



Case M1149G

Proposed acquisition of  
Meadowcroft Limited  
by OCS Group.

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Decision

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## **The Notified Transaction**

On 3 September 2015 the Guernsey Competition and Regulatory Authority (GCRA) received an application for approval from OCS group International Limited (OCS) for its proposed acquisition of Meadowcroft Limited (Meadowcroft).

The GCRA registered the application on its website on 3 September, with a deadline for comments of 17 September 2015. No comments were received.

## **Details of the parties**

The acquirer is OCS Group International Limited (OCS), a company registered in England and Wales number 02946849, of address No. 4 Tilgate Forest Business Park, Brighton Road, Crawley, West Sussex, RH11 9BP.

OCS is ultimately owned and controlled by OCS Group Limited, also registered in England & Wales at the same address, company number 01298292. OCS Group Limited is privately owned by a large number of individual shareholders, with no individual holding being more than [10%]<sup>1</sup> of the shares in the business. Worldwide OCS group provides a broad range of office and facilities management services, but in the Channel Islands, it offers cleaning, waste collection, washroom servicing and supplies.

The target is Meadowcroft Limited (Meadowcroft), of Fairfield, Maresquet Lane, Vale, Guernsey, GY3 5RF; a company registered in Guernsey, number 48469. It provides building services including building fabric maintenance, electrical works and maintenance and small building works. It is primarily active in the Guernsey market.

## **The transaction**

OCS will acquire the entire issued share capital and assets of Meadowcroft Limited in both Guernsey and Jersey. The transaction has not been notified to any other regulatory authority.

## **Need for referral**

The target (Meadowcroft) has a turnover for the 15 months ended 31 March 2015 of £[...], with a 12 month pro forma figure of approximately £[...] in Guernsey.

OCS Group Limited (the ultimate parent company) had a worldwide turnover of £899m for the financial year ended 31 March 2014. The Guernsey and Jersey subsidiaries of OCS had a turnover of £[...] and £[...] respectively, for the 15 months to 31 March 2014. In addition OCS owns a captive insurance business in Guernsey with a turnover of £[...] (2014) all of which is derived from premiums received from other group businesses. The relevant turnover in Guernsey for the most recent 12

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<sup>1</sup> Highest individual holding in 2014 was approx. 5.5%

month period is estimated to be £[...] (and for the purpose of the relevant turnover calculation, the externally derived turnover from the insurance business is zero).

The combined turnover of the businesses in the Channel Islands is more than £5m and each undertaking has turnover of at least £2m in Guernsey, therefore meeting the thresholds for referral in Guernsey.

Although both businesses operate in Jersey, Meadowcroft's market share in Jersey is negligible, and OCS market share is well below the 25% threshold for share of supply that would trigger a referral. There is no overlap in services (as explained below) therefore there is no requirement for referral of the acquisition to the JCRA in Jersey.

### **Range of services and market shares**

OCS Group Ltd is a global business providing a complete range of facilities management services in markets around the world. However, in the Channel Islands the activities it carries out through OCS and its operating subsidiaries in Guernsey and Jersey are limited to what it refers to as "soft" facilities management services, including cleaning, waste collection, washroom service and supply. Although it is able to offer a full range of services elsewhere, OCS cannot currently compete to provide the full range of facilities management services including building services and electrical works in the Guernsey or Jersey markets because it requires local staff and management to service client's offices. Its rationale for the acquisition is to allow it to expand its services to offer customers "total" facilities management and compete more effectively in Guernsey and Jersey.

Meadowcroft also provides facilities management services but its focus is on building services and mechanical and electrical works and maintenance (M&E) and other minor works which are classed as "hard" facilities management services. It operates primarily in Guernsey, although it has a small presence in Jersey. The services offered by Meadowcroft and OCS do not overlap.

OCS estimates that with £[...] turnover in Guernsey it has a market share of [20-30%] of the £[...] cleaning services / "soft" facilities management market slightly ahead of its main rivals. These are AFM and G4S together with Sonnic and Arrowsmith Marlow (two separate cleaning only companies which are under common ownership).

Meadowcroft estimates that with £[...] turnover annually its share of the building services/M&E "hard" facilities management market is approximately 10%. Its main competitors in this market are AFM and G4S, which each command around one third (33%) of the "hard" facilities management market and are both also active in the "soft" facilities management markets.

### **Analysis**

Providing facilities management services to clients requires staff and management based locally, on island, to provide the relevant services. Therefore it is CICRA's view that the markets for both "hard" and "soft" facilities management services are local to each island rather than national (UK) or pan Channel Island in nature. Where national and international companies compete in the Channel

Islands, they do so through a local subsidiary. It would not be possible for example, to provide such services as office cleaning, waste collection or security, to customers in Guernsey, using staff and facilities based in the UK, France, or in Jersey.

Without precisely defining the market for each service area, CICRA is also satisfied that there is no overlap between the markets in which OCS and Meadowcroft operate. While there is scope for some debate whether there is a single market covering “soft” facilities management services (office cleaning, washroom supplies and waste collection) there is no overlap between the activities that comprise hard and soft facilities management. The personnel employed, the skills required and the degree of planning and management of the two areas of work are quite different. However, it would not be expected that (for example) a cleaning or waste collection team would also be appropriately qualified to maintain electrical equipment or to carry out building mechanical and electrical services.

Given that there is no overlap between the activities of Meadowcroft and OCS in Guernsey, there is no concentration within the various markets for these services arising from the merger and therefore no detriment to the competitive market.

There is a reasonable case to state that permitting the acquisition will strengthen competition in the market by allowing OCS to compete across the full range of markets and services involved in the facilities management sector and allow it to compete more effectively with its larger competitors in the Channel Islands.

### **Conclusion & Recommendation**

On the basis of the information provided by the parties, the absence of any overlap or concentration in the Guernsey market the GCRA concludes that in accordance with section 13(2) of the *Competition (Guernsey) Ordinance 2012*, it would not substantially lessen competition within any market for goods and services in Guernsey.

The GCRA therefore approves the application for approval in accordance with section 17(1) of the *Competition (Guernsey) Ordinance, 2012*.

**07 October 2015**

**By order of the GCRA board**