



DETERMINATION OF MERGER NOTIFICATION M/18/023 - PETROGAS GROUP LIMITED (APPLEGREEN PLC)/ LEASEHOLD INTEREST AND CERTAIN ASSETS OF RETAIL SERVICE STATION AT CARRANSTOWN, DULEEK

Section 21 of the Competition Act 2002

Proposed acquisition by Applegreen plc, through Petrogas Group Limited, of sole control of a leasehold interest and certain assets of a retail motor fuel service station at Carranstown, Duleek, Co. Meath.

Dated 29 March 2018

Introduction

1. On 20 February 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 transaction whereby Applegreen plc (“Applegreen”), through its wholly-owned indirect subsidiary, Petrogas Group Limited (“Petrogas”), would acquire sole control of a leasehold interest and certain assets of a retail motor fuel service station at Carranstown, Duleek, Co. Meath (the “Target Assets”) (the “Proposed Transaction”).

The Proposed Transaction

2. Mr. Patrick McArdle currently owns and operates the Target Assets. It is proposed that Petrogas will acquire from Mr. McArdle a leasehold interest, pursuant to a lease agreement, in the retail motor fuel service station (comprising petrol filling station, carwash, forecourt, forecourt convenience store, and restaurants) and will acquire, pursuant to a sale and purchase agreement, certain assets, including fixtures, fittings and stock.
3. At the time of the notification, the parties informed the Commission that they had not yet executed a formal written agreement relating to the Proposed Transaction. The



parties submitted to the Commission, together with the notification, a copy of a draft lease agreement¹ and a copy of a draft sale and purchase agreement between Mr. Patrick McArdle and Petrogas. The Commission considers that the undertakings involved have demonstrated a good faith intention to conclude an agreement for the purpose of section 18(1A)(b)(ii) of the Act.

4. Following completion of the Proposed Transaction, Applegreen, through Petrogas, will acquire sole control of the Target Assets.

The Undertakings Involved

Petrogas

4. Petrogas is a private limited company registered in the State and is a wholly-owned indirect subsidiary of Applegreen. Petrogas' main activity in the State is the operation of a network of retail motor fuel service stations and associated forecourt convenience stores in the State, mainly under the *Applegreen* brand.

Applegreen

5. Applegreen is a public limited company registered in the State. In addition to operating retail motor fuel service stations in the State, Applegreen and its subsidiaries also operate retail motor fuel service stations in the United Kingdom and in the United States, which trade predominantly under the *Applegreen* brand.²
6. As at 31 December 2016, Applegreen had a network of 155³ retail motor fuel service stations in the State, which can be divided into three categories:

¹ The parties have informed the Commission that the lease to be granted to Petrogas will be for a term of [...].

² From its annual report for year ending 31 December 2016, Applegreen operated 77 retail motor fuel service stations in the United Kingdom and 11 in the United States.

³ This number has increased since 31 December 2016. The Commission is aware that Applegreen has made a number of retail motor fuel service station acquisitions since December 2016. In particular on 16 March 2017, the Commission approved the acquisition by Applegreen of sole control over certain assets of Excol Limited and Mr J. McCormack, constituting three retail motor fuel service stations and associated forecourt convenience stores situated in Co. Sligo and Co. Leitrim (please see <http://www.ccpc.ie/enforcement/mergers/merger-notices/m17007-petrogas-applegreen-certain-assets-excol-j-mccormack>); and on 28 April 2017, the Commission approved the acquisition by Applegreen of sole control of certain assets of Westmeath Motors Limited, constituting a retail motor fuel services station and associated forecourt convenience store located on Dublin Road, Mullingar, Co. Westmeath (please see <http://www.ccpc.ie/enforcement/mergers/merger-notices/m17016-petrogas-applegreen-certain-assets-westmeath-motors>).



- a. 80 company-owned and company-operated (“CoCo”) sites, which sell retail motor fuel along with a forecourt convenience store and one or more food offerings;
 - b. 27 service area sites, which are larger than normal retail motor fuel service stations and located in areas where there is heavy traffic or in urban areas. They include a large area with ample parking and sell fuel (i.e., truck filling stations in addition to retail fuel for cars) along with a forecourt convenience store and three or four food offerings. Nine of the twenty seven service area sites are motorway service areas, which are located either on or adjacent to a motorway;⁴ and
 - c. 48 dealer-owned and dealer-operated (“DoDo”) retail motor fuel service stations, whereby Applegreen supplies motor fuel to the independent dealers under solus supply agreements between Applegreen and the relevant dealer. At these stations, the *Applegreen* brand is used on the pumps and forecourt canopy, whilst the forecourt convenience store offering and revenue remain under the control of the dealer.
7. All of Applegreen’s CoCo retail motor fuel service stations within the State have forecourt convenience stores offering grocery goods, coffee and hot food. Applegreen has a number of strategic partnerships with international food and beverage brands, notably *Burger King*, *Costa Coffee*, *Lavazza*, *Freshii*, *7-Eleven*, *Greggs*, *Chopstix* and *Subway*, which operate on a franchise basis at Applegreen service stations.

⁴ Six of these sites (such as, for example, on the M1 at Lusk, on the M1 at Castlebellingham and on the M4 at Enfield) are operated by Superstop Limited (“Superstop”) pursuant to a 25-year concession from the National Roads Authority. Superstop is indirectly owned by Petrogas, Tedcastles Oil Products Unlimited Company and Pierser Group Unlimited Company, each of which has a 33.3% indirect shareholding in Superstop. The balance of these sites are company owned, company operated.



8. For the financial year ended 31 December 2016, Applegreen's worldwide turnover was approximately €1.18 billion, of which approximately €693.4 million was generated in the State.

