

***Case No COMP/M.4762 -
AUTOGRILL / ALPHA
AIRPORTS GROUP***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 10/08/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.08.2007

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 Sirs,

**Subject: Case No COMP/M.4762 –AUTOGRILL/ ALPHA AIRPORTS GROUP.
Notification of 09/07/2007 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 09.07.2007 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertaking Autogrill S.p.A ("Autogrill", Italy) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Alpha Airports Group plc ("Alpha", UK) by way of purchase of shares.
2. After examination of the notification, the commission has concluded that the operation falls within the scope of the Mergers regulation and does not raise serious doubts as to its compatibility with the common market and the EEA agreement.

I. THE PARTIES

3. Autogrill is a company listed on the Italian Stock Exchange and finally controlled by the Benetton family. Autogrill is a provider of food and beverage and retail services for travellers in 32 countries. It operates in the commercial foodservices sector and in the fast-food service sector, in motorways, railway stations, airports, shopping malls and, to a lesser extent, in city centres. Moreover, via Aldeasa (a company jointly controlled by Autogrill and Altadis) it operates retail stores at airports in Spain, Portugal and outside the EU. Additionally, Autogrill has a small shop at Rome's Fiumicino airport, selling souvenirs, newspapers and sundries.
4. Alpha is a public company listed on the London Stock Exchange which provides aviation support services globally. In particular, Alpha provides in-flight catering and

¹ OJ L 24, 29.1.2004 p. 1.

ancillary services to airlines and offers retailing and catering services at 47 airports in 13 countries, including duty free stores and restaurants, café and bar services.

II. CONCENTRATION

5. Through a series of transactions in securities starting 30 May 2007, Autogrill has been acquiring shares in Alpha representing approximately 65% of Alpha's issued share capital. Having achieved more than 30% in Alpha's issued share capital and following UK takeovers legislation, on 4 June 2007 Autogrill publicly announced its cash offer to acquire all of the Alpha shares not already owned by it. Alpha's directors have recommended the offer.

III. THE OPERATION

6. The proposed concentration is an acquisition of sole control of Alpha by Autogrill within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion² (Autogrill: EUR [...] million and Alpha: EUR [...] million). Each of them has a Community-wide turnover in excess of EUR 250 million (Autogrill: EUR [...] million and Alpha: EUR [...] million). Only Alpha achieves more than two-thirds of its aggregate Community-wide turnover within one and the same Member State (the UK). The notified operation therefore has a Community dimension.

V. COMPETITIVE ASSESSMENT

8. The parties submit that Alpha's and Autogrill's activities only overlap in the (i.) retail travel and (ii.) concession foodservices markets. Alpha is further active in in-flight catering services but Autogrill is not present in this market.

A. Relevant markets

A.1. *Product markets*

9. The retail travel market consists in the retail sale of articles of various types in travel locations, including particularly duty-paid and duty free sales in general stores, shop in stores, boutiques, etc. to domestic and international travellers in airports. In previous decisions the Commission has analysed the retail travel market, but left open the question whether this market should be sub-segmented (e.g. retail outlets used by travellers at airports, on-board aircraft and on-board ships)³.
10. As regards concession foodservices, Autogrill submits that a separate market for concession foodservices, distinct from contract foodservices, exists. This is in line with past Commission decisions, where the Commission found that concession foodservices and contract foodservices are distinct because the conditions of competition in the two

² 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).

³ See Case COMP/M.3728 Autogrill/Aldeasa (para. 9).

markets are different (e.g. barriers to entry into concession foodservice were higher in terms of investment, reputation and access to established brands; concession 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).

11. The concession foodservices market has previously been described by Commission decisions as the outsourcing of foodservice requirements in transport venues (airports, rail-way stations, motorways), leisure and sport (leisure centres, cinemas, theme parks etc.) or occasional venues (for race meetings, conferences or other individual events), and retail venues (concessions in department stores, shopping malls etc). The question whether the market should be further segmented depending on the venue has been left open by the Commission in past cases⁴.
12. The Commission's market investigation confirmed that the market for concession foodservices is distinct from the market for contract foodservices but it was inconclusive on whether a further segmentation should be made, thereby creating a separate market for concession foodservices at airports only. While the operators of such concessions tend to believe that a separate market for airports should be created, the replies from the airports authorities do not seem to support the idea of a further segmentation of the market.
13. In the present case, the exact definition of the relevant product markets can be left open since no serious doubts as to the compatibility with the common market are raised, irrespective of the product market definition.

A.2. Geographic markets

14. Concerning the retail travel market the Commission has left open the exact geographic market definition but suggested that it could be at least EEA-wide⁵.
15. Concerning the market for concession foodservices, previous Commission decisions considered the market to be national because of legislative differences (public procurement and labour laws) and national preferences (in terms of quality, charging and prices)⁶. However, the notifying party submit that major concessions, in particular, with respect to the segment where the target is active, *i.e.* airports, are subject to competitive international tenders open to international operators and thus, the market might now be viewed as wider than national (at least European-wide). The market investigation did not provide conclusive evidence on this issue. Again a majority of operators of concession foodservices believe that a national market definition should be retained, while airport authorities believe that the market has indeed an international dimension, as corroborated by participation of an increasing number of non-Irish companies in the calls for tender.

