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Completed acquisition by PHS of Albany Facilities Limited and  
Capital Hygiene Service Limited

ME/5196/11 and ME/5234/11

The OFT's decision on reference under section 33(1) given on 12 January 2012.  
Full text of decision published 1 February 2012.

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**Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.**

## **PARTIES**

1. **Personnel Hygiene Services Limited** and its parent company PHS Group plc (jointly, '**PHS**') provide a range of workplace services in the UK, Spain and the Republic of Ireland, including workplace washroom services through the PHS Washrooms division, washroom products through the PHS Direct division and commercial mat services through the PHS Treadsmart division.
2. **Albany Facilities Limited ('Albany')** provided workplace washroom services and products and commercial mat services mainly from a depot in Rayleigh, Essex. In the financial year ended 30 June 2010, Albany's UK revenues were around £[ ] million.
3. **Capital Hygiene Services Limited ('Capital')** provided workplace washroom services and products and commercial mat services from depots in Basildon, Essex and Tamworth, Staffordshire. In the financial year ended 31 March 2011, Capital's UK revenues were around £[ ] million.

## **TRANSACTIONS**

4. On 6 May 2011 PHS acquired Albany (the '**Albany Transaction**') and on 27 September 2011 PHS acquired Capital (the '**Capital Transaction**') (jointly, the '**Transactions**').

## **JURISDICTION**

5. Each of the Transactions is a separate relevant merger situation, as set out below. However, as both Transactions concern the same acquiring party, markets and administrative timetable, the OFT discusses both Transactions in this decision simultaneously.

### **Albany Transaction**

6. As a result of the Albany Transaction, PHS and Albany ceased to be distinct. These enterprises overlap in the supply of workplace washroom services with a combined share of supply exceeding 25 per cent (see paragraph 33 below). The share of supply test in section 23 of the Enterprise Act 2002 (the '**Act**') is therefore met. Therefore, the OFT believes that it is or may be the case that the Albany Transaction has resulted in the creation of a relevant merger situation.
7. The Albany Transaction was not publicised by PHS or Albany, although Albany's customers were informed shortly after completion of the Albany Transaction on 6 May 2011 and on 22 August 2011 PHS arranged for visitors to the main Albany website to be redirected to a message on the PHS website stating that PHS and Albany had merged. Further, the Albany Transaction was not, as far as the OFT can ascertain, mentioned in the press. The OFT launched an own-initiative merger investigation on 8 September 2011 after receiving a complaint from a third party.
8. The OFT therefore believes that, in line with its published guidance,<sup>1</sup> material facts about the Albany Transaction were not 'made public' such as to start the four month statutory clock under section 24 of the Act following the completion of the Albany Transaction. Rather, notice of material facts about the Albany Transaction were given to the OFT by PHS on 22 September 2011 in response to the OFT's enquiry letter of 8 September 2011. Following an extension under section 25(2) of the Act, the statutory deadline is 1 March 2012. The administrative deadline is 12 January 2012.

### **Capital Transaction**

9. As a result of the Capital Transaction, PHS and Capital ceased to be distinct. These enterprises overlap in the supply of workplace washroom

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<sup>1</sup>*Mergers – jurisdictional and procedural guidance* (OFT527), June 2009, paragraph 3.45.

services with a combined share of supply exceeding 25 per cent (see paragraph 33 below). The share of supply test in section 23 of the Act is therefore met. Therefore, the OFT believes that it is or may be the case that the Capital Transaction has resulted in the creation of a relevant merger situation.

10. When the OFT learned about the Capital Transaction from PHS on 4 October 2011, this Transaction had not (yet) been publicised by PHS or Capital. Following an extension under section 25(2) of the Act, the statutory deadline is 14 February 2012. The administrative deadline is 12 January 2012.

## **MARKET DEFINITION**

11. The merged parties overlap in the provision of products and services to satisfy workplace washroom requirements and dust control mat requirements. The parties do not overlap in the manufacture of washroom products or mats nor in the provision of cleaning services. There is also an overlap between the parties in the provision of other workplace services (in particular laundry services not related to washrooms, legionella control services and data shredding services), but these workplace services are not further discussed in this decision as Albany's and Capital's revenues from these services were minimal.

