

***Case No COMP/M.2977 -  
COMPASS / ONAMA  
SPA***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 15/11/2002

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 15/11/2002

SG (2002) D/232671

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.2977 – Compass/Onama Spa  
Notification of 14 October 2002 pursuant to Article 4 of Council  
Regulation No 4064/89<sup>1</sup>**

1. On 14/10/2002 the Commission received a notification of a concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertaking Compass PLC (UK) acquires, within the meaning of Article 3(1)(b) of the Council Regulation, control of the whole of Onama Spa (Italy) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation 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**

3. Compass Group Plc (UK) (“Compass”) is active in foodservice markets in Europe and the United States of America. Its principal activities are in foodservices, including

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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).

contract foodservice and the operation of branded concession foodservices in transport, leisure and sport venues, such as airports, railway stations and stadiums . The business includes customer-facing brands such as Upper Crust, Ritazza, Little Chef and Harry Ramsden's and trade brands such as Eurest, Select Service Partner and Medirest.

4. Compass was formed in 1987 to acquire the contract foodservices division of Grand Metropolitan PLC. In July 2000, Compass merged with Granada Group PLC, adding Granada's hospitality and media businesses to its existing foodservices portfolio. Subsequently, in February 2001, the business was demerged, leaving the hospitality (hotels and foodservices) business with Compass and the media business with Granada. In the second half of 2002, Compass acquired part of the foodservice business of Swissair.
5. Onama Spa (Italy) ("Onama") is the ultimate parent company of the Onama Group. Onama is directly and indirectly active in the foodservices sector, mainly operating as provider of contract foodservices, concession and meal voucher services and, to a lesser extent, vending services. The Onama group is also present in other sectors such as cleaning and waste management integrated services.

## **II. THE OPERATION**

6. The notified operation consists in the proposed acquisition by Compass of a 60% equity interest in Onama from its current shareholders. [The current shareholders], will maintain a minority participation of 40 % in Onama, subject to the operation of certain call and put option rights.

## **III. CONCENTRATION**

7. Through the notified operation, Compass intends to purchase a 60% equity interest in Onama. This will cause Compass to acquire, through Compass BV, a wholly-owned subsidiary of Compass, sole control over the whole business of the Onama Group, except for certain shareholdings held in undertakings operating within and outside the EEA territory [...]. Compass will thus acquire sole control over Onama and therefore the operation is a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **IV. COMMUNITY DIMENSION**

8. The undertakings concerned have a combined aggregate world-wide turnover (2001) of more than EUR 5 billion<sup>2</sup> (Compass : EUR 14,137 million ; Onama : EUR 458 million). Each of Compass and Onama have a Community-wide turnover in excess of

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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.

EUR 250 million (Compass : EUR [...] million ; Onama : EUR [...] million). Onama achieved more than 2/3 of its Community-wide turnover in [...], but Compass does not achieve more than two-thirds of its Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

## V. COMPETITIVE ASSESSMENT

9. Both Compass and Onama are active in the foodservice sector. Onama is also present in the provision of waste management and the cleaning services sector. Compass operates mainly in Europe and in the US. Its principal activities are in contract and concession foodservices. Onama is mainly active in the foodservice sector in Italy and Germany.
10. The only overlaps between the activities of Compass and Onama which will exist following completion of the transaction are 1) the contract foodservice market in Italy 2) the contract foodservice market in Germany and 3) the concession foodservice market in Italy. Onama is also present in the meal vouchers market, the market for vending services and the market for commercial restaurants in Italy, where Compass is not active.

### A) THE RELEVANT PRODUCT MARKETS

#### *Contract versus concession foodservice markets*

11. *Contract foodservice* covers the provision of foodservice outside the home, performed by third parties, typically on the premises of public or private sector clients and involving the supply of food and drink to customers for whom that service is not the primary reason for their presence on the premises i.e. principally in the business, industry, health, education and prison sectors.
12. *Concession foodservice* refers to the outsourcing of foodservice requirements in the transport, leisure and sport, and retail sectors. In transport, locations would typically include airports, railway stations etc. In leisure and sport, the service may either be permanently established or occasional.
13. In previous decisions<sup>3</sup> the Commission decided that contract foodservice and concession foodservice constituted separate relevant markets. Furthermore, despite some supply-side similarities the Commission found in *Compass/Granada*<sup>4</sup> that the conditions of competition in the two markets were different, mainly because few companies operated in both markets and these were the larger competitors; barriers to entry in to concession foodservice market were higher in terms of investment,

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<sup>3</sup> Case COMP/M.2639 Compass/Restorama/RailGourmet/GourmetNova, Case COMP/M.2373 Compass/Selecta, Case COMP/M.1972 Granada/Compass.

