



DETERMINATION OF MERGER NOTIFICATION M/15/024 - PETROGAS GROUP / KNOCKMITTEN PETROLEUM

Section 21 of the Competition Act 2002

Proposed acquisition by Petrogas Group Limited of Certain Assets of Knockmitten Petroleum Limited

Dated 30 June 2015

Introduction

1. On 21 May 2015, in accordance with section 18(1) of the Competition Act 2002, as amended¹ (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction whereby Petrogas Group Limited (“Petrogas”) would acquire sole control over certain assets, being five fuel retail service stations (i.e. fuel forecourts) with associated convenience stores, (collectively “the Target Assets”) from Knockmitten Petroleum Limited (“Knockmitten Petroleum”).

The Proposed Transaction

2. The Target Assets comprise three leasehold interests and two freehold interests in fuel retail service stations (i.e. fuel forecourts) with associated convenience stores. The leasehold interests relate to service stations located in: Foxford, Co. Mayo; Tulsk, Co. Roscommon; and Mackney, Ballinasloe, Co. Galway. The freehold interests relate to service stations located in Athleague, Co. Roscommon and Knappagh, Westport, Co. Mayo.
3. Knockmitten Petroleum previously leased the five sites comprising the Target Assets to Highway Retail Limited which operated the five sites as retail service stations and convenience stores. All five sites have recently ceased trading.
4. On 19 May 2015, Petrogas and Knockmitten Petroleum entered into a Contract for Sale in relation to the two freehold interests in retail service stations and an Agreement for Lease in relation to the three leasehold interests in retail service stations.

¹ It should be noted that the Competition and Consumer Protection Act 2014 made a number of important amendments to the merger review regime set out in the Competition Act 2002.



The Undertakings Involved

The Acquirer

5. Petrogas is an Irish registered company with its registered office at Block 17, Joyce Way, Parkwest, Dublin 12. The main activity of Petrogas in the State is the retail sale of motor fuels through a network of 103 service stations across the country, mainly under the Applegreen brand. In addition, all of Petrogas' service stations have convenience retail stores, offering grocery goods, coffee and hot food. These include franchises operated by Applegreen in respect of the following brands: Burger King, Costa Coffee, Greggs, Chopstix and Subway.
6. The 103 retail service stations owned by Petrogas in the State can be divided into three groupings:
 - a. 81 company owned and company operated (co-co) sites, which generally sell retail motor fuel along with a convenience store and one or two food offerings;
 - b. 8 motorway service areas (msa), located either on or adjacent to a motorway. These are larger than normal service stations and generally sell fuel (i.e. truck filling stations in addition to retail fuel for cars) along with a convenience store and three or four food offerings.²
 - c. 14 dealer owned and dealer operated (do-do) retail filling stations, where Petrogas provides motor fuel to the independent dealers under solus agreements and the pumps and forecourt canopy are branded Applegreen, whilst the convenience store offering remains under control of the dealer.
7. Petrogas Global Limited ("Petrogas Global") is the ultimate parent of Petrogas. Petrogas Global and its subsidiaries also operate fuel forecourts outside of the State, trading predominantly under the Applegreen brand, in the UK and the USA³.
8. In the financial year ended 31 December 2013, Petrogas Global had a worldwide turnover of €804.6 million, of which €480.5 million was generated in the State.

The Vendor

9. Knockmitten Petroleum is an Irish registered company with its registered office at Unit 6, Knockmitten Business Park, Knockmitten Lane, Dublin 12.
10. Knockmitten Petroleum is a property holding company that acts as a landlord receiving rents from leased properties. As such, Knockmitten Petroleum leased the five retail sites that constitute the Target Assets to Highway Retail Limited. Until recently, Highway Retail Limited (which no longer has any beneficial interest in the properties) operated the five sites as retail service stations and convenience stores. All five sites have recently ceased trading.

² Such as on the M1 Lusk, M1 Castlebellingham and M4 Enfield and which are run by Superstop Limited ("Superstop") pursuant to a 25-year concession from the National Roads Authority. The shareholdings in Superstop are indirectly held by Petrogas, Tedcastle Oil Products and Pierse Contracting.

³ Currently, Petrogas Global operates 57 service stations in the UK and 4 in the USA.



