

From: [REDACTED]

Sent: 15 August 2018 14:54

To: Egle Pazeraite <egle.pazeraite@cma.gov.uk>; Lasse Burmester <Lasse.Burmester@cma.gov.uk>

Cc: [REDACTED] **Subject:** JLA/Washstation merger enquiry

Dear Mr Pazeraite & Mr Burmester.

I am writing in connection to the notice of possible remedies to the substantial lessening of competition in the HE sector following the acquisition of Washstation by JLA. Hughes Electrical Ltd ("Hughes") through its recently acquired wholly owned subsidiary James Armstrong were grateful for the opportunity to contribute to the enquiry that led to this notice and for the record, we are in agreement with the findings of the initial enquiry.

In the financial year to 31st March 2018, Hughes achieved audited sales growth of [REDACTED] with a balance sheet net asset value of [REDACTED]. As such, Hughes has scale, ambition and resource. Hughes acquired Armstrong in January 2018 as we identified the commercial laundry sector in general and rental of long life equipment in particular to be an attractive opportunity for the Group. Hughes is the largest provider of domestic electrical rental equipment in the UK making the move into commercial electrical rental equipment a logical next step. Hughes entered this sector 5 years ago and grew organically but saw the Armstrong acquisition as a means to scale up the operation by expanding both the product range, customer base and service reach.

Hughes has spent much of the last 6 months merging the Armstrong and Hughes commercial laundry operations in a process that will be completed by the end of next month. As such, we have been unwilling and to some extent unable up to now to apply our full resources to the HE sector. I wish it to be clear that this lack of activity does not imply a lack of ambition which is to invest heavily in the fixed and vended rental markets [REDACTED].

Given the above, in response to paragraph [REDACTED]. For this to be tenable, [REDACTED] any such acquisition to include the following assets:

- All rental contracts originally built up by Washstation and not just those that are now approaching the end of their contract life. It is important that the portfolio has not been previously cherry picked by JLA to leave behind either old agreements with aged stock or those on unprofitably high commission rates.
- All stock on those agreements would need to be included.
- The Washstation brand and website are an important part of the offering as is the technology to inform students of machine availability. Building these assets from scratch would delay the process of creating a viable alternative to JLA in this sector.
- The service staff and infrastructure so that there would be no initial erosion of service quality. [REDACTED] contact details for all sub-contractors used in the installation process.
- Customer records, sales staff and any CRM or prospecting database [REDACTED]. This sales data is important as until now the HE sector, it's know-how and sales contacts have been tightly held by Washstation and JLA making it hard to set up a competitive alternative.
- A short term arrangement for use of back office staff and systems so as not to erode customer confidence, service and contact on day 1.

[REDACTED].

With regards to paragraphs 25 – 29 of the notice, I believe that a divestiture within 3 - 6 month period would be appropriate assuming that the Washstation business for sale is appropriately

protected by the Monitoring Trustee and Hold Separate Manager. If a sale is not achieved in this period then the proposal for a CMA appointed independent divestiture trustee would be appropriate. I would reiterate that the most important factor during this period was the protection of the underlying Washstation business so that parts of this were not cherry picked into JLA before divestiture.

With regard to paragraphs 30-31 in the notice of possible remedies, I agree that the the divestiture of the Washstation business is the most suitable and proportionate response to the SLC.

Finally in relation to paragraphs 32-35 in the notice of possible remedies I believe that an acquisition of the Washstation business by Hughes would provide customer benefits by lowering prices, improving service quality, creating competition and potentially improving innovation in the sector. I believe that these benefits would arise within 6-12 months following divestiture and would not arise otherwise.

[REDACTED]. In the meantime, I am happy to answer any of questions you may have.

Kind Regards

[REDACTED]

[REDACTED], Hughes Electrical