



DETERMINATION OF MERGER NOTIFICATION M/21/055 – ERAC IRELAND/WALKER VEHICLE RENTALS

Section 21 of the Competition Act 2002

Proposed acquisition by ERAC Ireland Limited of Walker Vehicle Rentals Limited

Dated: 18 November 2021

Introduction

1. On 11 October 2021, 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 ERAC Ireland Limited (“ERAC”) would acquire the entire issued share capital of Walker Vehicle Rentals Limited (including its subsidiary Walker Vehicle Rentals (NI) Limited) (“Walker”) (the “Proposed Transaction”).

The Proposed Transaction

2. The Proposed Transaction is to be implemented by way of a share purchase agreement dated 7 October 2021 between Killeen Commercials Limited (the “Seller”), and three private individuals (Declan Malone, Francis Cunningham and David McCormack) who indirectly own and control the Seller, and ERAC (the “SPA”). Under the terms of the SPA, ERAC will acquire the entire issued share capital, and thus sole control, of Walker from the Seller.
3. Certain entities within the wider Walker group will not be acquired by ERAC as part of the Proposed Transaction. In advance of the Proposed Transaction, the Seller will conduct an internal reorganisation. This will involve the splitting out of Eastcrest Limited (which will be retained by the Seller and which houses the Walker road sweeping fleet business) and Walker’s wholly-owned direct subsidiary Walker Commercial Vehicles Limited (which will also be retained by the Seller and which houses the Walker ‘Heavy Goods Vehicle’ (“HGV”) sales business.¹
4. [...].²

¹ Eastcrest Limited is a private company limited by shares registered under company registration number 219905. Eastcrest Limited is jointly controlled by Francis Cunningham and David McCormack.

² [...]



5. As such it is intended that the business of Walker, when acquired by ERAC, will consist of: (a) a commercial vehicle rental business (in both the State and Northern Ireland); and (b) an HGV aftersales business [...].

The Undertakings Involved

The Acquirer – ERAC

6. ERAC is 100% owned by Enterprise Holdings Inc. (“Enterprise”), a global provider of motor vehicle rental services in approximately 100 countries around the world. Enterprise is 100% owned by The Crawford Group Inc., a privately-owned company which has its headquarters in Saint Louis, Missouri, United States.³ Worldwide, Enterprise provides the following motor vehicle rental services: car rental, car sharing, truck rental, fleet management, van pooling and other forms of motor vehicle rental. Enterprise’s main brands are *Enterprise Rent-A-Car*, *Alamo Rent a Car*, and *National Car Rental*. Enterprise’s main focus is on car rental, predominantly short-term rental (sometimes called “daily rental”) to individuals as well as businesses.
7. In the State, Enterprise’s subsidiary ERAC is primarily engaged in car rental and operates the *Enterprise Rent-A-Car* and *Dooley Car Rentals* brands. ERAC provides car rental services from 24 sites in the State and has a fleet of approximately [...] vehicles in the State.
8. For the financial year ending 31 July 2021, Enterprise’s worldwide turnover was approximately €20 billion, of which €[...] was generated in the State.

The Target – Walker

9. Walker is a provider of vehicle rental services for businesses on the island of Ireland. Walker provides to businesses a variety of vehicles for rental including Light Commercial Vehicles (“LCVs”), HGVs and specialist vehicles.⁴ Walker has all-island coverage with two locations in Dublin, one location in each of Cork, Limerick and Wexford, and one location in Co. Antrim in Northern Ireland.
10. Walker provides vehicle rental services using its fleet of approximately [...] LCVs, [...] HGVs and [...] specialist vehicles. Walker has a particular focus on vehicles used in particular sectors, such as tractor units, skip loaders, waste collection trucks, tippers, hook loaders, tankers, and

³ [...].