### **Workplace washroom requirements**

#### *Product market*

12. The merged parties provide a range of products and services to equip workplace washrooms as well as washrooms on commercial premises such as pubs and restaurants. The products consist of equipment (for example, soap dispensers, toilet roll holders and hand dryers) and consumables (for example, soap, toilet tissues and paper hand towels). Customers can purchase their washroom products by, for example, getting them delivered by a supplier such as the merged parties or by buying them themselves from a cash-and-carry wholesaler. Customers can also obtain the products under a service contract, which covers the installation and maintenance of equipment (provided as a rental or free on loan) and its regular re-stocking with consumables by a service provider such as the merged parties. Customers may also outsource the provision of their washroom

requirements to a third party that also supplies non-washroom services, such as a facilities management company or a contract cleaning company.

#### Sale of washroom products and provision of washroom services

13. PHS submitted that the sale of washroom products and the provision of washroom services form part of the same market. It submitted that market research conducted for PHS independently of the Transactions shows that, although customers are likely to have a preference for either method depending on their size (businesses are more likely to use washroom service providers as their employee numbers and estate size increases), both supply methods are used by businesses of all sizes. PHS submitted that this suggests that there is demand-side substitution between the two methods. PHS further submitted that there is supply-side substitution, as most suppliers both offer washroom products for sale and provide washroom services under contract and, if they do not, they would not face significant obstacles to move into the other method.
14. However, third-party comments on this point were mixed. Most customers using a washroom services provider indicated that they did not consider direct purchase to be a suitable alternative for satisfying their requirements. There were also some customers that used a different supplier for purchasing products, including for example cleaning companies and janitorial supply companies that do not offer washroom services.
15. Whilst third-party comments suggested that the sale of washroom products does not impose a strong constraint on the provision of washroom services, responses revealed little about the reverse constraint, that is, that of the provision of washroom services on the sale of washroom products. It is therefore possible that an asymmetric constraint exists; that is, the sale of washroom products is constrained by the provision of washroom services, but not vice versa. Given that the focus of the investigation was on the provision of washroom services rather than the sale of washroom products (in view of the parties' shares of supply, as set out below), the OFT did not seek to assess the extent of this constraint.
16. The OFT's starting point is to take the narrowest plausible candidate market in which merger parties overlap, then to consider whether this may be widened through demand-side substitution and, if appropriate, supply-

side substitution.<sup>2</sup> In this case, although the market research submitted by PHS suggests a degree of demand-side substitution, the OFT does not consider this on its own forms sufficient evidence to conclude that there is a strong constraint going either way between the provision of washroom services and the sale of washroom products. Given this, and the mixed third-party comments, the OFT took a cautious approach and did not consider demand-side substitutability to be sufficiently strong such that the supply of one segment should be widened to include the other.

17. The OFT further considers that supply-side factors do not point to a combined market.<sup>3</sup> Third-party comments indicated that each method tends to entail a different business model, as the sale of washroom products can be achieved through one or a small number of sites while washroom services require a denser network of facilities because of the need for regular site visits (this difference also affects the geographic scope of the market – see further at paragraphs 22 and 23 below). Further, although the largest providers of washroom services also sell washroom products, there is a significant number of firms that sell washroom products without providing washroom services. This was indicated by customers (see paragraph 14 above) and is shown by the significant difference in PHS's share of supply in the sale of washroom products and the provision of services (see paragraphs 33 and 34 below).
18. The OFT has therefore considered the sale of washroom products as a distinct market from the provision of washroom services. However, as the Transactions do not raise competition concerns in either the separate markets or a combined market, as set out below, it was not necessary for the OFT to reach a conclusion on the exact scope of the relevant product market in this respect.

#### Types of washroom products and services

19. PHS submitted that it was not appropriate to distinguish between different types of washroom products and services. Although there is clearly no demand-side substitutability between some of these (for example, soap

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<sup>2</sup> See *Merger Assessment Guidelines*, paragraphs 5.2.6 to 5.2.19.

