



DETERMINATION OF MERGER NOTIFICATION M/17/042 – DIESEL CARD IRELAND (RADIUS) / DIRECT FUELS

Section 21 of the Competition Act 2002

Proposed acquisition by Diesel Card Ireland Limited (a wholly-owned subsidiary of Radius Payment Solutions Limited) of sole control of Direct Fuels Limited

Dated 29 August 2017

Introduction

1. On 20 July 2017, 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 (“the Proposed Transaction”) whereby Diesel Card Ireland Limited (“DCI”), a wholly-owned subsidiary of Radius Payment Solutions Limited (“Radius”), would acquire the entire issued share capital and thus sole control of Direct Fuels Limited¹ (“the Target”).

The Proposed Transaction

2. Each of DCI and Mr. Kieran Dunne (“the Vendor”) currently hold 50% of the Target’s issued share capital. The Proposed Transaction is to be implemented by way of a share purchase agreement (“SPA”) between DCI and the Vendor dated 30 June 2017. The Proposed Transaction would involve DCI acquiring the remaining 50% shareholding in the Target from the Vendor, resulting in DCI acquiring sole control of the Target.

The Undertakings Involved

DCI

¹ As part of the Proposed Transaction, it is envisaged that DCI would also acquire the entire issued share capital of Fuel Plus Cards Limited, a subsidiary of the Target.



3. DCI is a wholly-owned subsidiary of Radius, a private limited company registered in the United Kingdom. Radius and its subsidiaries (the “Radius Group”) operate in eleven countries across Europe, including the State, in which the Radius Group issues own-brand fuel cards and is a reseller of oil company-branded fuel cards.
4. Fuel cards are used by commercial fleet operators to acquire fuel (and some related products and services, e.g., goods from forecourt shops) on account and are accepted at forecourts in fuel stations. They offer a convenient payment mechanism for customers as an alternative to payment by cash or credit card. Fuel cards are issued by independent operators, supermarkets and oil companies.
5. The Radius Group, through DCI, operates the largest fuel card network in the State, providing fuel cards which are accepted at over 1,400 service stations across the island of Ireland, as well as services to oil companies and fuel distributors.
6. The Radius Group also provides outsourcing or “white label” services² to third party fuel card issuers and provides telematics services³ to customers. The Radius Group provides outsourcing or “white label” services to fuel card issuers operating in the State, for example, the CSC group of companies. Moreover, the Radius Group, through DCI, provides white label card services to other major oil companies and fuel distributors in the State, including[...], [...]and [...]. Other complementary services, including telematics services, primary toll devices and VAT and duty refunding services, are also provided by the Radius Group in the State.
7. The Radius Group’s worldwide turnover for the financial year ended 31 March 2017 was €2.2 billion. The Radius Group’s turnover in the State in 2016, excluding its share of the Target’s turnover, was €[...].

The Target

² Outsourcing or “white label” services include services such as sales and marketing; card and PIN protection and card issuing; transaction authorisation and collection; data processing and velocity checking; invoicing and direct debiting; credit vetting and management; web-based customer services; and management accounting reporting services.

³ Telematics services include services such as vehicle tracking; fuel usage management; driver management; and scheduling services.



8. The Target is a seller of DCI's portfolio of fuel cards and is based in the State. The portfolio includes the *Direct Fuels*-branded card (which contains the *DCI* logo) and the *Texaco Fastfuel*-branded card. In addition, the Target supplies the Radius Group's *Kinesis*-branded telematics service and a telematics service produced by a third party, *Transpoco Limited*.
9. The Target is a private limited company registered in the State and currently has two shareholders, namely DCI and the Vendor. Each shareholder currently holds 50% of the Target's issued share capital.
10. The Target's turnover in its most recent financial year (2016) was €36.2 million all of which was generated in the State. Of this figure, around €[...] was generated from the sale of telematics services.

Rationale for the Proposed Transaction

11. The parties state in the notification that:

“Kieran Dunne intends to retire from the business and thus wishes to dispose of his interest in Direct Fuels. As his co-owner, the Radius Group is a natural prospective purchaser. From the Radius Group's perspective, the Proposed Transaction offers it a chance to consolidate its interest in Direct Fuels while also enabling Kieran Dunne to retire.”

