period, or if the CMA has reason to be concerned that the acquirer will not achieve an effective disposal within the initial divestiture period.[563] This helps ensure that the acquirer has a sufficient incentive to implement the divestiture promptly and effectively. As noted in the Merger Remedies Guidance, in unusual cases, the CMA may also require that a divestiture trustee is appointed at the outset of the divestiture process.[564]

10.168 The Parties submitted that there are no unusual features in this case which would indicate that Lindab cannot procure the sale of the divestiture assets to a suitable

[559] Parties' response to the Remedies Working Paper, 1 October 2024, paragraph 5.1.
[560] Parties' response to the Remedies Working Paper, 1 October 2024, paragraph 5.2.
[561] Parties' response to the Remedies Working Paper, 1 October 2024, paragraph 5.3.
[562] Parties' response to the Remedies Working Paper, 1 October 2024, paragraph 5.4.
[563] At phase 2, the CMA will state in its final report the period in which the merger parties should achieve effective disposal of a divestiture package to a suitable purchaser (Merger Remedies Guidance, paragraph 5.40).
[564] Merger Remedies Guidance, paragraph 5.43.

purchaser within the initial divestiture period. Therefore, there is no need for a Divestiture Trustee to be appointed.[565]

10.169 In order to ensure a timely completion of this remedy, and in line with our usual practice, we would reserve our right to appoint a Divestiture Trustee in any one or more of the following situations:

(a) Lindab fails to complete the divestiture process within the initial divestiture period ([✂] months);

(b) the CMA reasonably believes that there is a risk that the divestiture process would be delayed or fail to complete within the initial divestiture period;

(c) Lindab is not engaging constructively with the divestiture process; and/or

(d) there is a material deterioration in the divestiture package during the divestiture process.

10.170 In line with the CMA's standard practice,[566] if appointed, a Divestiture Trustee would be tasked with:

(a) deciding which site in each SLC Area should be divested; and

(b) bringing about a disposal of one of the Parties' sites in each SLC Area to a suitable buyer(s) within a prescribed timeline at no minimum price.

The role of interim measures during the divestiture process

10.171 As explained earlier in this chapter, an IEO was imposed in this case on 10 November 2023 and since this date, the Parties have been required to ensure the separation of their respective businesses, ensure that no integration takes place and that no actions are taken which might impair the ability of either business to compete independently in the market. A Monitoring Trustee was appointed by the Parties on 24 May 2024, and the Monitoring Trustee has been closely monitoring the Parties' compliance with the IEO.

10.172 The IEO will terminate when the inquiry is finally determined, namely when the CMA either accepts final undertakings or makes a final order. In order to ensure the divestiture assets do not degrade during the divestiture period, the asset maintenance obligations in the IEO will be included in the final undertakings or final order. In the Remedies Notice, we invited views on whether any additional risks may arise during the divestiture period and whether the functions of the Monitoring Trustee should be amended to oversee the divestiture. In response, the Parties submitted that they do not consider that there are any features of this case which require the functions of the Monitoring Trustee to be amended in light of any required divestitures.[567]

[565] Parties' response to the Remedies Notice, 5 September 2024, paragraph 5.9.
[566] Merger Remedies Guidance, paragraph 5.43.
[567] Parties' response to the Remedies Notice, 5 September 2024, paragraph 5.8.

10.173 In light of the concerns raised by third parties on maintaining the confidentiality of branch-level customer data to support the continued viability of the divestment sites in the hands of a purchaser, and the associated risk that the Parties may be able to circumvent the remedy by retaining customer data, we require the Monitoring Trustee to:

(a) closely monitor the measures put in place by the Parties in preparation for, and during the sales process to ensure that the customer data of all the potential divestment sites is suitably ring-fenced within the Lindab and HAS-Vent businesses, and that access to this information by the Parties is only granted as is strictly necessary to support the divestiture process (which should be covered by a derogation), or for legitimate retention reasons with appropriate safeguards in place; and

(b) perform an audit on closing to ensure the deletion by the Parties of all customer data relating to the divestment sites (except as needs to be retained for compliance with external regulatory and/or accounting obligations).

10.174 The CMA will therefore maintain its ongoing enforcement of the IEO until either final undertakings or a final order is put in place and will then rely on the asset maintenance provisions in the final undertakings/final order thereafter to minimise the risk of any degradation of the divestiture package. The CMA will also require the Parties to continue to engage with the Monitoring Trustee and provide it with the information necessary to allow the Monitoring Trustee to monitor Lindab's progress with the divestiture process and engagement with potential purchasers. We note that the mandate of the Monitoring Trustee should be extended to allow it to monitor the Parties' compliance with the divestiture process following the issuance of a final order or obtainment of final undertakings from the Parties.

Conclusions on ensuring an effective divestiture process

10.175 Our conclusion is that, subject to the safeguards noted above, particularly in relation to: (i) the appointment of a Divestiture Trustee with a mandate to reopen the sales process and select the sites to be divested, (ii) the ongoing operation and enforcement by the CMA of the IEO (or equivalent replacement), (iii) the ongoing monitoring by the Monitoring Trustee of the Parties' compliance with the IEO (or equivalent replacement) and extension of its role to the monitoring of the sales process, and (iv) the role for the Monitoring Trustee to audit the ring-fencing and retention of customer data by the Parties pre and post divestment, we consider that the divestiture process will be effective, will protect the competitive potential of the divestiture sites before the disposal, and will enable a suitable purchaser to be secured in an acceptable timescale.