<sup>3</sup> There are circumstances where the OFT may aggregate two or more narrow relevant markets into one broader one on the basis of considerations about the response of suppliers to changes in prices. This applies when the same firms compete to supply these different products and the conditions of competition between the firms are the same for each product (*Merger Assessment Guidelines*, paragraph 5.2.17).

cannot be used to replace paper towels), PHS submitted that customers require a range of types to maintain their washrooms to the required standard and that suppliers almost without exception offer all types required for washrooms. This, together with the greater efficiency of having a single supplier service the entire washroom rather than several suppliers, suggests there is a degree of demand-side complementarity. This was confirmed by third parties, which indicated that most customers obtain washroom services from one provider. Evidence on the sale of washroom products was more mixed, however, with some customers indicating that they use different suppliers to purchase different types of products.

20. It may therefore be appropriate to aggregate the potentially significant number of narrow relevant markets for different types of washroom services into one broader one for all washroom services, based mainly on demand-side complementarity and supply-side factors (in particular the fact that generally the same firms supply all washroom services<sup>4</sup>), but it is less clear that this also applies to washroom products. The OFT has considered the competition impact of the Transactions in the provision of washroom services and the sale of washroom products overall. It has not needed to conclude on the precise scope of the product market in respect of different types of washroom services and washroom products, because, as set out below, the Transactions do not raise concerns in relation to the provision of washroom services and the sale of washroom products generally and the OFT has not received any evidence to suggest that the merged parties' position is significantly different for any individual types of services or products.

### *Geographic market*

21. PHS submitted that, although most competition takes place at a regional level, there is a national market as conditions of competition between regions are similar and regional suppliers are able to expand into neighbouring regions in response to a price increase. It also noted that Albany, despite its base in Essex, had customers outside of the South East of England.
22. The OFT considers that there appears to be a difference in the geographic scope of the market between the sale of washroom products and the provision of washroom services. The OFT considers competition in the sale

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<sup>4</sup> See footnote 3 above.

of washroom products is likely to be national. Many competitors stated that they sell washroom products throughout the UK from a single site and PHS itself has only two sites (in Glasgow and near Birmingham). This is possible as the supply of these products requires only a single trip (as noted at paragraph 17).

23. In contrast, the provision of washroom services requires regular visits (generally between once a week and once a month) to refill washroom equipment with consumables and empty disposal units. Providers also often offer same-day callout services for faulty equipment. Both PHS and its main nationally active competitors have several depots spread across the UK. Both PHS and its competitors stated that the size of the catchment area of depots varied according to, for example, customer density. One supplier stated that its depots were placed such that most of its customers were within a 90-minute drive time. Other suppliers indicated catchment areas of 80 to 100 miles.
24. The main impact of the Transactions is in the South East of England. This is where both Albany and Capital had depots, alongside PHS. Albany also rented storage facilities in Milton Keynes and Camberley (Surrey), but PHS stated that Albany used these facilities only for the temporary storage of small quantities of stock. Further, although Capital also had a depot in the Midlands, it had only opened this in 2010 and achieved only around [ ] per cent of its turnover from this depot. The large majority of both Albany's and Capital's turnover was achieved in London (around [ ] and [ ] per cent respectively), followed by Essex (around [ ] and [ ] per cent respectively) and Bedfordshire/Hertfordshire (around [ ] and [ ] per cent respectively). PHS achieved around [ ] per cent of its total washrooms services turnover from the four depots closest to Albany's and Capital's Essex depots (located in Wickford (Essex), Edmonton, Hayes and Camberwell (all in London)).
25. The OFT therefore considered the impact of the Transactions on the provision of washroom services in the areas where most of Albany's and Capital's turnover was achieved, that is, the South East of England and in particular London and Essex. Because, as set out below, the Transactions did not raise competition concerns either on a national basis or in these areas, the OFT did not need to conclude on the precise scope of the geographic market for these services.

## *Conclusion*

26. The OFT has considered the impact of the Transactions on the sale of washroom products at a national level and on the provision of washroom services in the South East of England, in particular London and Essex. The OFT has further considered the impact on a combined market for washroom products and services.<sup>5</sup>

### **Provision of dust control mats**

27. The merged parties overlap in the supply of dust control mats, which are placed at building entrances or elsewhere in buildings to trap dirt. Similar to washroom products, there are two main methods to supply mats: they can be supplied under serviced rental contracts, with the mat supplier regularly collecting and laundering the mats, and they can be purchased by customers, who can then arrange for cleaning by their contract cleaners or textile laundry companies. Albany and Capital were active in the supply of dust control mats under serviced rental contracts.