Third Party Submissions

12. No submission was received.

Competitive Analysis

13. 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 the precise relevant markets because doing so will not alter the Commission's assessment of the likely competitive effects of the Proposed Transaction in the State. However, for the purpose of its competitive analysis, the Commission assessed the potential effects of the Proposed Transaction in relation to the potential markets for (a) the provision of fuel card services in the State, and (b) the provision of telematics services in the State.



14. The Commission notes that, in many instances, a change from joint control to sole control of an undertaking may not result in any significant anti-competitive impact since the acquirer already exercises some degree of control over the undertaking in the relevant market. However, where the acquirer and the target undertaking compete with each other, there is a possibility that, post-acquisition, the competitive incentives of the parties may be adversely affected such that competition concerns may arise.

Horizontal Overlap

Fuel card services

15. Both of the Radius Group (through DCI) and the Target act as suppliers of fuel cards to customers for use on the island of Ireland.

16. The Radius Group acts as issuer of the following fuel cards:

- i) The *EDC*-branded fuel card, which is a pan-European fuel card that can be used in 21 countries across Europe, including the State. The *EDC*-branded fuel card can be used at over 600 locations in the State;
- ii) Esso's (ExxonMobil) European commercial fuel card⁴. This fuel card is also available in the State;
- iii) The *DCI*-branded fuel card which is accepted at over 850 service stations in the State and over 1,100 service stations on the island of Ireland; and,
- iv) The *Fuel Plus*, *Fuel Wise* and *Direct Fuels*-branded fuel cards (through DCI).

17. The Radius Group also resells (through DCI) the *Esso*- and *Topaz*-branded fuel cards in the State.

18. The Target sells the following fuel cards which are issued by DCI:

⁴ From 1 December 2014, the Radius Group has engaged in this activity via a joint venture.



- i) The *Direct Fuels*-branded fuel card, which can be used across 1,100 sites in the State and in the United Kingdom; and
 - ii) The Texaco *Fastfuel*-branded fuel card, which can be used across 400 locations in the State. This card accounts for [...] % of the Target's annual turnover in its most recent financial year.
19. The fuel cards sold by DCI and by the Target are primarily targeted at customers operating in the State, whereas the Radius Group's *EDC*-branded fuel card is targeted at customers making international journeys.
20. The parties submit that there are no barriers to switching from one fuel card supplier to another. The parties also argue that it is possible for a customer to hold a fuel card from any number of suppliers at any one time.
21. The Commission has found that fuel cards are provided by independent operators such as the Radius Group and also by supermarkets and oil companies. The technology used in payment card systems is widely available and the reduction in infrastructure and overhead costs means that there are no insurmountable barriers to entry in the provision of fuel cards by retailers and oil companies.
22. 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 fuel card services in the State.

Telematics services

23. The Radius Group and the Target both provide telematics services and devices to fuel card customers. The Target sells telematics services produced by the Radius Group and by Transpoco Limited.
24. The parties submit that any horizontal overlap between their activities in the supply of telematics services in the State is immaterial for the following reasons:



- There is strong competition in the supply of telematics services in the State and elsewhere from players such as Fleetmatics Group PLC, Isotrak Inc., Transpoco and Masternaut Limited.
- The vast majority of telematics services and devices supplied by the Target are, ultimately, produced by the Radius Group and licensed to the Target; and
- The Target's turnover generated from the provision of telematics services and devices in the State is only around €[...] and is therefore *de minimis*.

25. 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 telematics services in the State.

Vertical Relationship

26. There is no vertical relationship between the parties.

Conclusion

27. 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

28. The SPA contains a number of restrictive obligations on the Vendor, including a non-compete obligation. [...] Following engagement with the Commission, the parties subsequently decided to withdraw their request that the non-compete obligation in the SPA be considered by the Commission as a restriction that is directly related and necessary to the implementation of the Proposed Transaction. Such obligation is therefore not addressed further in this Determination and will not benefit from the protection offered by sections 4(8) and 5(3) of the Act.



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 Diesel Card Ireland Limited, a wholly-owned subsidiary of Radius Payment Solutions Limited, would acquire the entire issued share capital and thus sole control of Direct Fuels 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

Patrick Kenny
Member
Competition and Consumer Protection Commission