



Department of Justice

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JUSTICE DEPARTMENT ALLOWS LOS ANGELES AREA HEATING AND AIR CONDITIONING DEALERS TO ENGAGE IN COOPERATIVE ADVERTISING

WASHINGTON, D.C.-- The Department of Justice's Antitrust Division will allow competing Los Angeles area heating and air conditioning companies that sell the same brand name equipment to get together to jointly advertise the products. The Department concluded that it would not reduce competition.

The proposed cooperative advertising program will be implemented by the Southern California Independent Lennox Dealers, a recently formed trade association of Los Angeles area dealers that distribute heating and air conditioning equipment manufactured by Lennox Industries Inc.

The program, funded by Lennox, will inform consumers in the Los Angeles area of the nature and quality of Lennox's heating and air conditioning products and provide them with a 1-800 number that they can call for additional information. Incoming calls on the 1-800 number will be automatically routed, by the local telephone company, in accord with directions from the SCILD Board of Directors, to the SCILD member located nearest to the caller.

SCILD members will be required to compile a daily list of 1-800 calls received, to promptly transmit that list to SCILD which in turn will promptly make the identity of all such callers available to all other interested SCILD members. By these means, all SCILD members will have an opportunity to compete for the business of those who respond to the cooperative advertising program by dialing the 1-800 number.

The purpose of the cooperative advertising program is to enhance Lennox's relatively small position in the Los Angeles area by providing sales and repair service in a prompt, reliable and efficient manner.

The Department's position was stated in a business review letter to counsel for SCILD from Anne K. Bingaman, Assistant Attorney general in charge of the Antitrust Division.

SCILD's membership will consist of any of the 40 Los Angeles area heating and air conditioning dealers who currently sell and service, on a non-exclusive basis, Lennox products in competition with over 1000 other contractors who represent other heating and air conditioning manufacturers. SCILD'S Lennox dealer members currently advertise independently and compete with one another as well as with dealer representatives of other brands.

Bingaman said that to the extent that the cooperative advertising program is implemented as warranted by SCILD, it should not reduce any competition between SCILD's members. They will continue to have pricing and territorial freedom in competing with each other.

The Department stated that the proposed cooperative advertising program should not have any anticompetitive effects because it has been designed with sufficient safeguards to avoid collusion. The program is not likely to deprive consumers of competitive options in buying Lennox equipment or service. To the extent that the cooperative advertising program provides information that reduces consumer search costs, it may have the procompetitive effect of intensifying interbrand competition.

Under the Department's business review procedure, a person or organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action as a violation of the antitrust laws.

A file containing the business review request and the Department's response will be made available in the Legal Procedure Unit of the Antitrust Division, Room 3235, Department of Justice, Washington, D.C. 20530. After a 30-day waiting period, the documents supporting the business review request will be added to the file.

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