### *Product market*

28. PHS submitted that both methods of mat supply are in the same market. It submitted that the fact that the majority of mats are purchased rather than rented (it estimated this at just over 80 per cent) shows that purchasing mats is a suitable alternative for taking out serviced rental contracts and that the prices of purchased mats will constrain the prices of serviced rental contracts. However, third-party comments were mixed on this point. While most competitors stated that many customers consider purchase and rental alternative options, some competitors stated that at least some customers will prefer renting mats. Also, some customers stated that the frequent use of mats and the need to keep their buildings clean meant that they strongly preferred serviced rental contracts for mats.

29. The OFT also considered whether dust control mats form part of a wider commercial mat market that includes other types of mats, such as bar and kitchen area mats (to help prevent slips), industrial area mats (to provide a

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<sup>5</sup> In previous cases with national and sub-national aspects of competition, the OFT has also considered whether separate markets may exist for 'national' customers (for example, OFT decisions *Rentokil Initial plc/pest control, fire and water businesses of Connaught plc (Santia branded businesses)*, 13 June 2011 (paragraphs 10-11) and *GB Oils Limited/Pace Fuelcare Limited*, 24 June 2011 (paragraph 12) and). In the present case, this was not necessary, as neither Albany nor Capital served 'national' customers to any material extent.

safer working surface) and other specialist mats. Although there is unlikely to be demand-side substitutability, there may be supply-side factors pointing towards a wider market, in particular the commonality of suppliers.

30. However, it was not necessary for the OFT to reach a conclusion on the precise scope of the product market, as the Transactions do not raise competition concerns on even the narrowest candidate market for the serviced rental of dust control mats, as set out below.

#### *Geographic market*

31. PHS submitted that, for the same reasons as for the provision of washroom services, the supply of serviced rental of commercial mats is a national market. However, as for washroom services, third-party comments were mixed. Most competitors stated that they supplied regional catchment areas from their depots, with the size of the area varying on, for example, the density of customers. Estimates of catchment areas ranged from 100 miles to 150 miles, and more in rural areas.
32. As for washroom services, the main impact of the Transactions is in the South East of England. The OFT has therefore considered the supply of mats in this area, in particular in London and Essex. As the Transactions did not raise competition concerns in these areas, as set out below, the OFT did not need to conclude on the precise scope of the geographic market in this respect.

## **UNILATERAL EFFECTS**

### **Workplace washroom requirements**

#### *Shares of supply*

33. PHS estimates that its share in the sale of washroom products (independent of the provision of washroom services) is around [5-15] per cent, with Albany's and Capital's shares both below [one] per cent. This is based on a total market of around £[ ] million, which PHS notes in fact underestimate the size of the market as this may not include some purchases from, for example, cash-and-carry wholesalers. PHS submitted that it faces a range of competitors, which not only include its washroom services competitors such as those listed in Table 1 below but also suppliers that do not provide washroom services, such as Bunzl, Kimberly-

Clark and SCA Hygiene. Third parties confirmed that PHS faces competition from these suppliers. Given PHS's relatively low share in the sale of washroom products, the very small increments to its share resulting from the Transactions and the significant number of competitors, the OFT has not considered the sale of washroom products further. This also applies to a possible combined market for washroom products and washroom services, in view of these factors and the conclusion the OFT has reached below in relation to washroom services.

34. For the provision of washroom services, PHS's estimates of the UK shares of supply of the merged parties and their main competitors are set out in Table 1 below.

**Table 1: Provision of washroom services in the UK in 2011**

<b>Company</b>	<b>Turnover (£m)</b>	<b>Share (per cent)</b>
PHS <sup>6</sup>	[ ]	[30-40]
Albany	[ ]	[0-5]
Capital	[ ]	[0-5]
<b>Merged firm</b>	[ ]	<b>[30-40]</b>
Cannon	[ ]	[10-20]
Rentokil Initial	[ ]	[10-20]
Sunlight <sup>7</sup>	[ ]	[5-15]
Cathedral	[ ]	[0-10]
Others	[ ]	[15-35]
<b>Total</b>	[ ]	<b>100</b>

Source: PHS estimates. The estimates of competitors' turnover figures is for 2010.

