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EUROPEAN COMMISSION
DG Competition

Case M.7862 - TDR CAPITAL / EURO GARAGES

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

Article 6(1)(b) NON-OPPOSITION
Date: 14/01/2016

***In electronic form on the EUR-Lex website under document
number 32016M7862***



EUROPEAN COMMISSION

Brussels, 14/01/2016
C(2016) 214 final

PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Sir/Madam,

**Subject: Case M.7862 – TDR/ Euro Garages
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹ and Article 57 of the Agreement on the European Economic
Area²**

(1) On 1/12/2015, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the TDR Capital ("TDR", United Kingdom) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of Euro Garages ("Euro Garages", United Kingdom) by way of purchase of shares.

1. THE PARTIES

(2) TDR is a private equity firm incorporated under the laws of England and Wales. TDR invests in a number of sectors such as motor fuels retail, gyms and health clubs, conveyor car washes, vacant property services, UK social housing refurbishment services, modular construction, pubs and restaurants, debt purchasing, logistic pallet return, coastal transport, life insurance and UK retirement income products.

(3) Euro Garages (Jersey) Limited is a company incorporated in Jersey and currently owned by [...] and [...] (the "Founders") each of whom holds 50% of its shares.

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.

² OJ L 1, 3.1.1994, p.3 ("the EEA Agreement").

Euro Garages (Jersey) Limited conducts its business through its subsidiary in the United Kingdom, Euro Garages Limited ("Euro Garages").

- (4) Euro Garages is an operator of forecourt services based in the United Kingdom. Euro Garages has a portfolio of 338 petrol filling stations mainly situated in high-density residential locations, business parks or on main/trunk roads carrying a high volume of passing traffic.

2. THE OPERATION

- (5) The proposed transaction consists in acquisition of joint control over Euro Garages (Limited) Jersey by the Founders and TDR ("Transaction"). Particularly, the Transaction will be carried out as follows:
- a. the Founders will each sell their 50% shares in Euro Garages (Jersey) Limited to Bidco, a newly incorporated private limited company, which will, following the Transaction, be the ultimate parent company of Euro Garages (Jersey) Limited;
 - b. Optima Group, ultimately beneficially owned by the investment funds managed by TDR, will be issued (i) [...] of non-voting preference shares, and (ii) [...]; and,
 - c. the Founders will each hold 50% of the ordinary share capital in Bidco which will entitle each of them to [...].

3. THE CONCENTRATION

- (6) Pursuant to the shareholders agreement entered into between the Founders and TDR, [...]. Hence, the Commission concludes that the agreement of both TDR and the Founders will be needed to resolve upon the strategic decision of Euro Garage and therefore both exercise decisive influence over it.
- (7) In light of the foregoing, the transaction consists in the acquisition of joint control over Eurogarages by the Founders and TDR. Therefore, the Transaction constitutes a concentration according to Article 3(1)(b) of the Merger Regulation.

4. EU DIMENSION

- (8) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million³ (TDR EUR [...] million, Euro Garages EUR [...] million). Each of them has an EU-wide turnover in excess of EUR 250 million (TDR EUR [...] million, Euro Garages EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

³ Turnover calculated in accordance with Article 5 of the Merger Regulation.

5. COMPETITIVE ASSESSMENT

- (9) The activities of the portfolio companies managed by TDR do not horizontally overlap with the activities of Euro Garages, with the exception of the provision of car washing services, where both TDR, through its portfolio company "IMO", and Euro Garages are active.
- (10) IMO's key business is in the operation of 836 conveyor car washing sites in 12 European countries (mainly in Germany and the United Kingdom) and in Australia and the USA. IMO has 271 conveyor car washing sites in the United Kingdom.
- (11) Some of Euro Garages forecourts include the provision of car wash facilities. Euro Garages operates on its own accord (with the exception of one of its sites at which the car wash is operated by a third party) both roll-over car washes and jet washes. One or both of these facilities are present at 140 of its United Kingdom sites (or approximately 40% of its sites in total). 57 of Euro Garages' sites have roll-over washes, 51 sites have jet washes, and 32 sites have both a roll-over and jet wash. In addition, a small number of additional Euro Garages sites have vacuum-only facilities (with no car wash).

5.1. Market definition

5.1.1. Product Market definition

- (12) Commercial car washing can be distinguished from private hand car washing, and the prevalence of the latter largely depends on whether the relevant country has particularly stringent environmental regulations. While commercial hand washing is of limited significance in countries where environmental regulations are particularly stringent such as Germany, it is of substantial significance in the United Kingdom where environmental regulations are less stringent.
- (13) The Parties claim that car washing services constitute a separate product market and that this should not be further segmented according to the type of service.
- (14) The Commission did not analyse this market in the past.
- (15) The market investigation carried out broadly indicated that, with regards to the United Kingdom, hand car wash compete on equal footing with automated car washes and customers tend to use both type of services alternatively. According to the competitors contacted, generally customers do not have a preference for one type of car wash over the other. Also, hand car wash and automatic car wash compete for the same costumers.
- (16) Also, the market investigation – with reference to the UK market - indicated that in terms of pricing a basic hand car wash is comparable to an automated car wash. However hand car wash provider may also provide additional services, such as washing the interior of a vehicle, which increases the prices.
- (17) With regards to a possible segmentation according to the type of automated car wash service offered (i.e. jet wash, roll over car washes, conveyor car washes), the market investigation indicated that competitors offer a variety of services at their location and do not specialise in only one type. Also, in terms of prices, the various automated car wash services are comparable.

