

***Case No COMP/M.5993 -
SECURITAS/
RELIANCE SECURITY
SERVICES/ RELIANCE
SECURITY SERVICES
SCOTLAND***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 09/11/2010

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EUROPEAN COMMISSION

Brussels, 9.11.2010

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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party:

Dear Sir/Madam,

Subject: Case No COMP/M.5993 - SECURITAS/ RELIANCE SECURITY SERVICES/ RELIANCE SECURITY SERVICES SCOTLAND

1. On 1 October 2010, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004¹ by which the undertaking Securitas AB ('Securitas', Sweden), acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the whole of the undertakings Reliance Security Services Ltd and Reliance Security Services (Scotland) Ltd (together 'Reliance Security Services' or 'RSS', United Kingdom) by way of the purchase of shares.

I. THE PARTIES

2. **Securitas** provides security services in more than 40 countries, mainly in Europe and North America. It is active in the provision of a wide range of security services, including manned guarding, aviation security and alarm monitoring and response. Securitas, which is listed on the Stockholm Stock Exchange, is not controlled by any company or person.

¹ OJ L 24, 29.1.2004, p. 1 (the "Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

3. **RSS** provides security services in the United Kingdom comprising manned guarding (on premises and mobile response) and aviation security. It also operates a landscape gardening business.

II. THE TRANSACTION

4. The proposed transaction consists of the acquisition of sole control by Securitas over Reliance Security Services Ltd and Reliance Security Services (Scotland) Ltd from the Reliance Security Group Ltd. Other companies in the Reliance Security Group, which provide electronic security solutions and engage in remote monitoring activities, do not form part of the transaction and will remain with the Reliance Security Group.
5. Control is acquired over both targets, Reliance Security Services Ltd and Reliance Security Services (Scotland) Ltd by the same undertaking (Securitas) pursuant to the same legal instrument (Share Purchase Agreement dated 30 September 2010). Both acquisitions are interdependent and form one single concentration.
6. The transaction offers Securitas an opportunity to strengthen its position in the United Kingdom market for security services. In addition, Securitas sees synergies between its activities and those of RSS.
7. On 30 September 2010, the parties entered into a Share Purchase Agreement.² Upon completion, it is envisaged that RSS will be 100% indirectly owned by Securitas.
8. The notified transaction therefore constitutes an acquisition of sole control and thus a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

III. EU DIMENSION

9. The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5,000 million³ (Securitas EUR 6,251 million in 2009⁴; RSS EUR 290 million in 2009). Each of them has an EU-wide turnover in excess of EUR 250 million (Securitas EUR [...] in 2009; RSS EUR 290 million in 2009⁵). While the entire worldwide turnover of RSS is generated in the United Kingdom, Securitas does not achieve more than two-thirds of its aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

² According to an Asset Transfer Agreement that was also signed on 30 September 2010, prior to closing of the Share Purchase Agreement, Reliance Security Group will transfer certain assets to Reliance Security Services (Scotland) Ltd (including employees, information technology equipment and maintenance contracts as well as trade marks).

³ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p. 1).

⁴ Adjusted to take account of acquisitions and disposals since 31 December 2009.

⁵ Based on the audited accounts for the financial year to 24 April 2009. Audited accounts are not yet available for the 2009/2010 financial year.

IV. RELEVANT MARKETS AND COMPETITIVE ASSESSMENT

1. RELEVANT PRODUCT AND GEOGRAPHIC MARKETS

10. Securitas is active in the provision of a wide range of security services, including manned guarding services, alarm monitoring and response services and aviation security services. It does not currently supply aviation security services in the United Kingdom.⁶
11. RSS provides manned guarding services, alarm response services and aviation security services only within the United Kingdom. The horizontal overlap between the activities of the merging parties is thus limited to manned guarding and alarm response services in the United Kingdom.

(i) Product market definition

12. In its decision *Group 4 Falck/Securicor*⁷ the Commission considered that the provision of (i) manned guarding services, (ii) alarm monitoring and response services, (iii) the installation and maintenance of electronic guarding equipment, and (iv) aviation security services provided to airports and airlines constitute distinct product markets. The notifying party submitted that they agree with these market definitions.
13. In line with the *Group 4 Falck/Securicor* decision, the notifying party further submitted that manned guarding would encompass services such as: (a) uniformed on-site guards and retail guards (static manned guarding); (b) mobile manned guarding services; (c) key-holding services; (d) contract project security, (e) events security and crowd management; and (f) associated security consultancy services.
14. The great majority of respondents confirmed during the market investigation that they considered that these services are part of the same market.
15. The notifying party argues that the provision of scheduled patrols, key holding and alarm response services are part of the market for manned guarding services. The notifying party argues that key holding and alarm response services form part of a wider relevant market that at its narrowest would constitute all mobile manned guarding services. From a supply side perspective, these services were to require the same resources: (i) security personal, (ii) a fleet of vehicles, and (iii) branch premises in the area. From a demand side perspective, customers would commonly purchase packages including these three services. For instance, a customer may require key holding services as well as alarm response service to control a property or some premises, and as a complement, purchase a series of mobile manned guarding visits to check sensitive areas.