35. PHS's estimate of the size of the market of £[ ] million is based on market research conducted for PHS by [ ] independently of the OFT's investigation of the Transactions. The OFT also received estimates of the market size from two of PHS's competitors. One of these estimates was roughly in line with PHS's estimate. The other estimate is significantly lower than PHS's estimate but the OFT believes it is too low based on the turnover figures the OFT received for PHS and its main competitors.

<sup>6</sup> PHS's turnover and share do not include Direct Hygiene, which PHS acquired in September 2011. At the time of this decision this acquisition is the subject of a separate OFT investigation. The increase in PHS's shares resulting from the inclusion of Direct Hygiene is in any case minimal at around or below [one] per cent.

<sup>7</sup> PHS noted that [ ].

36. PHS was unable to provide estimates of the merged parties' shares on a regional basis. The OFT calculated a rough guide to the value of the provision of washroom services in the most affected areas, in particular London and Essex, by comparing the value of output in these areas with the total UK value of output<sup>8</sup> and applying the resulting percentages to the national value of the provision of washroom services. Based on this calculation, PHS's share in these areas appears to be below its national share, while the combined share of Albany and Capital in all of the affected areas is likely to be below 10 per cent, with the exception of Essex where it appears to be between 10 and 15 per cent. That the merged parties' combined share is not significantly different from their national share, and may in fact be lower, is supported by third-party comments that there is higher density of providers active in the South East.
37. The merged parties' combined national share of [30-40] per cent in the provision of washroom services is considerably larger than its competitors. The increment to PHS's share resulting from the Transactions, however, is relatively low: [0-five] per cent from Albany and [0-five] per cent from Capital. Although the OFT could not obtain reliable estimates of the merged parties' shares in (areas within) the South East of England, rough approximations suggest that their combined regional shares are not significantly, if at all, lower than their national shares. However, as set out below, there are a number of factors to allay any significant competition concerns.

#### *Alternative suppliers*

38. PHS submitted that it faced competition from a significant number of other providers of washroom services, including in the South East of England. This was confirmed by third parties, with several also stating that there is a greater density of providers in the South East. In addition to the providers listed in Table 1 above, providers active in the South East include for example Mayflower Washrooms, Simply Washrooms, Essential Washrooms and Liberty Hygiene. Several competitors also specifically confirmed that they provided services in Essex, where both Albany's and Capital's main depots were located and their combined share appeared to be highest.
39. Several third parties (both customers and competitors) noted that PHS is the strongest provider of washroom services in the UK following several

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<sup>8</sup> Based on regional accounts of the Office for National Statistics.

acquisitions in recent years, but some third parties added that new companies are often started up, for example by staff from providers acquired by PHS.

#### *Closeness of competition*

40. All three of the merged parties offered similar services. Both Albany and Capital operated mainly from depots in Essex, although PHS does not have a specific focus on the South East of England. Third-party comments on closeness of competition between the merged parties were mixed. Several third parties stated that the merged parties were close competitors, including some customers that stated that they would have considered switching between them. However, some third parties noted that PHS is a national supplier while Albany and Capital are regional suppliers, with some customers stating that they felt that PHS, as a large, national supplier, could not provide the same level of service for small or medium-sized customers compared with smaller, regional suppliers such as Albany and Capital.
41. One competitor believed that Capital was a national supplier alongside PHS, Cannon, Initial and Direct (now also acquired by PHS) and that the Capital Transaction, as well as PHS's acquisition of Direct, had therefore significantly reduced the number of national suppliers.<sup>9</sup> However, as noted above, although Capital had depots in two different areas of the UK and therefore covered more than one region, the large majority of its turnover was achieved in the South East of England. Although it is likely this can be partly explained by the fact that its depot in the Midlands was only set up in 2010, it is not clear that even two fully active depots would have made it a national supplier like PHS, Cannon and Initial. The OFT notes that Capital's turnover was significantly smaller than the turnover of these suppliers. Further, Capital did not have any national account customers.
42. It therefore appears that the merged parties were not particularly close competitors, except that Albany and Capital were both active in the South East.