⁴ Case No. COMP/M.1972, Granada/Compass (para. 15); Case COMP/ M.2373 Compass/Selecta (para. 12); Case No. COMP/M.2639, Compass/Restorama/Rail Gourmet/Gourmet Nova (para. 17). Concession foodservices refer to the outsourcing of foodservice requirements to the public in travel-related locations, retail related locations, sports stadiums and leisure venues.

⁵ See Case COMP/M.3728 Autogrill/Aldeasa (para. 12).

⁶ Case No. COMP/M.1972 (para. 20); Case COMP/ M. 2373 (para. 24); Case No. COMP/M. 2639 (para. 23).

16. In the present case, the exact definition of the relevant geographic markets can be left open since no serious doubts as to the compatibility with the common market are raised, irrespective of the geographic market definition.

B. Competitive Assessment

17. Concerning the retail travel market overlaps between Alpha and Autogrill (Aldeasa) activities exist only in the airport segment at EEA level since the parties are active in different Member States (Alpha in Ireland and the UK and Aldeasa in Spain and Portugal). Autogrill estimates the parties' combined market share in the retail (air) travel market at EEA-level to be [0-10]%. Other competitors include Heinemman [10-20]%, BAA [0-10]% and Nuance [0-10]%. In Italy, Alpha is present at the Rome airports whereas Autogrill has a small shop at Fiumicino airport and has recently opened a small shop at Brindisi airport. The parties' combined market share in Italy in this possible segment is below 15%. At Fiumicino airport, where the parties would own 7 outlets, the estimated combined market share would be around [0-10]%.⁷
18. The parties' concession foodservices activities overlap only in the airport segment in three Member States (Ireland, Sweden and the UK). Autogrill submits that the parties' combined market shares in the concession foodservices market in the airport segment are [10-20]% at EU-level, [10-20]% in Sweden and [0-10]% in the UK. In the overall concession foodservices market the parties' combined market share is even lower ([0-10]% at EU-level, [0-10]% in Sweden and [0-10]% in the UK).
19. In Ireland, the parties have been awarded concession foodservices in the airports managed and operated by the Dublin Airport Authority ("DAA"), i.e. Dublin, Cork and Shannon. The parties' activities, however, do not overlap in any given airport.
20. Alpha is present in the Dublin airport only, where it operates four locations out of the total 31 locations in the airport (2 landside and 2 airside). Alpha has been running the concession since 2003 and it will expire in August [...]. Alpha accounts for [...] % of sales in that airport. Other concessionaires include SSP Group (17 locations), Thomas Read (9 locations), McDonalds (1 location), Zumo (2 locations) and Butlers (2 locations).
21. Autogrill has no operations at Dublin airport. Through its subsidiary HMSHost Ireland, it operates at Cork airport since August 2006 when it was awarded a [...] year concession for 5 of the 6 locations (Subway operates the remaining one). HMSHost Ireland has also been recently awarded a [...] year concession at Shannon airport, where it started to operate in June 2007. The Shannon concession covers the 8 locations at the airport.

⁷ The market share is calculated on the number of outlets. The parties own a combined number of 7 outlets at Fiumicino airport (Alpha 6 and Autogrill 1). Only one of Alpha's outlets is located in the same terminal as Autogrill's. In particular, Alpha owns two Alpha Accessories in Terminal C (airside); one Alpha Sunglasses in Terminal B; one Guess Accessories shop in Terminal C (airside); two Zinq stores (accessories), one in Terminal B (airside) and the other one in Terminal A first floor (landside). Autogrill owns a drugstore (Emporio) in Terminal A arrivals. There around 128 retail shops at Fiumicino airport including 35 outlets in Terminal A.

22. Autogrill estimates the parties' combined market share in the overall concession foodservices market in Ireland to be below 15%. In the airport segment, the parties' estimated combined market share would be around [40-50]% (Autogrill [20-30]% and Alpha [20-30]%)⁸. Data provided during the market investigation by the DAA confirm these figures. Other competitors include concession foodservices operators active mainly in the Dublin airport: SSP Group Limited [30-40]%, Thomas Read Group [0-10]% and McDonald's [0-10]%. Subway, active in Cork, is estimated to have a market share of [0-10]%.
23. Autogrill considers that the high market share is due to the fact that the parties are active in the three main Irish airports (Dublin alone represents 74% of the total sales in Ireland). Moreover, Autogrill puts forward that concessions are generally granted via bidding process, in which local and international operators take part, and that concessions are not exclusive so the landlord (the airport) can add new concessions within the same airport.
24. The reply from the DAA confirms Autogrill's views that tenders are granted following a transparent but competitive bidding process, where a large number of candidates participate. The DAA also indicates that new entrants have come in the market in the recent past, while others are expected soon, in view of the relatively low barriers to entry. Further to that, plans to extend the terminal facilities in Dublin Airport, in 2008, will increase competition for the granting of new concessions. The DAA finally confirms that at the end of each concession period a new tendering process is foreseen, which can lead to new entrants in the market, especially for the smaller in size concessions.

VI. CONCLUSION

25. 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 (EC) No 139/2004.

For the Commission
(signed)
pp. Janez Potocnik
Neelie KROES
Member of the Commission

⁸ These market shares are calculated estimating a full-year operation of the Shannon concession.