Enforcement

10.176 Where the CMA decides that a merger has resulted or may be expected to result in an SLC, it has a statutory duty[568] to remedy the anticompetitive effects of that merger by taking such remedial action under section 82 of the Act (power to accept final undertakings) or section 84 of the Act (power to impose a final order) as it considers to be reasonable and practicable. In such cases, the CMA has a statutory period of 12 weeks[569] to accept final undertakings or make a final order. The statutory deadline for the publication of the CMA's final report in this case is 17 October 2024. As a result, the 12-week period for acceptance of final undertakings or making of a final order by the CMA could run to early January 2025.

10.177 Under the Act, [570] compliance with a final undertaking or final order may be enforced by civil proceedings brought by the CMA for an injunction or for an interdict or for any other appropriate relief or remedy. The Digital Markets Competition and Consumers Act 2024 (DMCCA2024), expands the enforcement powers available to the CMA in relation to final undertakings and final orders.[571] This includes the ability to impose financial penalties in respect of a failure to comply with a remedy undertaking or order without reasonable excuse. The Government has stated[572] that it aims to commence the part of the DMCCA2024 containing these new penalty powers in December 2024 or January 2025. The Government has said that it intends to make the commencement order giving effect to these new powers are least 28 days before the commencement date.

10.178 Depending on how and when the Government commences these new penalty powers, it is possible that they will apply to any undertakings accepted or order made by the CMA within the 12-week statutory period following its Final Report in this case. [✄].

Decision on remedies

10.179 As explained in this chapter, our view is that each of the remedy options set out in this chapter (the divestment of one of the Parties' sites in each of the SLC Areas, and the divestment of the entire HAS-Vent business) would be effective remedies to address the SLCs that we have found in the supply of circular ducts and fittings in the SLC Areas.

[568] Section 41 of the Act.
[569] Section 41A of the Act. This period may be extend by no more than 6 weeks where the CMA considers that there are special reasons for doing so.
[570] Section 94 of the Act.
[571] New sections 94AA and 94AB of the Act introduced by section 143 and schedule 11, paragraph 11 of the DMCCA2024.
[572] Written statements - Written questions, answers and statements - UK Parliament.

10.180 However, we consider that the divestment of one of the Parties' sites in each of the SLC Areas would be the least intrusive remedy in relation to the SLCs identified.

10.181 We have therefore decided to require the Parties to divest one of the Parties' sites in each of the SLC Areas, to one or two suitable purchasers that fulfil the CMA's purchaser suitability criteria, and in addition, the criteria set out below which requires that a purchaser:

(a) has in-house manufacturing capability, capacity and the ability to supply circular ducts and fittings to the divestment sites,[573] and/or has a formal written commitment[574] from one or more third-party manufacturers of circular ducts and fittings to ensure the effective supply of circular ducts and fittings to the purchaser of the divestment sites, as required to meet the customer demand at the divestment sites; and

(b) has previous experience in supplying ventilation products (eg experience in manufacturing, distribution, installation etc).

10.182 In order to ensure that the largest pool of potential purchasers is available, and given the different operating models in the industry as concerns manufacturing, we require the Parties to market for sale each of the potential divestment sites (Lindab Nottingham, Lindab Stoke-on-Trent, HAS-Vent Nottingham and HAS-Vent Stoke-on-Trent)[575] and Lindab will then have the choice of which sites to divest after it has engaged in initial discussions with potential purchasers, subject to close oversight by the CMA and Monitoring Trustee.

10.183 We have also decided to impose a non-solicitation obligation on the Parties to prevent them from soliciting key staff of the divestment sites for a period of [✂] post-divestment.

10.184 In the event that the Parties fail (or notify the CMA that they will fail) to sell the divestment sites to a suitable purchaser within the specified time ([✂] months), it would be necessary to require the Parties to appoint a Divestiture Trustee to conduct the sale of one of the Parties' sites in each of the SLC Areas.

10.185 Furthermore, we have decided that:

(a) the Parties should run a transparent and open sales process to identify and assess the suitability of potential purchasers and conclude a sale of the divestment sites within a [✂] month timeframe;

[573] Should a purchaser wish to acquire the Lindab Nottingham divestment site (which Lindab will be required to market), we note that it would be acquiring manufacturing capability to supply circular ducts, but it would need to demonstrate to the CMA that it has manufacturing capability to produce fittings, or that it has a formal written commitment with a third-party source of supply for fittings.
[574] The CMA will take into account the experience and capability of the potential purchaser in determining the level of the formal written commitment required from the purchaser's chosen third party supplier(s) of circular ducts and fittings.
[575] Lindab will be required to publicise the option for potential purchasers to acquire one or two sites out of the four potential divestment sites, including on its website, to ensure sufficient visibility and awareness of the sales process. The process and manner of the marketing associated with the divestment will be subject to the approval of the CMA.

(b) there will be ongoing involvement by the CMA in the suitability assessment of potential purchasers, and the use of a Monitoring Trustee to assist in (i) providing oversight and monitoring of the sales process and Lindab's engagement with potential purchasers, and (ii) ensuring the confidentiality of customer data during the sales process and conducting an audit to ensure the deletion of customer data by the Parties post-divestment (except as needs to be retained for compliance with external regulatory and/or accounting obligations);

(c) the identity of any purchaser will be subject to approval by the CMA;

(d) the terms and conditions of all transaction agreements, any TSAs or transitional manufacturing supply agreements (with each to be in place for no longer than [✄] months post-closing of the divestment), will be subject to review and approval by the CMA; and

(e) the final divestment will be completed in accordance with any order or undertakings issued. While we expect to implement the remedy by seeking suitable undertakings from the Parties, we will consider issuing a final order if we are unable to obtain satisfactory undertakings from the Parties.