⁴ A specialist vehicle is defined as any vehicle modified to perform a specific function, e.g. an ambulance.



municipal vehicles. It also provides more standard LCVs (e.g., refrigerated and standard vans) and HGVs (e.g., 7.5-26 tonne box body trucks, curtain side trucks, refrigerated trucks). Walker's largest customers are local authorities and waste companies. Vehicles are rented on a "vehicle rental" or "contract hire" basis.⁵

11. Walker is active across the island of Ireland and supplies the same services in Northern Ireland that it supplies in the State. Walker has no activities outside the island of Ireland.
12. For the financial year ending 31 December 2020, Walker's worldwide turnover was €[...], of which €[...] was generated in the State.

Rationale for the Proposed Transaction

13. The parties state the following in the notification:

"This acquisition is a foundational one for Enterprise. [...]. It enables Enterprise to become the total mobility provider it aims to be across the entire globe."

Third Party Submissions

14. No third-party submissions were received.

Competitive Assessment

Horizontal Overlap

15. There is a horizontal overlap between the activities of the parties as they are both active in the supply of LCV rental services to businesses.
16. Enterprise supplies cars for rental to consumers but Walker does not. Walker supplies HGVs and specialist vehicles for rental in the State but Enterprise does not. Similarly, Walker supplies aftersales and repair services to third-party vehicle-owners but Enterprise does not. Therefore, these are not areas of overlap in the State. Table 1 below outlines the areas of overlap and non-overlap between the parties:

Table 1: Areas of overlap and non-overlap between the parties.

| Service | Enterprise | Walker |
|---------------------|------------|--------|
| Car rental services | Yes | No |

⁵ [...].



| | | |
|--|-----|-----|
| LCV rental services to businesses | Yes | Yes |
| HGV and specialist vehicle rental services | No | Yes |
| Aftersales and repair services to third party vehicle-owners | No | Yes |

Source: The parties.

Product Market Definition

17. In the notification, the parties submit that the relevant product market can be left open, but that the Commission may wish to analyse the Proposed Transaction in respect of (i) short-term (including flexible) LCV rental services, and (ii) long term LCV rental services.⁶
18. The Commission has also previously considered the LCV rental sector in *M/18/033 Johnson & Perrott/National Truck Rental*,⁷ in which it conducted its competitive assessment by reference to:
 - (i) the provision of short-term LCV rental services; and
 - (ii) the provision of long-term LCV rental services respectively.
19. In *M/18/033 Johnson & Perrott/National Truck Rental*, the Commission also considered the decision of the UK Competition and Markets Authority (the “CMA”) in *ME/6807/19 Enterprise Rent-A-Car UK Limited/S.H.B Hire Limited*,⁸ in which the CMA assessed the overlap in the provision of LCV rental services by reference to a flexible rental duration.
20. Flexible rental has similar characteristics to short term rental as it allows for the return of vehicles at short notice compared to longer term contracts. The parties submit that flexible rental is more substitutable from the customer point of view with short-term rental of LCVs than long-term. Enterprise considers its *Flex-E-Rent* offering competes with short-term fixed duration rental offerings of its competitors and the average duration of a *Flex-E-Rent* rental is [...] days. The line is also increasingly blurred as providers of these services innovate – such as [...], which includes both fixed-term and flexible-term elements. Therefore, the parties submit that flexible rental should be included within the Commission’s previously analysed segment of short-term rental of LCVs. The parties’ flexible rental contracts can last longer than one year and, in that case, they might be considered part of a possible long-term rental market; however, this is not typical [...].

⁶ [...]

⁷ The text of this determination is available at the following link: https://www.cpc.ie/business/wp-content/uploads/sites/3/2018/05/M.18.033-Johnson-Perrott-National-Truck-Rental_Public.pdf

⁸ The text of this decision is available at the following link: <https://assets.publishing.service.gov.uk/media/5d0279c0ed915d0a814ae766/Enterprise-SHB-FINAL.pdf>



Therefore, the Commission has included flexible rental in its analysis of the provision of short-term rental of LCVs to businesses.

21. In light of the above, the Commission has analysed the impact of the Proposed Transaction with reference to the following potential markets:

- (i) The provision of LCV rental services to businesses;
- (ii) The provision of short-term (including flexible) LCV rental services to businesses; and
- (iii) The provision of long-term LCV rental services to businesses.