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<sup>9</sup> As noted at footnote 6 above, at the time of this decision PHS's acquisition of Direct is the subject of a separate OFT investigation, in which the OFT is considering, among other things, the closeness of competition between PHS and Direct. However, the OFT notes that Direct has significantly smaller revenues than PHS, Cannon or Initial.

### *Ease of switching*

43. PHS submitted that the ease with which its customers can switch forms a significant constraint on its ability to exercise market power. It stated that [ ]. Market research conducted for PHS independent of the Transactions shows that [ ].
44. Most competitors confirmed that it was easy for customers to switch. Customer comments about switching were mixed. Some customers stated that they would not switch in response to a small price increase. This may be explained, at least partly, by the suggestion from one competitor and one customer that smaller customers may be reluctant to switch due to the small value of washroom services contracts for these customers, as this means that the gain from switching would be relatively small and not worth the risk of disruption to the service provision.

### *Conclusion*

45. The merged parties' combined share in the provision of washroom services is around [30-40] per cent at a national level; it is likely they hold a similar share in (areas within) the South East of England. Although this combined share is relatively high, the low national shares of Albany and Capital suggests neither Albany nor Capital were a significant constraint to PHS nationally. Moreover, the OFT found that there are still several alternative suppliers, including in the South East, and that customer switching appears to be easy. No customers were concerned about the impact of the Transactions in the provision of washroom services and competitor concern was very limited. The OFT also notes that none of the former Albany and Capital customers it contacted had encountered a price increase by PHS after the Transactions, despite the fact that the Albany Transaction took place around four months before the OFT made its first contact with PHS (see paragraph 7 above).
46. Taking all of these factors into account, the OFT considers that after the Transactions the merged firm continues to face sufficient competitive constraints to reach the conclusion that the Transactions do not give rise to a realistic prospect of a substantial lessening of competition ('**SLC**'), even in the narrowest plausible market for the provision of washroom services in (areas within) the South East.

## Serviced rental of commercial mats

### *Shares of supply*

47. PHS's estimates of the shares of supply of the merged parties and their main competitors in the supply of serviced rental contracts for commercial mats in the UK are set out in Table 2 below.

**Table 2: Shares of supply of serviced rental for commercial mats in the UK in 2011**

<b>Company</b>	<b>Share (per cent)</b>
PHS <sup>10</sup>	[15-30]
Albany	[below one]
Capital	[below one]
<b>Merged firm</b>	<b>[15-30]</b>
Sunlight	[10-30]
Rentokil Initial	[5-15]
Johnsons Apparelmaster	[0-10]
Cannon	[0-5]
UK Mats	[0-5]
Others	[25-35]
<b>Total</b>	<b>100</b>

Source: PHS estimates.

48. The percentage shares in Table 2 are calculated on the basis of a market size estimate of £[ ] to £[ ] million. As for washroom services, this estimate is based on market research conducted for PHS by [ ] independently of the OFT's investigation of the Transactions. The estimates of competitors' shares were also calculated in the course of this market research. The estimates of the merged parties are based on their actual turnover (around £[ ] million for PHS, £[ ] million for Albany and £[ ] million for Capital).
49. The figures in Table 2 include the serviced rental of all commercial mats, because PHS was unable to provide estimates for the narrower supply of serviced rental of dust control mats. PHS was also unable to estimate shares on a regional basis. However, the OFT notes that the increment in

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<sup>10</sup> PHS's turnover and share do not include Direct Hygiene, which PHS acquired in September 2011. As noted above, this acquisition is the subject of a separate OFT investigation. Direct Hygiene's turnover in the supply of commercial mats was in any case negligible.

PHS's share is so small that even in such a smaller market this increment is still likely to be small. Nevertheless, although the merged parties' combined share at a national level is significantly below 40 per cent and the increment is likely to be small, the OFT could not exclude competition concerns on the basis of PHS's share in Table 2, as the market on which this share is measured is not the narrowest plausible market. Below the OFT therefore considers other factors to assess the competition impact of the Transactions.