The Target Assets

9. The Target Assets consists of a leasehold interest in a single service station (comprising petrol filling station, carwash, forecourt, convenience store and restaurant) located at Carranstown, Duleek, Co. Meath, together with certain assets, including fixtures, fittings and stock. The Target Assets currently trade under the *Great Gas* brand.
10. [...].
11. For the financial year ended 30 September 2016, the Target Assets' turnover was [...], all of which was generated in the State.

Rationale for the Proposed Transaction

12. Applegreen state the following in the notification:

"The commercial rationale for the Proposed Transaction is to extend Applegreen's network of retail service stations in line with Applegreen's growth strategy...."

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 for the retail sale of motor fuels and the operation of forecourt convenience stores in the State.

14. The Target Assets consist of certain assets and the leasehold interest in a single service station (comprising petrol filling station, carwash, forecourt, convenience stores and restaurants) located at Carranstown, Duleek, Co. Meath. There are currently an estimated 1,783 service stations operating in the State⁵. Applegreen has an estimated share of the supply of retail motor fuel in the State, of approximately [...] % by volume and of approximately [...] % by number of sites.⁶
15. 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 approach 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.⁷
16. In previous determinations, the Commission has followed the approach to geographic market definition adopted by its predecessor, the Competition Authority (the “Authority”), which previously found that there are potential local markets in relation to the retail sale of motor fuels. The Authority analysed local markets, which vary in size depending on whether the retail motor fuel service station is located in an urban or a rural location (i.e., a radius of 3.2km from a retail motor fuel service station in an urban location and a radius of 8km in a rural location). For purposes of assessing the Proposed Transaction, the Commission has followed the same approach in

⁵ Source: Provided by the parties based on Experian Catalist Fuel Report 2017.

⁶ Source: Provided by the parties based on the Experian Catalist Fuel Report 2017.

⁷ 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 Applegreen as an operator of forecourt convenience stores. (See, for example, M/17/011 – Maxol/Melia’s Harold’s Cross available at: <http://ccpc.ie/enforcement/mergers/merger-notices/m17011-maxolmelias-harolds-cross>). The Commission therefore decided not to focus further on this potential market in this determination.



subsequent decisions and used isochrones analysis as a screening method to identify potential competition concerns.⁸

Isochrones Analysis

17. The retail motor fuel service station located on Carranstown, Duleek, Co. Meath is in an rural setting. On this basis, the Commission has identified a potential local market comprising a 8km radius around the Target Assets for the purpose of analysing the likely competitive impact of the Proposed Transaction.
18. Applegreen currently owns and operates one retail motor fuel service station and associated forecourt convenience store located within a radius of 8km of the Target Assets⁹. Therefore, there is a competitive overlap between Applegreen and the Target Assets within a radius of 8km from the Target Assets. There are also two Topaz stations, two Maxol stations, one Tesco service station and one Top station in this radius, details of which are presented in Table 1 below.

Table 1: Analysis of the retail motor fuel service stations which are located within a radius of 8km of the Target Assets.

Brand	Service station location	Distance from the Target Assets
Great Gas	The Target Asset -Carranstown, Duleek, Co. Meath	0 km
Topaz	Dublin Road, Drogheda Co. Louth	6.9km
	The Mell, Drogheda, Co. Louth	7.9km
Maxol	Duleek Street, Drogheda, Co. Louth	6.1km
	Donore Road, Drogheda, Co. Louth	5.4km
Applegreen	George's Street, Drogheda	6.8km
Top	Donore Road, Newgrange Business Park, Drogheda, Co. Louth	5.4km

⁸ See, for example, M/17/011 – Maxol/Melia's Harold's Cross available at <https://www.ccpic.ie/business/mergers-acquisitions/merger-notifications/m17011-maxolmelias-harolds-cross/>

⁹ For completeness, Applegreen also operates two stations to the north of Drogheda town at Newfoundwell Road and Hardmans Gardens, which are located 8.3 km and 8.1 km from the Target respectively. Maxol and Topaz similarly operate service stations in north Drogheda at Ballymakenny Road (8.5 km from the Target) and North Road (8.2 km from the Target) respectively.



Tesco	Donore Road, Newgrange Business Park, Drogheda, Co. Louth	5.3km
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Source: The Commission based on own estimation and information provided by the parties in the Notification.

19. Table 1 above shows that, prior to the implementation of the Proposed Transaction, there are six brands, including *Great Gas*, the brand under which the Target Assets operate, of retail motor fuel service stations located within a 8km radius of the Target Assets.
20. The number of brands of retail motor fuel service stations, within a 8km radius of the Target Assets, will change from six to five following implementation of the Proposed Transaction. There will be an increase from one to two of the number of retail motor fuel service stations which operate under the *Applegreen* brand within the identified potential local market post-transaction. The Commission considers that there will remain four competing brands that will continue to exert a competitive constraint on Applegreen following implementation of the Proposed Transaction.
21. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition for the retail sale of motor fuels in the potential local area where the Target Assets are located

Vertical Relationship

22. The Target Assets currently buys its motor fuel products from Great Gas Petroleum (Ireland) Limited. Following implementation of the Proposed Transaction, Applegreen will supply the Target Assets with motor fuel products. There are currently a number of significant competitors of Applegreen, such as TOP, Maxol and Topaz, which are currently active in the supply of refined fuel products to other retailers located within a radius of 8km of the Target Assets.
23. In the light of the above, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.



Conclusion

23. 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

24. 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 Applegreen plc, through its wholly-owned indirect subsidiary Petrogas Group Limited, would acquire sole control of a leasehold interest and certain assets of a retail motor fuel service station at Carranstown, Duleek, Co. Meath 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

Pat Kenny
Member
Competition and Consumer Protection Commission