The Target Assets

11. It is proposed that Petrogas will acquire sole control over the Target Assets of Knockmitten Petroleum. The Target Assets consist of three leasehold interests and two freehold interests in retail service stations with related forecourt convenience stores and are located as follows:
- Athleague Service Station, Roscommon Road, Co. Roscommon (freehold);
 - Ballinasloe Service Station, Mackney, Ballinasloe, Co. Galway (leasehold);
 - Foxford Service Station, Ballina Road, Foxford, Co. Mayo (leasehold);
 - Tulsk Service Station, Tulsk Cross, Co. Roscommon (leasehold); and
 - Westport Service Station, Knappagh, Westport, Co. Mayo (freehold).
12. Until recently, all five service stations operated Texaco branded forecourts and Londis branded convenience stores. As noted above, none of these service stations and convenience stores are currently trading.
13. In the year ended 31 December 2013, turnover attributable to the Target Assets was approximately €[...], the entirety of which was generated in the State. The turnover per site was as follows:

Table 1 Turnover (in €) generated in 2013 at each of the Knockmitten Retail Filling Stations

Target site	Turnover 2013
Athleague Service Station	€[...]
Ballinasloe Service Station	€[...]
Foxford Service Station	€[...]
Tulsk Service Station	€[...]
Westport Service Station	€[...]

Rationale for the Proposed Acquisition

14. The notification states:

“It is proposed to extend the reach of Petrogas into areas in Ireland from which it does not currently trade. It would be proposed to brand the new sites with the company’s retail brand ‘Applegreen’.”

Third Party Submissions

15. No submission was received.



Competitive Analysis

16. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define precise relevant markets.
17. None of the sites comprising the Target Assets is currently trading. All five sites previously operated as fuel retail filling stations (i.e. fuel forecourts) under the Texaco banner with associated Londis convenience stores. Because the sites in question are not currently in operation and as such are no longer branded, all five sites are classed for the purposes of the present analysis as independent (unbranded) retailers, with details as follows:

Table 2 Detailed Information for each Knockmitten Retail Filling Station

Site	Address	Product Types	Fuel Storage (ltr)	No of pumps	Convenience store main products
Athleague Service Station	Roscommon Road, Co. Roscommon	Unleaded	27,000	4	Cigarettes
		Diesel	27,000	4	Deli
		Marked Gas Oil	9,000	2	Confectionery
		Kerosene	18,000	4	
Ballinasloe Service Station	Mackney, Ballinasloe, Co. Galway	Unleaded	23,000	4	Cigarettes
		Diesel	23,000	4	Confectionery
		Marked Gas Oil	9,000	1	Soft Drinks
Foxford Service Station	Ballina Road, Foxford, Co. Mayo	Unleaded	40,000	4	Cigarettes
		Diesel	60,000	8	Deli
		Marked Gas Oil	9,000	1	Confectionery
Tulsk Service Station	Tulsk Cross, Co. Roscommon	Unleaded	27,000	4	Cigarettes
		Diesel	27,000	4	Deli
		Marked Gas Oil	4,500	2	Confectionery
		Kerosene	4,500	2	
Westport Service Station	Knappagh, Co. Mayo	Unleaded	20,000	6	Cigarettes
		Diesel	30,000	6	Deli
		Marked Gas Oil	9,000	2	Confectionery
		Kerosene	30,000	2	

18. There are two horizontal overlaps in the activities of the parties within the State:
- with regard to the retail sale of motor fuel (petrol and diesel); and
 - with regard to convenience retail stores (retail grocery stores)⁴ associated with retail service stations.

⁴ Retail grocery stores are sometimes categorised into various types of store and/or shopping experience such as 'one stop', 'top-up' or 'convenience'. The larger chains of retail stores, such as Dunnes Stores, Supervalu and Tesco, are sometimes categorised as 'multiplies', whereas other, typically smaller, retail chain stores, such as Centra, Londis and Spar are sometimes categorised as 'symbols'. Aldi and Lidl are frequently referred to as 'discounters' and smaller stores such as Daybreak, and smaller Londis