⁶ It should be noted however that Securitas will enter the aviation security services market in the UK in 2010. It recently won a tender to provide aviation security services to Peel Airports Group, which *inter alia* owns and operates Liverpool John Lennon airport. In addition, [...]. Securitas estimates that following entry, the combined shares of RSS and Securitas in the UK aviation security services market would not exceed [0-5]%. If the market were to be considered EEA-wide in scope, the combined market share would be approximately [10-15]%.

⁷ Case No. COMP/M.3396 – Group 4 Falck/Securicor, paragraphs 29 and 31.

16. However, this was not entirely confirmed by the market investigation as some respondents, submitted that key holding and alarm response services together may form a distinct product market.
17. For the assessment of this transaction it is not necessary to conclude on the exact scope of the relevant product market as the outcome of the competitive assessment would not be altered under any alternative product market definition.

(ii) Geographic market definition

18. In the *Group 4 Falck/Securicor*⁸ investigation, the markets for manned guarding, including alarm monitoring and response, electronic guarding equipment and aviation security services were assessed on a national level, notably for the UK.
19. In the present case, the notifying party submits that the relevant geographical markets for the different security services are national, even though security companies tend to organise their security activities through a network of branches and customers will frequently multi-source their requirements, i.e. select multiple suppliers according to the location of the site.
20. Regional variations in pricing across the United Kingdom are, according to the notifying party, of a limited magnitude. They are primarily due to variations in labour costs between regions. Moreover, the notifying party submits that prices offered by providers in one region will exercise a competitive constraint on prices in neighbouring regions, resulting in a chain of substitution throughout the United Kingdom.
21. The market investigation has not allowed drawing firm conclusions as to the national or regional scope of the market.
22. On the one hand, the market investigation has confirmed the notifying party's statement that the presence on a local basis constitutes a commercial advantage. It also has shown that prices may differ from one region to another.
23. On the other hand, the market investigation has shown that these price differences primarily reflect regional wages differences. More generally, the market investigation has not provided any evidence of substantial differences in competitive dynamics between different regions. Finally, significant suppliers of security services are present in all regions.
24. In any event, it is not necessary for the assessment of this transaction to conclude on the exact scope of the geographic market because the outcome of the competitive assessment would not be altered under any alternative geographic market definition.

2. COMPETITIVE ASSESSMENT

25. Without prejudice to the following analysis which consider different possible market segmentations, the market investigation indicates that security services in the UK can be characterized by the following key elements.

⁸ Case No. COMP/M.3396 – Group 4 Falck/Securicor, paragraph 49.

26. First, irrespective of the precise market definition, markets remain highly fragmented, with a considerable number of suppliers, both at national and regional level.
27. Second, barriers to entry and expansion seem to be low and are largely limited to licensing requirements for personnel. However, licenses appear to be inexpensive.
28. Third, the United Kingdom market for manned guarding services is a bidding market, with customers usually purchasing security services through competitive award processes. In this regard, the market investigation has confirmed that in the majority of cases manned guarding providers are selected following calls for tenders. Following a selection process based on technical requirements, customers usually short-list two or three suppliers, with which they will negotiate to extract the lowest possible price.

Manned guarding services

29. The size of the total market for manned guarding services in the UK is estimated at ca. GBP 2 billion⁹ (around EUR 2.3 billion). The table below shows the estimated market shares of Securitas, RSS and their main competitors in the United Kingdom market for manned guarding services.

⁹ The parties have estimated the total market size for manned guarding in the United Kingdom as approximately £2 billion. This figure was calculated from published figures (in reports on the UK manned guarding market by Frost & Sullivan, MBD and KeyNote as well as the website of the British Security Industry Association), adjusted for differences in definition of the market.

