

## JLA/WASHSTATION MERGER INQUIRY

### Summary of hearing with Goodman Sparks on 5 September 2018 at 2pm – 2:30pm

1. Goodman Sparks (**GS**) explained that it had read the CMA's provisional findings in the JLA/Washstation merger phase 2 investigation, published on 10 August 2018 (the **PFs**). GS said that it agreed with the findings and had no further comments on the PFs except that, with the availability of cashless payment technology, there is an opportunity for HE customers to purchase machines themselves and retain all income from end users, rather than outsourcing to a managed laundry services provider. GS told us that this option had been considered by [redacted] in the past.
2. GS said that the divestiture of the Washstation business would be an effective remedy to address the competition problems found in the PFs and that it could not think of any other effective solution.
3. GS told us that the following items should be included in the divestiture package:
  - a. contracts already won by Washstation;
  - b. the associated equipment (ie washers and dryers); and
  - c. support staff, including personnel with knowledge of the higher education market and contacts in the industry, as well as engineering staff.
4. GS told us that the composition and length of any transitional arrangement between JLA and the purchaser of the Washstation business would depend on the needs of the purchaser, although some support was likely to be needed.
5. As regards additional measures required to make the divested business viable and sustainable, GS noted that anybody entering the market will find JLA to be a tough competitor. JLA is dominant in the market and has good connections to its clients and a good sales team.
6. GS said that [redacted].
7. GS said that third parties might be interested in purchasing Washstation, for example Photo-Me, who is successful in Europe.

8. GS told us that, despite being a simple industry, any purchaser would likely need to have experience in the higher education market in order to compete effectively with JLA. GS said that it [§]. However, GS stated that new providers may bring new, innovative ideas that would enable them to compete with JLA.
9. When asked [§]. However, there is still another option for GS to contract with smaller accommodation providers.
10. When asked about how GS identifies opportunities with private accommodation providers, GS said that finding these opportunities is not straightforward, but some tenders will be published on tender portals. Otherwise, GS uses the standard sales techniques, ie phoning potential customers and scanning building permissions to look for new opportunities. GS said that larger private accommodation providers, which have sites located across the country, require full coverage of all their sites and GS does not have the engineering network to compete successfully for such contracts.
11. GS said that the length of the divestiture process should be restricted to the minimum necessary and that the process should be completed before Summer 2019, when providers complete the majority of installations.