19. Petrogas operates 103 motor fuel retail service stations in the State, (i) 81 of which are owned and operated by Petrogas (co-co), (ii) 6 of which are run as motorway service areas in conjunction with Tedcastle Oil Products and Pierse Contracting under a concession from the National Roads Authority⁵ and (iii) 14 of which are owned by independent dealers who have selected Petrogas as their chosen fuel supplier⁶. All 103 of Petrogas' service stations have associated convenience retail outlets⁷.
20. The narrowest product market affected by the proposed transaction is the retail sale of motor fuels (petrol and diesel) with associated forecourt convenience stores. The Commission, however, does not need to come to a definitive view on the precise relevant product market since its conclusion on the competitive impact of the proposed transaction will be unaffected whether the precise relevant product market is narrow (e.g., the retail sale of motor fuels with associated forecourt convenience stores) or broader to encompass retail grocery stores in general.
21. Similarly, the Commission does not need to come to a definitive view on the precise relevant geographic market since its conclusion on the competitive impact of the proposed transaction will be unaffected whether the precise relevant geographic market is local, regional, or national. However, in order to determine whether the proposed transaction might result in a substantial lessening of competition, the Commission analysed its impact by reference to the narrowest possible relevant product and geographic markets (being the market for retail sale of motor fuels with associated forecourt convenience stores in the areas in which each of the five sites comprising the Target Assets are located). The results of the analysis are set out in paragraphs 22 to 30 below.
22. As already mentioned, the proposed transaction involves the acquisition by Petrogas of five of Knockmitten's retail fuel service stations, with associated convenience stores, situated in Athleague, Ballinasloe, Foxford, Tulsk and Westport.
- Athleague
23. Athleague Service Station is situated on the N63 main road between Roscommon and Tuam. There are a number of retail filling stations⁸ in Roscommon town, which is less than 9km from Athleague. There are also a number of retail grocery stores⁹ in Roscommon and surrounding areas. The nearest Petrogas Service Station to Athleague is located in Athlone, a distance of approximately 30km.

and Spar stores, are categorised as 'convenience' stores. Convenience stores that are situated within a fuel filling station (fuel forecourt) is often referred to as forecourt convenience stores.

⁵ <http://superstop.ie/>

⁶ Based on data from Catalist Experian, the parties estimate that Petrogas holds a market share of approximately 12% of the market for the retail sale of fuel nationally and the Target Assets less than 1% of such a market.

⁷ Forecourt convenience stores also compete with other retail grocery outlets, such as Centra, Spar, Londis and Costcutter, as well as larger multiples, such as Tesco, Dunnes and SuperValu. Petrogas estimates that its market share on the market for retail convenience goods in the State is under 2% and that of the Target Assets is significantly below 1%. It must be noted that in *M/11/022 – Musgrave/Superquinn* the Competition Authority did not define product markets either in terms of types of shopping behaviour (e.g., 'one stop', 'top-up' or 'convenience') or in terms of business models (e.g., independent, franchise or vertically integrated).

⁸ Frenchpark Service Station, Gulf Service Station and Walsh's Service Station.

⁹ Such as Casey's Centra and the Spar in Roscommon and the Spar in Creggs, Co. Roscommon.



- Ballinasloe
24. There are a number of retail fuel service stations¹⁰ within 2km from Ballinasloe Service Station and there are also a number of retail grocery stores¹¹ in the area. The nearest Petrogas Service Station to Ballinasloe is located in Athlone, a distance of approximately 29km.
- Foxford
25. Besides Foxford Service Station, which is on the Ballina Road in Foxford, there is also an Esso filling station with a forecourt convenience store on the Swinford Road in Foxford, as well as a Centra convenience store in Foxford. The nearest Petrogas Service Station to Foxford is located in Swinford, which is a distance of approximately 19km.
- Tulsk
26. Tulsk Filling Station is situated close to the N5 / N61 crossing in Tulsk, Co. Roscommon. There is a filling station in Strokestown, approximately 11km away and there is a filling station in Elphin, which is approximately 9km away. As well as the forecourt convenience stores at both these filling stations, there is also a Spar convenience store in Elphin. The nearest Petrogas Service Station to Tulsk is located in Athlone, a distance of approximately 50km.
- Westport Service Station
27. There are a number of retail fuel service stations¹² within 8km from Westport Service Station, which is situated in Knappagh, Westport, Co. Mayo and there are also a number of retail grocery stores¹³ in the area. The nearest Petrogas Service Station to Westport Service Station is located in Swinford, Co. Mayo, which is a distance of approximately 53km.
28. In all of the above areas of overlap, there are a large and varied (in size) number of competitors whose presence will constrain the activities of the merged entity post-transaction.
29. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

30. No ancillary restraints were notified.

¹⁰ Garbally Oil, Burkes Filling Station, Corrib Oil, Emo Oil, Maxol, Topaz, Adfuels and Tesco Service Station.

¹¹ Such as a Spar, SuperValu, Costcutter, Shop Express and Centra.

¹² Maxol, TOP, Esso, Corrib Oil, Emo Oil, Topaz and Texaco.

¹³ Such as two Spar Stores and The Harbour Store on The Quay in Westport, Co. Mayo.



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 Petrogas Group Limited would acquire sole control over certain assets, being five fuel retail service stations (i.e. fuel forecourts) with associated convenience stores, of Knockmitten Petroleum 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

Gerald FitzGerald
Member
Competition and Consumer Protection Commission