Table 1: Market shares for manned guarding services in the United Kingdom

Market for manned guarding services	market share 2009 (in %)
RSS	[10-15]%
Securitas	[0-5]%
Combined	[15-20]%
G4S	25
Mitie	12.5
Chubb	6
Vision Security Group	5
OCS	4.5
Corps of Commissioners	4
Advance	4
Interserve (First Security)	3
ISS Pegasus	3
ICTS	3
Others	13.5

Source: Parties' estimates

30. With a combined market share of [15-20]% the merged entity become the second player on the market behind G4S, which has a market share of around 25% and ahead of Mitie, which has a 12.5% market share.
31. Post transaction the merged entity will still face competition from eight other competitors with market shares ranging from 6% to 3% (Chubb, Vision Security Group, OCS, Corps of Commissioners, Advance, Interserve – First Security, ISS Pegasus and ICTS).
32. In addition, by making available information on past tender procedures, the parties have provided elements to assess the closeness of competition between RSS and Securitas. In this regard, since February 2010 Securitas has been shortlisted in less than [5-10]% of the tender procedures where RSS was shortlisted. Conversely, RSS has been shortlisted in around [10-15]% of the tender procedures where Securitas was shortlisted. Important other bidders included Mitie, G4S and Chubb. These figures show that the competitive constraint exerted by RSS on Securitas and by Securitas on RSS is limited. Furthermore, the market investigation indicates that customers and competitors not necessarily see Securitas and RSS as the closest competitor of one another.

Alarm monitoring and response services

33. Against the background that electronic security solutions and remote monitoring activities remain with the Reliance Security Group (see paragraph 4 above) and only the response activities of RSS are taken over by Securitas, the notifying party estimates that the combined market share of the merged entity on the UK market for alarm monitoring and response would be below 10%.

Sub-segments of the manned guarding and alarm response markets

34. If the product market for manned guarding services were to be further segmented and a distinction was made between (a) uniformed on-site guards and retail guards (static manned guarding); (b) mobile manned guarding services; (c) key-holding services; (d) contract project security, (e) events security and crowd management; and (f) associated security consultancy services, the combined market share of the merged entity would be no more than 10% in any market except the one for static manned guarding, where the notifying party estimates a combined market share of no more than [15-20]%.
35. Since some respondents to the market investigation indicated that the combined market share of the merged entity in alarm response and key-holding activities might be higher than the above indicated 10%, the Commission further verified the market data provided as well as the allocation of the merged entity's turnover to the various market segments. In this regard, the question arose whether revenues generated from alarm response activities need not to be allocated to a possible market for key holding and alarm response services (possibly together with revenues from mobile manned guarding activities).
36. Using various methodologies, the notifying party estimated the combined market share of the merged entity on a possible market for mobile manned guarding, key holding and alarm response services as well as on the narrower markets for mobile manned guarding on the one hand and key holding and alarm response on the other hand. In all cases, the combined market share was estimated to be less than [5-10]%.¹⁰

Conclusion

37. The limited market shares of the parties, the presence of important competitors as well as the low barriers to entry illustrate that competition in the investigated markets for security services in the United Kingdom is rather strong. It can therefore be concluded that the transaction is unlikely to result in any significant impediment of effective competition on the national market for manned guarding services and its possible sub-segments, the market for alarm monitoring and response services as well as the possible market for mobile manned guarding, key holding and alarm response services and the narrower market for key holding and alarm response services only.

Regional markets

38. If the product market for manned guarding services and its possible sub-segments, the possible market for mobile manned guarding, key holding and alarm response services as well as the narrower market for key holding and alarm response services in the United Kingdom were to be regional in scope, there would be – according to the estimates provided by the notifying party – no regions where the combined market share of the parties would exceed [25-30]%. The highest combined market shares for manned guarding services were recorded in the South West [20-25]% and the North East [25-30]% and for the sub-segment of static manned guarding in the region North East UK [25-30]%.

¹⁰ For these estimates, the notifying party included average turnover figures for around 800 small accredited suppliers as well as the turnover of guarding services in relation to vacant and void properties. Even if these data were entirely excluded, the combined market share of the merged entity would not exceed 30%.

39. In view of (i) the presence of local and national competitors, (ii) the low barriers to expansion and entry, it can be concluded that the transaction is unlikely to result into any significant impediment of effective competition on any UK regional market for manned guarding services or for its sub-segments, the possible market for mobile manned guarding, key holding and alarm response services as well as the narrower market for key holding and alarm response services.

VI. CONCLUSION

40. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

For the European Commission,
(signed)
Joaquín ALMUNIA
Vice-President of the European
Commission