

America because freight costs and logistical challenges limit wood product manufacturers' ability to purchase significant volumes of industrial wood coatings from overseas.

Currently, three firms—Sherwin-Williams, Valspar, and Akzo Nobel—manufacture and sell most industrial wood coatings in North America. Collectively, these three firms control over 70 percent of the North American market for industrial wood coatings. The Commission often calculates the Herfindahl-Hirschman Index (“HHI”) to assess market concentration. Under the Federal Trade Commission and Department of Justice Horizontal Merger Guidelines, markets with an HHI above 2,500 are generally classified as “highly concentrated,” and acquisitions “resulting in highly concentrated markets that involve an increase in the HHI of more than 200 points will be presumed to be likely to enhance market power.” Absent the proposed remedy, the acquisition would increase the HHI by at least 900 points to over 2,700 for industrial wood coatings, resulting in a highly concentrated market.

#### IV. Effects of the Acquisition

Absent relief, the acquisition would combine two of the three leading industrial wood coatings suppliers and pose a significant risk of competitive harm. The industrial wood coatings industry is a mature, stable industry, with relatively low growth rates and high barriers to entry. The acquisition would eliminate substantial direct competition between Sherwin-Williams and Valspar. The acquisition also would increase the ease and likelihood of anticompetitive coordination between the only two remaining major suppliers. Thus, the acquisition likely would result in higher prices and a reduction in services and innovation to customers.

#### V. Entry

Entry into the market for the manufacture and sale of industrial wood coatings would not be timely, likely, or sufficient in magnitude, character, and scope to deter or counteract the likely competitive harm from the acquisition. The industrial wood coatings industry in North America enjoys significant barriers to entry and expansion including the high cost of building industrial wood coatings plants, the need for substantial technological and manufacturing expertise, and the significant on-site technical support requirements of large customers. For these reasons, entry by a new market participant or expansion by an existing one, would not deter the likely

anticompetitive effects from the acquisition.

#### VI. The Consent Agreement

The proposed Consent Agreement remedies the competitive concerns raised by the acquisition by requiring Sherwin-Williams to divest Valspar's North America Industrial Wood Coatings Business to Axalta or another buyer approved by the Commission. In addition, the Consent Agreement requires Sherwin-Williams to transfer the customer contracts currently serviced by Valspar's Industrial Wood Coatings Business to the buyer.

Under the proposed Consent Agreement, Sherwin-Williams will divest Valspar's industrial wood coatings plants located at High Point, North Carolina and Cornwall, Ontario. In addition, Sherwin-Williams will divest the research and development facilities, warehouses, and testing facilities of Valspar's Industrial Wood Coatings Business. Sherwin-Williams will also divest intellectual property, inventory, accounts receivable, government licenses and permits, and business records. The Consent Agreement limits Sherwin-Williams's use of, and access to, confidential business information pertaining to the divestiture assets.

Axalta is one of the leading suppliers of industrial coatings to large OEMs in the automotive and general industrial markets and is well positioned to operate these assets as an effective competitor. Through the proposed Consent Agreement, Axalta will become one of the leading North American manufacturers of industrial wood coatings. With the divested assets, Axalta will be able to replicate Valspar's position in the market today. It will own plants capable of manufacturing a broad range of industrial wood coatings as well as the other assets necessary to compete successfully in this market. Axalta's presence will preserve the three-way competition that currently exists in the relevant markets and moderate the potential for unilateral or coordinated effects.

Sherwin-Williams must complete the divestiture within ten days of the closing of the acquisition. A Monitor will monitor Sherwin-Williams' compliance with the obligations set forth in the Order. If Sherwin-Williams does not fully comply with the divestiture and requirements of the Order, the Commission may appoint a Divestiture Trustee to divest Valspar's North America Industrial Wood Coatings Business and perform Sherwin-Williams' other obligations consistent with the Order.

The purpose of this analysis is to facilitate public comment on the proposed Consent Agreement, and is not intended to constitute an official interpretation of the proposed Decision and Order or to modify its terms in any way.

By direction of the Commission.

**Donald S. Clark,**

*Secretary.*

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## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Centers for Disease Control and Prevention

#### Disease, Disability, and Injury Prevention and Control Special Emphasis Panel (SEP): Secondary Review

This is to announce the cancelation of a meeting, Research Using Linked Data to Understand Motor Vehicle Injury Among Older Adults, (FOA), CE17-001, and Development and Evaluation of Sports Concussion Prevention Strategies (FOA) CE17-002, secondary review.

**SUMMARY:** This meeting was announced in the **Federal Register** on May 15, 2017, Volume 82, Number 92, pages 22335 and 22336. This meeting is canceled in its entirety.

**CONTACT PERSON FOR MORE INFORMATION:**  
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The Director, Management Analysis and Services Office, has been delegated the authority to sign **Federal Register** notices pertaining to announcements of meetings and other committee management activities, for both the Centers for Disease Control and Prevention and the Agency for Toxic Substances and Disease Registry.

**Claudette Grant,**

*Acting Director, Management Analysis and Services Office, Centers for Disease Control and Prevention.*

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