



DETERMINATION OF MERGER NOTIFICATION M/18/006 – VALERO ENERGY (IRELAND) / RIVERSIDE SERVICE STATION

Section 21 of the Competition Act 2002

Proposed acquisition by Valero Energy (Ireland) [Limited] of a motor fuel service station currently operating under the Texaco brand and an associated forecourt convenience store located at Shanganagh Road, Shankill, Co. Dublin

Dated 14 February 2018

Introduction

1. On 26 January 2018, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed acquisition, whereby Valero Energy Corporation (“Valero Energy”), through its wholly-owned subsidiary Valero Energy (Ireland) Limited (“Valero Ireland”) (“collectively “Valero”), would acquire the long-term leasehold interest[s] in, and sole control of, a retail motor fuel service station which currently trades under the *Texaco* brand, and an associated forecourt convenience store which currently trades under the *Daybreak* brand located at Shanganagh Road, Shankill, Co. Dublin (“collectively “the Target Assets”) (the “Proposed Transaction”).

The Proposed Transaction

2. Gerard Marbach, Cheryl Marbach, Benjamin Marbach, and Harvieston Limited (“the Sellers”) currently own the long-term leasehold interests in and sole control of the Target Assets.
3. On 24 January 2018, Valero Ireland and the Sellers entered into a Memorandum of Agreement for sale of the long-term leasehold interests of the Target Assets by private treaty (“the Agreement”). Pursuant to the Agreement, Valero Ireland, is to acquire the long-term leasehold interests and thus sole control of the Target Assets.



4. The parties have informed the Commission that Valero Ireland will [...], following the implementation of the Proposed Transaction. As such, [...]¹ and the retail motor fuel service station will continue to operate under the *Texaco* brand.

The Undertakings Involved

Valero

5. Valero Ireland is a wholly owned subsidiary of Valero Energy Ltd, a private limited company registered in the United Kingdom, which is in turn a subsidiary of Valero Energy. Valero Energy, incorporated under the laws of Delaware, the United States of America, is an international manufacturer and marketer of transportation fuels, petrochemical products and power.
6. In the State, Valero Energy, through Valero Ireland, is involved in the distribution and marketing of fuels, e.g., petrol, diesel and heating oil (marked gasoil (green diesel) and kerosene) under the *Texaco* brand. Valero is active in the marketing of aviation fuel (otherwise known as Jet A1) at Dublin Airport. It currently operates and holds a 50% interest in a joint fuel terminal located at Dublin Port. Valero also issues three branded fuel cards, namely: the Fastfuel Ireland card, the Texaco Diesel card, and the Texaco Fuel card.
7. Valero owns or supplies 130 retail motor fuel service stations in the State. These can be split into the following groups:
 - 116 dealer-owned and dealer-operated (“DoDo”) retail motor fuel service stations, where the dealer has selected *Texaco* as their chosen forecourt fuel brand and Valero as their fuel provider.
 - 14 company-owned and detailer-operated (“CoDo”) retail motor fuel service stations. These are retail motor fuel service stations owned by Valero and operated under lease or license agreements by independent retailers under the *Texaco* brand.

¹ [...]



8. For the financial year ended 31 December 2016, Valero Energy's worldwide turnover was approximately €68.35 billion, of which approximately €[...] billion was generated in the State.

The Target Assets

9. The Target Assets are located at Shanganagh Road, Shankill, Co. Dublin. The Proposed Transaction involves an acquisition by Valero of [the] long-term leasehold interest[s] in the Target Assets. The Target Assets constitute a retail motor fuel service station which currently trades as Riverside service station under the *Texaco* brand, and an associated forecourt convenience store which currently trades under the *Daybreak* brand.
10. For the financial year 31 October 2016, the Target Assets' worldwide turnover was approximately €[...] million, all of which was generated in the State.

Rationale for the Proposed Transaction

11. The notification states:

“The purpose of the Proposed Transaction is for Valero to purchase the service station to secure the supply of its motor fuel into the market. The Proposed Transaction is consistent with Valero's strategy of maintaining its sales volume directly into what is an increasingly competitive market.

The commercial objective sought to be achieved by the Sellers is the sale of Riverside as a going concern to Valero.”

Third Party Submissions

12. No submission was received.

Competitive Analysis

Horizontal Overlap

13. There is a horizontal overlap between the activities of the parties with respect to the retail sale of motor fuels (diesel (DERV), petrol and automotive lubricants) and the operation of forecourt convenience stores in the State. For the reasons set out below, the Commission considers that the Proposed Transaction will not substantially lessen



competition in the potential market for the retail sale of motor fuels and the operation of forecourt convenience stores in any markets in the State.

14. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this case, the Commission considers that there are no strong reasons to depart from its previous approach² to market definition in relation to the retail sale of motor fuels and the operation of forecourt convenience stores for the purpose of assessing the competitive effects of the Proposed Transaction.³
15. In previous determinations, the Commission has followed the approach to geographic market definition adopted by its predecessor, the Competition Authority, which previously found that there are local markets in relation to the retail sale of motor fuels and operation of forecourts. The radius of the local market may vary in size depending on whether the retail motor fuels station and forecourt is located in an urban or a rural location (i.e., a radius of 2 miles/3.2km from a retail motor fuels station and forecourt in an urban location and a radius of 5 miles/8km in a rural location).⁴
16. As stated above, the Target Assets are located at Shanganagh Road, Shankill, Co. Dublin, which is in an urban location. On this basis, the Commission identified a potential local market with a 2 mile/3.2km radius around the Target Assets for the purpose of analysing the likely competitive impact of the Proposed Transaction. Using an isochrone mapping software, 5 retail motor fuel service stations were identified as operating within a 2 mile/3.2km radius of the Target Assets, representing 3 competing fascias/brands, as set out in Table 1 below. Following implementation of the Proposed Transaction, the number of fascias/brands in the potential local market where the Target Assets are

²Please see paragraph 15 in M/17/020 – Maxol/Great Gas (Turvey) which can be accessed at https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/06/M_17_020-Maxol-Great-Gas-Turvey-1.pdf.

³ In relation to the operation of forecourt convenience stores, the Commission has on a number of occasions considered the retail grocery sector, which is comprised of a wide spectrum of outlets. There is a large and varied (in size) number of competitors in the retail sector whose presence will constrain the activities of Valero as an operator of forecourt convenience stores. The Commission therefore decided not to focus further on this potential market in this determination.

⁴ M/16/043 Petrogas Group Limited (Applegreen plc)/Certain Assets of M.K.M.H Limited.
Please see <http://www.ccpc.ie/enforcement/mergers/merger-notices/m16043-petrogas-applegreen-certain-assets-mkmh-limited>.



located will remain unchanged because the Target Assets already operate under the *Texaco* brand.⁵

Table 1: Analysis of the retail motor fuel service stations which are located within a 2 mile/3.2 km radius of the Target Assets

Fascias/Brands	Service station address within a 2 mile/3.2 km radius	Estimated distance from Target Assets (km)
Target Assets (<i>Texaco</i>)	Riverside Service Station, Shanganagh Road, Shankill, Co. Dublin	-
Applegreen	Shankill Road, Shankill, Dun Laoghaire, Co. Dublin	0.59
Applegreen	Ballybrack Service Station, Military Road, Ballybrack, Co. Dublin	1.36
Topaz	Eglington, Bray Road, Cabinteely, Co. Dublin	2.21
Topaz	Centenary Service Station, Bray road, Cabinteely, Co. Dublin	2.40
Topaz	Topaz Beechwood Bray, Dublin Rd, Bray, Co Wicklow	3.0

Source: The Commission based on own estimation and information provided by the parties

17. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in the potential market for the retail sale of motor fuels and operation of forecourts in the local area where the Target Assets are located.

Vertical Relationship

18. Valero is involved in the wholesale distribution of motor fuels to DoDo and CoDo retail motor fuel service stations in the State. All of the Target Assets' current fuel requirements are met and supplied by Valero. Following implementation of the Proposed Transaction, Valero will continue to supply the Target Assets with motor fuel products. Also, there are a number of significant competitors to Valero, such as *Topaz* and *Applegreen* which are currently active in supplying refined fuel products to other retailers in the local area where the Target Assets are located.

⁵ [...].



19. The Commission therefore, considers that the Proposed Transaction will not result in Valero having the ability to foreclose wholesale suppliers of refined fuel products who compete with Valero for the wholesale distribution of motor fuels to DoDo and CoDo retail motor fuel service stations in the local area where the Target Assets are located. For this reason, the Commission considers that the Proposed Transaction will not result in any vertical competition concerns in the local area where the Target Assets are located.

Conclusion

20. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

21. No ancillary restraints were notified.



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition, whereby Valero Energy Corporation, through its wholly-owned subsidiary Valero Energy (Ireland) Limited, would acquire sole control of, a retail motor fuel service station which currently trades under the *Texaco* brand, and an associated forecourt convenience store which currently trades under the *Daybreak* brand located at Shanganagh Road, Shankill, Co. Dublin, will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh
Member
Competition and Consumer Protection Commission