Geographic market definition

22. The Commission does not need to form a definitive view with respect to the relevant geographic market in this instance since its conclusion on the competitive impact of the Proposed Transaction will be unaffected whether the relevant geographic market is defined narrowly (i.e. the State) or more broadly (i.e. the island of Ireland).

23. In *M/18/033 Johnson & Perrott/National Truck Rental*, the Commission assessed the likely competitive effects of the transaction in respect of the State.

24. The Commission has found no reason to depart from its previous approach. Accordingly, for the purposes of assessing whether the Proposed Transaction might result in a substantial lessening of competition, the Commission has analysed its impact by reference to the State.

Competitive Assessment

LCV rental services to businesses

25. Table 2 below outlines the estimated fleet size and corresponding shares of the parties and their competitors in respect of the provision of LCV rental services to businesses in the State in 2020.

Table 2: Estimated fleet size and shares (by fleet size) in respect of the provision of LCV rental services to businesses in the State in 2020.

| Provider | Fleet estimate | Share |
|--|----------------|--------|
| Enterprise (Flex-E-Rent) | [...] | 0-5% |
| Walker | [...] | 5-10% |
| Combined | [...] | 5-10% |
| Northgate Vehicle Hire Ireland (“Northgate”) | [...] | 20-30% |



| | | |
|--|-------|-------------|
| Galway Plant & Tool Hire Limited (“GPT”) | [...] | 5-10% |
| Avis Fleet Services (“Avis”) | [...] | 5-10% |
| National Truck Rental Company Limited (“National”) | [...] | 5-10% |
| Europcar Ireland (“Europcar”) | [...] | 0-5% |
| ALD Automotive Ireland (“ALD”) | [...] | 0-5% |
| Hertz Fleet Limited | [...] | 0-5% |
| Irish Van Rentals (Executive Trust Limited) | [...] | 0-5% |
| Sixt Leasing Ireland | [...] | 0-5% |
| Value Van Rentals Limited | [...] | 0-5% |
| Budget Car and Van Rental | [...] | 0-5% |
| Dan Ryan Truck Rental Limited | [...] | 0-5% |
| Murphy’s Truck and Van | [...] | 0-5% |
| Petit Forestier Ireland Limited | [...] | 0-5% |
| Cork Rent-a-Van | [...] | 0-5% |
| Commercial Fleet Truck Rental Limited | [...] | 0-5% |
| Independent operators | [...] | 10-20% |
| Total | [...] | 100% |

Source: The parties’ estimates.⁹

26. As is evident from Table 2, the parties estimate their combined share in respect of the provision of LCV rental services in the State in 2020 to be approximately 5-10%.
27. Following completion of the Proposed Transaction, Enterprise will continue to face competition from a significant number of large and smaller competitors in the provision of LCV rental services to businesses in the State, such as those listed in Table 2.
28. Finally, the parties submit that switching costs are low in the provision of LCV rental services to businesses (both short-term and fixed-term). Vehicles are owned by the rental provider and the contracts can be terminated at short notice for flexible rental arrangements, and at a defined point in time for fixed term contracts. Customers commonly use multiple providers of rental

⁹ The parties have followed the approach noted in the Commission’s decision in *M/18/033: Johnson & Perrott/National Truck Rental*, where “...the parties calculated the share of supply estimates in their responses by reference to the number of light commercial vehicles estimated to belong to each player on the relevant segments...”



vehicles and can therefore easily switch by increasing their business with one provider and decreasing with another.

29. The potential markets for (i) short-term (including flexible) LCV rental services to businesses in the State and (ii) long-term LCV rental services to businesses in the State are considered in further detail below.

Short-term (including flexible) LCV rental services to businesses in the State

30. Table 3 below outlines the parties' estimated fleet sizes and corresponding market shares in respect of (i) short-term (including flexible) LCV rental services to businesses in the State, and (ii) long-term LCV rental services to businesses in the State.

