



DETERMINATION OF MERGER NOTIFICATION M/16/034 - CARLYLE / AA IRELAND

Section 21 of the Competition Act 2002

Proposed acquisition by Selenium Designated Activity Company, ultimately controlled by the Carlyle Group L.P., of AA Ireland Limited

Dated 9 August 2016

Introduction

1. On 30 June 2016, in accordance with section 18(1) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby Selenium Designated Activity Company (“Selenium”), a company ultimately controlled by the Carlyle Group L.P. (“Carlyle”), would acquire the entire issued share capital of AA Ireland Limited (“AA Ireland”) from AA Corporation Limited (“AA Corporation”).

The Proposed Transaction

2. The proposed transaction is to be implemented pursuant to a share sale and purchase agreement (“SSPA”), dated 30 June 2016, between Selenium¹ and AA Corporation.²

The Undertakings Involved

The Acquirers – Carlyle and Selenium

3. Carlyle, headquartered in Washington DC, USA, is a limited liability partnership listed on the NASDAQ stock exchange. Carlyle is a global alternative asset manager with approximately \$180 billion invested in four investment categories:
 - Corporate private equity (e.g., buyouts and growth capital).
 - Real assets (e.g., real estate, infrastructure and renewable resources).
 - Global market strategies (e.g., structured credit, mezzanine, distressed, hedge funds and middle market debt).
 - Investment solutions (e.g., private equity and related activities).

¹ Selenium is ultimately jointly controlled by [...], both of which are ultimately controlled by Carlyle.

² AA Corporation, the vendor, is a private limited company based in Basingstoke, United Kingdom.



4. Within the State, [...] portfolio companies controlled by funds managed by affiliates of Carlyle generate turnover across various sectors including business and financial services,³ consumer goods, food products, logistics, communications and pharmaceuticals.⁴
5. Selenium is a special purpose vehicle incorporated for the purposes of the proposed transaction.
6. For the financial year ending 31 December 2015, Carlyle's worldwide turnover was approximately €[...] billion, of which approximately €[...] million was generated within the State.⁵

The Target – AA Ireland

7. AA Ireland, headquartered in Dublin is a private limited company involved in the supply of motor, housing and travel services to customers, some of which are exclusive to AA members. AA Ireland's areas of business are:
 - (a) Roadside assistance, including 24 hour roadside rescue and emergency motor services.
 - (b) Insurance services – as an insurance intermediary - for motor insurance, travel insurance, home insurance, and life insurance.⁶
 - (c) Traffic and travel update services, i.e.,
 - (i) AA Roadwatch provide this service on-line,⁷ on radio stations, through social media accounts and through a telephone hotline; and
 - (ii) AA Routeplanner an on-line route mapping service.⁸
 - (d) Accreditation Services whereby hotels, B&Bs and restaurants in the State are visited by AA Ireland inspectors and rated according to a 1-5 star classification system.
 - (e) International driving permits (IDPs) which, once issued, remain valid for one year and allow drivers to operate private motor vehicles abroad when accompanied by a valid Irish driving licence.
 - (f) Car inspection/car data checking whereby a prospective purchaser can ascertain the roadworthiness of a vehicle and also check whether a vehicle is (i) subject to a finance agreement, (ii) has been written off, (iii) is at high risk of fraud or theft or (iv) has any mileage discrepancies.

³ Not including insurance.

⁴ For more information on Carlyle see <<https://www.carlyle.com>>.

⁵ Calculated using the annual ECB exchange rate for 2015 of €1 = \$1.1095.

⁶ All of these products are underwritten by third parties and are sold by AA Ireland as a tied agent or as an intermediary.

⁷ See <www.theaa.ie/aa/aa-roadwatch.aspx>.

⁸ The AA Routeplanner is a free service that allows motorists to plan their routes to and from various destinations on the island of Ireland. See <www.theaa.ie/routes>.



- (g) Signage services, i.e., printing, erecting and removing road signs for group events as well as supplying event signs, electronic variable message signs, traffic cones and other traffic management products.
8. For the financial year ending 31 December 2015, AA Ireland's worldwide turnover approximately €[...] million all of which was generated in the State.

Rationale for the Proposed Transaction

9. The notification states that:

*"The Proposed Transaction is a financial investment. It reflects Carlyle's affiliates' strategies to invest in companies with proven track records in their respective industries and stable prospects for mid-to-longer-term growth."*⁹

Third Party Submissions

10. No submission was received.

Competitive Analysis

11. There is no horizontal overlap in the State in activities of Carlyle and of AA Ireland. No Carlyle portfolio companies (i.e., companies controlled by funds managed by affiliates of Carlyle) are involved, in the State, in any of the activities of AA Ireland in the State as described in paragraph 7.
12. Selenium also states that

*"In December 2015, funds advised by CVC Capital Partners entered into a partnership with the Government Investment Corporation of Singapore and became a co-shareholder in the RAC through the purchase of Carlyle's stake in the RAC. Consequently, Carlyle no longer holds any interest in the RAC (either in the UK or in Ireland) and no horizontal overlaps will arise as a result of the proposed acquisition by Selenium DAC of AA Ireland Limited."*¹⁰

13. There is no vertical relationship within the State between any Carlyle portfolio companies and AA Ireland, and the proposed transaction does not give rise to vertical competition concerns within the State.

Conclusion

14. 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.

⁹ Notification page 7.

¹⁰ Correspondence between Selenium and the Commission, dated 22 July 2016.



Ancillary Restraints

15. The SSPA contains restrictive obligations on the individual sellers named in Schedule 1 of the SSPA. None of these restrictive obligations exceeds the maximum duration acceptable to the Commission. Given the particular nature of the proposed transaction, the Commission considers that these obligations are directly related to and necessary for the implementation of the proposed transaction ¹¹

¹¹ In this respect, the Commission follows the approach adopted by the EU Commission in paragraph 20 of its “Commission Notice on restrictions directly related and necessary to concentrations” (2005). For more information see <[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](http://eur-lex.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, has determined that, in its opinion, the result of the proposed transaction whereby Selenium Designated Activity Company, a company ultimately controlled by the Carlyle Group L.P., of the entire issued share capital of AA Ireland Limited from AA Corporation 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