
Anticipated acquisition by Handicare as of Minivator Group Limited

ME/4426/10

The OFT's decision on reference under section 33(1) given on 18 March 2010.
Full text of decision published 31 March 2010.

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

PARTIES

1. Handicare AS (**Handicare**) is a company incorporated in Norway and is part of the Handicare Group, which is a group of healthcare companies that operate manufacturing and sales organisations in the United Kingdom, Norway, Sweden, Denmark, Germany, the Netherlands, Belgium, Poland, the United States and Canada. Handicare's brand products are distributed through a comprehensive network of dealers and distributors in 30 countries around the world. In particular, Handicare has a stairlift manufacturing business called **Freelift**, which manufactures stairlifts in the Netherlands and has a sales and distribution office in the UK. In 2008, Handicare Group had a turnover of approximately £190 million¹ and Handicare in the UK had a turnover of £17 million.
2. Minivator Group Limited (**Minivator**) is active in the design, manufacturing, installation and maintenance of a range of independent living products for the homecare market in the United Kingdom and overseas. Minivator's head office is in the West Midlands and it has other operations in the United States, Germany and China. In particular, through its two subsidiaries **Minivator Limited** and **Companion Stairlifts**, Minivator manufactures and supplies stairlifts. In the year ended 31 December 2008,

¹ 1.88 billion NOK

Minivator had a turnover of approximately £38.3 million, and Minivator in the UK had a turnover of £27.8 million.

TRANSACTION

3. Handicare proposes to acquire all the issued share capital of Minivator. The sale and purchase agreement was signed by the parties on 29 January 2010 and the transaction was announced on 2 February 2010.
4. The parties notified the transaction on 2 February 2010; accordingly, the administrative target date for the OFT to announce a decision in this case is Tuesday 30 March 2010.

JURISDICTION

5. As a result of this transaction Handicare and Minivator will cease to be distinct. The UK turnover of Minivator does not exceed £70 million, so the turnover test in section 23(1)(b) of the Enterprise Act 2002 (the Act) is not satisfied.
6. However, the parties' combined share of supply of curved stairlifts in the UK exceeds 25 per cent. It has been estimated to be approximately [35-45] per cent (based on units sold) in 2008. In addition, the parties' combined share of supply of straight stairlifts to local government in 2008 in the UK exceeds 25 per cent. Accordingly, the OFT believes that the share of supply test in section 23(2) of the Act is met.
7. The OFT therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

MARKET DEFINITION

8. Both parties are active in the manufacture and supply of straight and curved stairlifts in the UK.^{2, 3}

² In addition, Minivator is active in the supply of ceiling hoists in the UK. Handicare does not currently supply ceiling hoists, although has plans to do so in the future. However, given the current lack of overlap and the absence of competition concerns given that the parties' market share would be below 5 per cent, the supply of ceiling hoists is not considered further in this decision.

Product scope

9. There are two main types of stairlift: straight and curved. Straight stairlifts have tracks running in straight lines and therefore cannot turn corners and accordingly are suitable for one flight of stairs. Straight stairlifts can be produced from stock, only requiring to be cut to length and installed. Curved stairlifts have tracks that are specifically designed to suit staircases that turn corners, or are spiral. Accordingly, curved stairlifts require design and production of a bespoke rail in each case.
10. Although the parties stated that other products may pose a constraint on stairlift manufacturers, they submitted that the supply of stairlifts in the UK is the most appropriate relevant market in this case and that there is no need to further segment the product market, for example, into straight and curved.
11. On the demand-side, end users either need a straight or curved stairlift depending on the shape of their staircase, and so there is no demand-side substitutability. Due to the fact that curved stairlifts have to be made to measure, there is a large price differential between straight and curved stairlifts. Therefore, whilst curved stairlifts only account for 25 per cent of UK unit sales, they generate an estimated 47 per cent of revenues.
12. On the supply-side, there appears to be very high degree of substitutability between straight and curved stairlifts. Some key components (such as, the seat and the motor) are identical for both types. The parties submitted that whilst some additional know-how is required in order to design and produce curved stairlifts (as compared with straight); this could be acquired within six months to one year. The parties noted that the great majority of suppliers offer both types of stairlift, and submitted that they can easily switch production between the two.
13. In this regard, although some third parties indicated that they tender separately for straight and for curved stairlifts, none suggested that they warranted separate treatment.