#### *Other factors*

50. Several customers stated that as a result of the Transactions they would be faced with only a small number of alternative serviced mat rental suppliers to PHS. While some of these customers indicated that they were concerned about this, others were satisfied with the remaining alternatives available to them. A few competitors also raised a concern about the limited number of suppliers following the Transactions.
51. PHS submitted, however, that it continued to face strong competition from a large number of suppliers. In addition to those listed in Table 2 above, PHS identified several suppliers that were active nationally and in the South East of England. PHS noted that serviced mat rental is provided not only by dedicated mat companies but also as an ancillary service by washroom services companies (like Albany and Capital) and textile maintenance and laundry companies. Competitor comments confirmed that several suppliers offering serviced mat rental were active in the South East, including Essex where Albany's and Capital's depots were located. PHS also stated that [ ].
52. The OFT also notes that serviced mat rental suppliers, including PHS, are likely to face a constraint from the ability of customers to purchase mats and have them laundered by, for example, textile laundry companies or cleaning companies. The relatively small value of serviced mat rentals compared with the purchase of mats (see paragraph 28 above) suggests that this is an option that is used by many customers.

#### *Conclusion*

53. Although the merged parties' combined share in the serviced rental of dust control mats is unclear, their share for all commercial mats is around [15] to [30] per cent. The increment in PHS's share as a result of the Transactions is small. Despite concerns from some third parties about the

lack of alternative suppliers after the Transactions, the OFT found that PHS continued to face competition from several suppliers, both nationally and in (areas within) the South East of England. PHS is also likely to face a constraint from the ability of customers to purchase mats and have them laundered. Taking all of these factors into account, the OFT considers that the Transactions do not give rise to a realistic prospect of an SLC, even in the narrowest plausible market for the serviced rental of dust control mats in (areas within) the South East.

## **BARRIERS TO ENTRY**

54. PHS submitted that barriers to entry in the washroom industry are low. This was confirmed by most competitors. PHS also provided some examples of entry in the past five years, including in the South East of England. The OFT also notes that Capital was a relatively recent entrant, as it started its business in 2004 and opened its depot in the Midlands in 2010. However, as the Transactions do not give rise to concerns over unilateral effects, there is no need for the OFT to reach a conclusion regarding barriers to entry.

## **THIRD-PARTY VIEWS**

55. Third-party views have been discussed above where relevant. No customers and very few competitors raised concerns in relation to washroom services. In relation to dust control mats, some customers and competitors expressed a concern about the reduction in alternative suppliers as a result of the Transactions, but several other customers and competitors were not concerned.

## **ASSESSMENT**

56. The merged parties overlap in the provision of products and services to satisfy workplace washroom requirements and dust control mat requirements.
57. The merged parties' combined share in the provision of washroom products (independent of services) was small at around [5-15] per cent. Their combined share in the provision of washroom services is higher at around [30-40] per cent at a national level and a likely similar share in (areas within) the South East of England, where both Albany and Capital had a

depot and where their revenues were concentrated. PHS is also significantly larger than its competitors.

58. Despite the parties' combined share in the provision of washroom services, the OFT found that there are still several alternative suppliers, including in the South East, and that customer switching appears to be easy. No customers were concerned about the impact of the Transactions in the provision of washroom services and competitor concern was very limited.
59. As regards the serviced rental of dust control mats, the OFT did not obtain an estimate of the merged parties' share of supply. However, their combined share for all commercial mats is around [15] to [30] per cent. The increment in PHS's share as a result of the Transactions is very small. Despite concerns from some third parties about the lack of alternative suppliers after the Transactions, the OFT found that PHS continued to face competition from several suppliers, both nationally and in (areas within) the South East of England. PHS is also likely to face a constraint from the ability of customers to purchase mats and have them laundered.
60. Consequently, the OFT does not believe that it is or may be the case that the Transactions have resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

## **DECISION**

61. The Transactions will therefore **not be referred** to the Competition Commission under section 33(1) of the Act.

## **END NOTE**

1. The OFT clarifies that PHS's submission referred to in paragraphs 28 and 52 is, more accurately described, that the majority of businesses (estimated at just over 80 per cent) do not use serviced rental contracts for mats.