

***Case No COMP/M.2466 -  
SODEXHO / ABELA (II)***

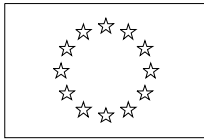
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**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 08/06/2001

*Also available in the CELEX database  
Document No 301M2466*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 08.06.2001  
SG (2001) D/

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.2466 - Sodexho/Abela (II)**  
**Notification of 02/05/2001 pursuant to Article 4 of Council Regulation No 4064/89<sup>1</sup>**

1. On 02/05/2001, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Sodexho Alliance SA [Sodexho] acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the Abela target group [Abela].
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation as amended and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

**I. THE PARTIES AND THE OPERATION**

3. **Sodexho Alliance SA** ("Sodexho") is a French company active in the provision of the food and management services, service vouchers and river cruises world-wide.
4. The operation involves the acquisition by Sodexho of a controlling shareholding in each of ten companies, collectively referred to in the notification as the **Abela Target Group**. The ten companies are:
  - **The Wood Company**, a US contract foodservice company that does not have any activities in the EEA.

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<sup>1</sup> OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

- **Abela Holding France SA**, a French holding company with no business activity.
  - **Sogeres**, a French business active on the contract foodservices market.
  - **Seven Other Non-EC/Non-EEA Companies:** United Caterer and Contractors (Bahrain), National Catering Company LLC (Abu Dhabi), Albert Abela Co Abu Dhabi LLC (Abu Dhabi), Oman Catering Company LLC (Sultanate of Oman), Catering and Supplies Co. LLC (Sultanate of Oman), The Kuwait Fruit and Vegetable Supplies Establishment Fahd Ahmed Fahd Al Fahd and Partners LLC (Kuwait) and Yemen Catering & Services LLC (Yemen). This group of companies is active world-wide (but not in the EEA) in contract foodservice, leisure and sport concession foodservice, additional related services (food processing, wholesale and retail, transport).
5. Among the companies constituting Abela, only Sogeres is actually active in the EEA.

## II. CONCENTRATION

6. The proposed concentration is part of a world-wide transaction whereby Sodexo will acquire through three separate agreements the controlling shareholding of certain companies sold by the Albert Abela Corporation, acting directly or through wholly owned subsidiaries. Therefore the transaction is a concentration within the meaning of Article 3(1) (b) of the Merger Regulation

## III. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup> [Sodexo EUR 10.51 billion; Abela EUR [...]]. Each of Sodexo and Abela have a Community-wide turnover in excess of EUR 250 million, but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

## IV. COMPETITIVE ASSESSMENT

### A. Relevant product markets

8. The activities of Sodexo and Abela overlap in respect of contract foodservice and leisure and sport concession foodservice, but the activities of the parties are de minimis in the latter sector.
9. Sodexo considers that contract foodservice constitutes only one segment of the broader food and management services market. Considering the contract foodservice as a separate market, Sodexo states that in-flight catering should be included in the

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<sup>2</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

definition of this market. This question can be left open since the parties do not have in-flight catering. Therefore the competitive assessment would remain identical irrespective of the definition chosen.

10. The contract foodservice market has previously been defined in several decisions of the Commission: Accor/Wagon Lits (M.126), Granada/Compass (M.1972) and Compass/Selecta (M. 2373). The definition covers the preparation, presentation and delivery of food and beverage services to clients and their customers where clients have chosen to outsource this activity on their premises. The contract food service market has been considered a separate market from concession foodservices and vending services.

### **B. Relevant geographic markets**

11. Sodexo argues in the notification that the geographical market is national. This is in line with previous decisions, where the Commission took the view that the geographical dimension of the contract foodservice market was national. Sodexo points out that the Commission has previously noted that the market was opening up with some contract catering contracts being signed on a European or even global level. But agrees that this type of business is still developing and had not yet altered the national scope of the contract foodservice market.

### **C. Assessment**

12. The concentration gives rise to one affected market in France for contract food services where the combined market share of the parties is 34.6% (Sodexo 27.9%, Sogeres 6.7%). The addition to Sodexo's market share as a result of the transaction would be 6.7%.
13. In France, the contract foodservice market is characterised by the presence of three main operators: (i) Sodexo (27.9%), (ii) Elios (27% market share), (iii) Compass (25% market share). In addition there are regional competitors, which hold strong positions on their respective regional markets.
14. Furthermore, several factors which contribute to a competitive environment. The market continues to grow, as the trend towards outsourcing remains strong. Small companies and independent contractors provide real competition for many contracts where clients are making local outsourcing decisions. For example, the regional provider, Alsacienne de restauration, headquartered near Strasbourg, has won contracts in Paris and is in the process of opening in Lyon. Competition can also come from financially strong outsourcing services companies, which are able to expand their service offering to include foodservice. One example of this, presented by Sodexo, is the French retail group Casino, which has recently decided to expand from its commercial restaurant business (cafeterias) into the contract foodservice market.
15. In conclusion, the operation will not raise any competitive concerns on the market for contract food services.

### **V. ANCILLARY RESTRAINTS**

16. The notifying party has identified clauses in each of the three agreements of the concentration to be directly related and necessary to the implementation of the

concentration. These are non-compete covenants and non-solicitation covenants, which are in all cases limited to two years duration and confidentiality covenants.

17. To the extent that these clauses can be regarded as a restriction of competition, the Commission considers they are directly related and necessary to the implementation of the concentration.

## **VI. CONCLUSION**

18. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,