³ Further, Handicare is active in the supply of platform lifts in the UK. Minivator ceased to supply platform lifts for public buildings in 2009, although it still has minimal sales for domestic applications. Accordingly, given the absence of competition concerns given that the parties' market share would be below five per cent, the supply of platform lifts is not considered further in this decision.

14. The OFT also analysed whether the product scope should be segmented into the different distribution channels, for example, direct sales and sales to dealers and/or local authorities. The parties submitted that it would not be appropriate to analyse different sales channels separately. In particular, they stated that the products sold are identical (that is, there are no technical differences between the products sold to dealers, local authorities or private individuals) and there are no regulatory barriers to switching. Finally, the parties and all of the major stairlift suppliers supply straight and curved stairlifts through all three distribution channels.
15. Accordingly, in light of the above, the OFT considers that the relevant product scope is likely to be the manufacture and supply of stairlifts. It notes, however, that this view is not a critical factor in the competition assessment.

Geographic scope

16. The parties submitted that the relevant geographic market for the supply of stairlifts should be considered at least to be national in scope, and possibly wider, given the low transport costs.⁴
17. Further, the parties argued that a non-UK manufacturer could supply into the UK via the extensive dealer network and cited examples of this happening in other EU member states. Alternatively, the parties submitted that a non-UK manufacturer could make direct sales into the UK and subcontract the installation and repair to a local dealer. However, manufacturers not currently in the UK may realistically need to establish a UK representative presence before they could actively compete for significant contracts.
18. Third party responses indicated that they did not feel restricted to suppliers with a local presence (such that any sub-national analysis might be warranted).
19. Given this evidence, the OFT considers, on a conservative basis, that in this case the relevant geographic scope is at least national. The degree of competitive constraint exerted by non-UK manufacturers of stairlifts will be considered in the competitive assessment below.

⁴ For example, Freelifit supplies the UK from its plant in the Netherlands.

Conclusion on market definition

20. Given the absence of concern on any candidate market as a result of the present transaction, the OFT does not consider it necessary to conclude definitively on the relevant market in this case. Accordingly, the OFT's competition assessment is conducted with regard to the market in which the parties overlap, that is, the manufacture and supply of stairlifts in the UK.

HORIZONTAL ISSUES

Unilateral effects

21. The parties argued that the transaction would raise no prospect of a substantial lessening of competition because the merged firm will be constrained post-merger by other national stairlift suppliers, and by imports from foreign stairlift manufacturers.

Market concentration

22. According to the parties, post-merger they will have a combined share of stairlifts in the UK of [20-30] per cent by value (Handicare, [zero-10] per cent; Minivator [10-20] per cent). The parties estimated the remaining market to be divided between Acorn ([20-30] per cent), Stannah ([10-20] per cent), Thyssen ([10-20] per cent), MediTek ([zero-10] per cent), Platinum ([zero-10] per cent), and others ([10-20] per cent).
23. In light of these shares, the market concentration could be characterised as a five to four in terms of players with a significant UK presence. As such, the parties' combined post-merger share of the manufacture and supply of stairlifts in the UK at approximately [20-30] per cent, is of insufficient magnitude to give the OFT prima facie concerns over the merger giving rise to unilateral effects.
24. In relation to curved stairlifts, the parties' combined market shares would be [30-40] per cent and would make the merged entity the largest supplier of curved stairlifts in the UK. Nevertheless, the merged entity would continue to face strong competition from other curved stairlift

manufacturers and suppliers, such as Acorn, Stannah and Thyssen, as well as foreign manufacturers (see below).