Table 3: Estimated fleet size and shares (by fleet size) in respect of the provision of (i) short-term (including flexible) LCV rental services to businesses in the State, and (ii) long-term LCV rental services to businesses in the State in 2020.

| Provider | Fleet estimate (short-term incl. flexible) | Share | Fleet estimate (long-term) | Share |
|-----------------|--|-------|----------------------------|---------------|
| Enterprise | [...] | 0-5% | [...] | 0-5% |
| Walker | [...] ¹⁰ | 0-5% | [...] | 10-20% |
| Combined | [...] | 0-5% | [...] | 10-20% |

Source: The parties' estimates.

31. As outlined in Table 3, the parties estimate their combined share in respect of the provision of short-term (including flexible) LCV rental services to businesses in the State to be approximately 0-5%, with an increment of 0-5%.
32. Following completion of the Proposed Transaction, Enterprise will continue to face competition from a number of significant competitors in respect of short-term (including flexible) LCV rental services to businesses in the State, including Northgate, ALD, GPT and National in particular.
33. Further, as shown in Table 3, Enterprise tends to focus more on short-term LCV rental services to businesses, while Walker focuses more on long-term LCV rental services to businesses. The

¹⁰ Approximately [...] of Walker's LCVs are used for vehicle replacement purposes (e.g. if a rented vehicle is taken off the road) and therefore do not generate revenue for Walker. These vehicles have been included in the short-term fleet, notwithstanding that they are provided as replacements only and are not rented out.



parties' activities in respect of the provision of LCV rental services to businesses in the State may be regarded as complimentary to one another.

34. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in respect of the provision of short-term (including flexible) LCV rental services to businesses in the State.

Long-term LCV rental services to businesses in the State

35. As outlined in Table 3, the parties estimate their combined share in respect of the provision of long-term LCV rental services to businesses in the State to be approximately 10-20%.
36. Following completion of the Proposed Transaction, Enterprise will continue to face competition from a number of significant competitors in respect of long-term LCV rental services to businesses in the State, including Northgate, GPT, Avis and Europcar in particular.
37. As previously outlined in Table 3, Enterprise focuses more on short-term (including flexible) LCV rental services to businesses rather than long-term LCV rental services to businesses, whereas Walker is primarily focused on long-term LCV rental services to businesses. There is a significant difference in the duration of short-term contracts which have an average duration of less than one year and long-term rentals which have a duration of [...] years.
38. In light of the above, the Commission considers that the Proposed Transaction does not raise any horizontal competition concerns in respect of the provision of long-term LCV rental services to businesses in the State.

Vertical Relationship

39. The parties have stated in the notification that there is no vertical relationship between Enterprise and Walker in the State. Providers based in the State acquire vehicles from vehicle manufacturers and are not typically vertically integrated. The Commission has not identified any vertical relationship between the parties.
40. In light of the above, the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion on Competitive Assessment

41. 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

42. The parties state in the notification that Clause 14.2 of the SPA contains several non-compete and non-solicitation provisions of two years' duration, which the parties consider to be directly related and necessary to the implementation of the Proposed Transaction.
43. The Commission notes that the restrictions referred to by the parties appear to be contained in Clauses 14.2(a) – 14.2(e) of the SPA. The duration of the restrictive covenants in Clause 14.2(a) – 14.2(e) of the SPA does not exceed the maximum duration acceptable to the Commission.¹¹ The Commission considers these non-solicitation and non-compete obligations to be directly related to and necessary for the implementation of the Proposed Transaction insofar as they relate to the State.

¹¹ In this respect the Commission follows the approach adopted by the European Commission in paragraphs 20 and 26 of its Notice on restrictions directly related and necessary to concentrations (2005) OJ C56/03. For more information see: [http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=EN).



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 ERAC Ireland Limited would acquire the entire issued share capital of Walker Vehicle Rentals Limited (including its subsidiary Walker Vehicle Rentals (NI) Limited), 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