

CMA considers remedy to address concerns in foam merger

US-based Carpenter agreed to buy Belgian firm Recticel's global engineered foams business in a €656 million (Euros) deal announced in 2021. The firms both supply engineered foam products used to make household goods such as mattresses, upholstery and kitchen sponges from plants located in the UK.

Following an initial Phase 1 investigation, the Competition and Markets Authority (CMA) identified competition concerns in 3 foam-related markets in the UK (the supply of comfort foam, unconverted technical foam, and converted comfort foam) and referred the deal for an in-depth Phase 2 investigation in July 2022.

At the outset of the Phase 2 investigation the 2 businesses conceded that the deal raises competition concerns and asked the CMA to "fast-track" the case to the assessment of a remedy that could address those concerns.

The CMA has now accepted the businesses' request and provisionally found that the deal could reduce competition. This means that, without remedies to restore this loss of competition, the deal could damage the competitiveness of UK-based manufacturers that rely on foams to make their products, as well as leading to less choice and a worse deal for consumers.

The CMA has also published an initial consultation on the remedy that the merging businesses have proposed to address the concerns identified. The merging businesses are proposing to sell the majority of the UK arm of Recticel's engineered foams business to an independent third-party approved in advance by the CMA. The next stage of the CMA's investigation will focus on assessing whether this will fully replace the loss of competition arising from the merger.

Kip Meek, Independent CMA Panel Chair, said:

The firms accept that the merger could reduce competition in the markets where we've raised concerns. This could lead to higher costs for UK manufacturers and mean people may get a worse deal when buying beds and sofas, as well as everyday items like kitchen sponges.

The next stage of our investigation will primarily focus on making sure that the remedy put in place properly addresses these concerns to avoid any adverse impact for UK businesses and consumers.

The CMA is now asking for views on the remedy offered by 12 October 2022 and on its provisional findings by 19 October 2022. The statutory deadline for the CMA's final report is 22 January 2023.

For more information, visit the [Carpenter / Recticel merger inquiry page](#).

1. Under the Enterprise Act 2002 the CMA has a duty to make a reference to Phase 2 if the CMA believes that it is or may be the case that a relevant merger situation has been created, or arrangements are in progress or contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition (SLC) within any market or markets in the United Kingdom for goods or services.
2. The process that applies where merging parties request to concede a substantial lessening of competition is set out in paragraphs 7.18 to 7.21 of [CMA2 revised](#).
3. In addition to conceding that the deal raises competition concerns, the firms have agreed to waive their right to challenge this position during the CMA's Phase 2 investigation and have also submitted a proposed remedy to address the concerns identified.
4. This is the first time that merging businesses have conceded an SLC in a Phase 2 merger inquiry and is expected to enable the outcome of the investigation to be reached significantly more quickly than usual.
5. The CMA has provisionally found that, if the deal went ahead, the combined companies would face limited competition in the UK in: Comfort foam (uncut foam for mattresses, upholstery etc.); Unconverted technical foam (for sponges etc.); Converted comfort foam (cut up foam ready for larger items like mattresses).
6. For media enquiries, contact the CMA press office on 020 3738 6460 or press@cma.gov.uk.