5.1.2. *Geographic Market definition.*

- (18) The Notifying Party submits that the market for car washing services is national in scope for the following reasons:
- a. First, there is prevalence in the car washing services market of national chains, such as large oil companies, or indeed other specialist car wash companies, such as IMO;
 - b. Second, many car washing facilities have largely overlapping catchment areas, thereby creating “knock-on” pricing effects/chains of substitution.
 - c. Third, for dedicated car wash companies such as IMO, certain competitive parameters tend to be decided at a national level, for example: product ranges, product sourcing, quality and service levels and branding/promotional activities.
- (19) The Parties however submitted a sectorial study which indicates that this market might have a narrower geographic scope: according to this study, customers travel approximately [0-10]km for a commercial car wash.
- (20) The market investigation indicated that it might be appropriate to regard this market as local in scope. According to the competitors responding to the market investigation, customers tend to usually go to a car wash that is close to home or along one of their commuting routes (e.g. to work, to the supermarket or at the supermarket, etc) and will normally not drive more than 15-20 minutes (approximately 8 km) just to get to the car wash. However, depending on the radius of their commuting routes, their usual car wash might not necessarily be close to their home but might instead be closer to their work or other destinations.
- (21) Competitors responding to the market investigation also indicated that albeit big chains (such as oil companies operating forecourts) set the price for car wash services at a national level, local competitive conditions might be taken into account for setting prices at individual locations.
- (22) Therefore, whilst it is plausible to regard the geographic scope of this market to be narrower than national in scope, it might be inappropriate to define it as having a radius of [0-10]km from each car wash site.

5.1.3. *Conclusion on market definition.*

- (23) For the purpose of the assessment of the Transaction the exact product and geographic market definition can be left open given that the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition.

5.2. Competitive Assessment

- (24) If the market for car wash services was to be defined as national in scope, the Transaction would not give rise to any affected market. On this broad market, in

fact, the combined market share of the Parties will be of [0-5]% in number of sites.⁴ If hand car washes were to be excluded for the product market, than the combined market share of the Parties would be of [5-10]% in number of sites.⁵ If the market was to be further segmented according to the specific type of automatic car wash (jet wash, roll over car washes, conveyor car washes), than the activities of the Parties would not overlap.

- (25) On the contrary, if the market was to be defined as local in scope with a catchment area of [0-10]km around each car wash site, the Parties claim that their combined market share would be below 20% in volume. However, due to the intransparency of the market (both in terms of volume, value and number of sites) they cannot provide any estimate in this respect.
- (26) In any event, the Parties claim that the Transaction will not create any competition concern as post transaction the Parties can confirm that for each area in which there is an IMO site and a Euro Garages site with a car wash within [0-10]km driving distance of each other, there will remain at least [...] other independent car wash providers within that same radius.
- (27) If the geographic scope of the market was to be defined narrower than national, taking into account a catchment area of a few kilometres around each car wash site, the market investigation indicated that the market for car wash services is very fragmented. Market participants face competition from a number of players, such as car wash chains, oil companies running petrol stations, supermarkets and a multitude of small independent operators.
- (28) According to the competitors responding to the market investigation hand car washes are the main competitors on this market and are extremely numerous. In general terms there is always at least one hand car wash in a radius of 1-2 Km from each automated car wash site, and more if considering a wider radius.
- (29) If hand car wash service providers were to be excluded from the relevant product market, the merged entity will continue to face a significant number of competitors (such as filling stations, supermarkets and car washes chains) located along the customer's commuting routes.
- (30) Therefore, even in the absence of reliable market share data on a local level, the Commission concludes that post Transaction the merged entity will continue to face significant competitive pressure from a number of players, including independent car wash services operators.
- (31) The market investigation also indicated that there are no significant barriers to entry for hand car wash. In fact there are no specific requirements regarding the location and no significant investment is needed. This is also confirmed by the fact that many hand car wash operators enter (and leave) the market each year.

⁴ Market share for 2014. The Parties indicated that market shares have not substantially changed in the past 3 years.

⁵ Market share for 2014.

- (32) Finally, competitors responding to the market investigation indicated that customers are not brand loyal or loyal to a specific car wash service provider, being more important the quality of the service provided.
- (33) In light of the above, the Commission concludes that post transaction the merged entity will not have any market power on the market for car wash services, irrespective of how the product and geographic market is defined.

5.3. Conclusion

- (34) In light of the above, the Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the internal market as a result of non-horizontal non-coordinated effects.

6. CONCLUSION

- (35) 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 and Article 57 of the EEA Agreement.

*For the Commission
(Signed)
Margrethe VESTAGER
Member of the Commission*