Extent of competition between the merging parties

25. The parties submitted local authority data for tenders in which Minivator had participated. This demonstrates that in addition to the parties, there are regular (successful) tender bids from other stairlift manufacturers, such as Stannah, Thyssen, MediTek and Acorn, as well as from dealers that can offer products from a range of manufacturers.
26. Internal documents provided by the parties suggest that they have complementary range strengths. For example a Handicare Board Memorandum dated 2 December 2009 states '[t]he Minivator products are complementary to our existing product range but with other types of 'curved lifts' and a different position within straight stair lifts which is the largest segment in the UK.' Another Handicare internal document dated 16 September 2009 states '[].'
27. This was corroborated by third party customers, who stated that the Freelift brand had a relatively limited profile and that they did not regard the merging parties as close competitors.

Coordinated effects

28. As the proposed concentration reduces the number of the major manufacturers of stairlifts in the UK from five to four, the OFT considered whether the merger gives rise to a realistic prospect of a substantial lessening of competition based on coordinated effects, that is, whether after the merger the merging parties might engage in (tacit or explicit) collusion with other stairlift manufacturers.
29. The OFT has seen no evidence of pre-existing coordination in the manufacture and supply of stairlifts in the UK. Although the merger will increase consolidation in the UK supply structure, it is insufficient to warrant any concerns. Further, no concerns were raised by third parties regarding coordination.
30. In light of the above, the OFT believes that the merger does not give rise to any concern on coordinated effects and will therefore not result in a

substantial lessening of competition in the manufacture and supply of stairlifts in the UK.

Barriers to entry and expansion

31. New entry, the threat of new entry, and expansion by existing suppliers, can all represent important countervailing factors, constraining the competitive behaviour of the merged entity, post-merger.
32. Freelift currently imports its UK supplies from the Netherlands. Accordingly, the parties submitted that several non-UK stairlift manufacturers would be able to enter the UK market using the same model. In particular, the parties cited one German and one Dutch competitor who would be able to enter. However, given the lack of competition concerns the OFT does not need to reach a view on the prospects for new entry.
33. The parties submitted that there is generally spare capacity amongst current UK suppliers. Third parties broadly confirmed this view, suggesting there is scope for existing competitors to expand their activities if the parties sought to worsen their competitive offer post-merger.

Buyer power

34. Private individuals purchasing stairlifts are individual customers and therefore do not possess any countervailing buyer power. However, the parties submitted that the manufacture and supply of stairlifts to local authorities is characterized by re-tendering and that local authorities are powerful customers that are able to sponsor entry, in part by awarding long term contracts.
35. Nevertheless, in the absence of competition concerns it has not been necessary for the OFT to form a view on buyer power in the present case as it is satisfied that the merger will not result in a realistic prospect of a substantial lessening of competition in the manufacture and supply of stairlifts in the UK.

VERTICAL ISSUES

36. No vertical issues arise in the context of this merger.

THIRD PARTY VIEWS

37. Comments from third party customers and competitors have been addressed, where appropriate, throughout this decision.

ASSESSMENT

38. The parties overlap in the manufacture and supply of stairlifts in the UK. The OFT notes that the manufacture and supply of stairlifts could be further segmented into straight and curved stairlifts. However, given the absence of any substantial lessening of competition resulting from the transaction, the OFT does not consider it necessary to conclude on the precise boundaries of the relevant market. The competition assessment is therefore conducted on the basis of the manufacture and supply of stairlifts in the UK.
39. The parties' combined share of stairlifts in the UK amounts to [20-30] per cent (by value). Evidence put to the OFT suggests that competitors in the market are able to place a significant competitive constraint on the merged firm.
40. According to the parties and the majority of customers, the merging parties are not close competitors and are in fact, to a certain extent, complementary. In addition, third parties did not raise any significant concerns regarding the ability of the merged entity to increase prices as a result of the merger.
41. In light of the above, the OFT does not believe that the merger will result in a realistic prospect of a substantial lessening of competition. Consequently, the OFT does not believe that it is or may be the case that the merger may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

DECISION

42. This merger will therefore **not be referred** to the Competition Commission under section 33(1) (of the Act).