<sup>4</sup> Case COMP/M.1972 Granada/Compass – Commission decision of 29.06.2000.

reputation and access to established brands; concessions contracts were generally longer and prices to consumers higher; also whereas contract caterers compete only at the tendering stage, concession caterers, whilst also subject to tendering, often faced competition from other outlets within the facility. The parties believe that the reasoning applied by the Commission in the above cases applies also to the current transaction.

14. In previous decisions the Commission found against further segmentation of these markets on the grounds that the basic know-how is the same and the majority of undertakings were active in all market segments. In the present case it is not necessary to decide whether further segmentation would be necessary because irrespective of the definition adopted, the outcome of the market analysis would for this concentration be the same.
15. The Commission, therefore, for the purpose of this case views contract foodservice and concession foodservice to constitute separate relevant markets.

## B. THE RELEVANT GEOGRAPHIC MARKET

### *Contract foodservice and concession foodservice*

16. In its *Accor/Wagon Lits* decision <sup>5</sup>, the Commission defined the geographic market, with reference to the “group catering” segment (i.e. contract foodservice), as having a national dimension. The analysis was based on factors such as differences in national legislative provisions (public procurement and labour law), national preferences of clients (in terms of quality, charging and pricing) and strong differences among the Member States with regard to the proportion of in-house provision of catering needs. In *Granada/Compass* the Commission noted that while there were signs that the markets were opening up (with some contract foodservice contracts being signed on a European or even global level) the contract and concession foodservice markets remained national in scope. The parties submit that this analysis remains correct. Both Onama and Compass are present in the contract foodservice market in Italy and Germany.
17. The evidence submitted by the parties supports the above conclusions. The Commission therefore concludes for the purposes of this case that the contract and concession foodservice markets are national in scope and that the relevant geographic markets are Italy and Germany for contract foodservice and Italy for concession foodservice.

## C. ASSESSEMENT

18. Concerning the calculation of market shares, the parties argue that market shares based on revenue would appear to be the best indicator of the relative positions of the parties. Since the markets involved are mainly “bidding markets”, the parties also provided market shares based on volume, i.e. based on the number of contracts per year and an

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<sup>5</sup> Case COMP/M.126 *Accor/Wagon Lits* – Commission decision of 28.04.1992.

estimate of the outstanding number of contracts in the Italian and German contract foodservice markets. The analysis of market shares based on the number of contracts indicates results that do not substantially differ from the market shares based on value. The market shares presented below are based on value (revenue)

i) Italian contract foodservice market

19. The Italian contract foodservice market is highly fragmented. Onama had a market share of less than [5 – 15]% during the period 1999-2001. Compass entered this market in 2000 and achieved a [0—10]% market share in that year. Compass market share in 2001 increased slightly to approximately [0-10]%. The combined market share of the parties in 2001 is [5-15]% [...].
20. There are a number of significant competitors, as credible bidders, such as Sodexho, Gemeaz Cuisin (Accor), Camst, Ristochef (Elior), most of which are part of or connected to multinational foodservice groups.
21. In view of the foregoing and on the basis of the analysis of the market shares presented above and of the position of the parties and competitors in the bidding market, the Commission concludes that the concentration raises no serious competition concerns on the Italian foodservice market.

ii) Italian concession foodservice market

22. Both Onama and Compass are present in this market, but the combined market share of the parties for the year 2001 is [0-10]%.
23. On the basis of the foregoing it can be concluded that the transaction raises no competition concerns on the Italian concession foodservice market.

iii) German contract foodservice market

24. Onama entered the German foodservice market in the year 2000 when Otaro later acquired by Onama started its activity in this market. While Compass currently holds a market share of about [25-35]%, the increase in market share resulting from the acquisition of Onama is very small [0-10]%. The combined market share of the parties for the year 2001 is [25-35]%.
25. However, there is a large number of alternative contract foodservice providers, as credible bidders in Germany, with significant market shares including : Pedus [5-15]%, Aramark [5-15]%, Sodexho [5-15]%, and CWCS, Apetito and K&S Catering (each with a [0-10]%).
26. Since the market share increase arising from this transaction is minimal [0-5]% and since there are still a large number of alternative contract foodservice providers in Germany and also on the basis of the analysis of the market shares presented above and the position of the parties and competitors on the bidding market Commission concludes that the concentration raises no serious doubts as to the creation or strengthening of a dominant position in the German contract foodservice market.

**VI. CONCLUSION**

27. 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

(signed)  
Mario MONTI  
Member of the Commission