Completed acquisition by JLA New Equityco Limited of Washstation Limited

Appendices and Glossary

Appendix A: Terms of reference and conduct of investigation

Terms of reference

1. In exercise of its duty under section 22(1) of the Enterprise Act 2002 (the Act) the Competition and Markets Authority (CMA) believes that it is or may be the case that:

   (a) a relevant merger situation has been created, in that:

   (i) enterprises carried on by JLA New Equityco Limited (and its subsidiaries) have ceased to be distinct from enterprises carried on by Washstation Limited; and

   (ii) the condition specified in section 23(2)(b) of the Act is satisfied; and

   (b) the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within a market or markets in the United Kingdom (UK) for goods or services, including the supply of managed laundry services to higher education customers under variable rental agreements in the UK.

2. Therefore, in exercise of its duty under section 22(1) of the Act, the CMA hereby makes a reference to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 in order that the group may investigate and report, within a period ending on 30 September 2018, on the following questions in accordance with section 35(1) of the Act:

   (a) whether a relevant merger situation has been created; and

   (b) if so, whether the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the UK for goods or services.

Rachel Merelie
Senior Director, Delivery and Sector Regulation
Competition and Markets Authority
16 April 2018

Conduct of the investigation

1. We published biographies on the members of the inquiry group conducting the investigation on 16 April 2018 and on the same date the administrative timetable for the investigation was published on our webpages and updated on 16 May 2018 and on 13 September 2018.

2. The initial reference period 30 September 2018 was extended for two weeks because JLA failed (with or without a reasonable excuse) to comply with a requirement of a notice under section 109 notice of the Act by the deadline of 1 May 2018. On 15 May 2018, the Group was satisfied for the purposes of section 39(8) of the Act that JLA provided the information and documents required in the the section 109 notice request. As a result, the reference period terminates on 14 October 2018.

3. The CMA served an initial enforcement order (IEO) on 13 December 2017 and several derogations were subsequently granted. The order and redacted derogations were published on the case page.

4. On 8 May 2018, we directed JLA to appoint:

   (a) a monitoring trustee (MT) whose functions are to support any action, or as the case may be any remedial action, which may be required to maintain the Washstation business as a viable business and monitor compliance by JLA with the IEO.

   (b) a hold separate manager (HSM) whose functions are to exercise the day-to-day management of Washstation, so that its independence is preserved, it is maintained as a going concern with access to sufficient resources for its continued operation and development, and it is operated separately from and competes actively with JLA.

5. On 9 May 2018, we published an issues statement on our webpages, setting out the areas on which the investigation would focus.

6. We invited a wide range of interested parties to comment on the Merger. We sent detailed questionnaires to a number of suppliers, manufacturers and other stakeholders. In addition, we instructed DJS, a research company, to conduct a market research for us and its report was published on the case page on 2 July 2018. Evidence was also obtained through further written requests. We also used evidence from the CMA's phase 1 investigation into the Merger. Summaries of interviews can be found on the case page.

7. We received written evidence from the Parties and a non-confidential version of their response to the phase 1 decision and issues statement is on the case page. We also held a hearing with the Parties on 10 July 2018.

8. On 23 May 2018, members of the inquiry group, accompanied by staff, visited the premises of JLA.

9. In the course of our investigation we sent JLA a number of working papers, and other parties were sent extracts of those working papers, for comment.

10. On 10 August 2018, we published on the case page our provisional findings report, along with a notice of provisional findings and a notice of possible remedies.

11. A non-confidential version of the final report was published on our webpages on 11 October 2017.

12. We would like to thank those who have assisted us in our inquiry.

Appendix B: Industry background

Market overview

1. The commercial laundry sector involves the provision of commercial laundry equipment and related services to customers. It covers the supply of machinery through sales and rentals as well as the sale of related repair and maintenance services.

2. Managed laundry services are a subset of the commercial laundry sector. Customers for managed laundry services want (or need) to offer a laundry facility to their own end users[1] and provide space for a managed laundry services provider to install the required machinery.[2] The provider usually retains ownership of the machinery and manages the laundry operation on behalf of the customer, including providing breakdown services and responding to end-user queries.

3. Although JLA is active across the entire commercial laundry sector, the Parties overlap primarily in the supply of managed laundry services to higher education customers and therefore, this customer group is the focus of this investigation.

Providers

4. We summarise below the main providers of managed laundry services under vend share agreements to higher education customers in the UK other than JLA and Washstation.

Armstrong and Hughes

5. James Armstrong and Commercial Company Ltd (**Armstrong**) was previously a family-owned commercial laundry equipment supplier, founded in 1878. It is based in Newbury and provides commercial laundry services to healthcare, hospitality and higher education customers.

6. Armstrong has an annual turnover of approximately £[✂] million.

7. In January 2018, Armstrong was acquired by Hughes Electrical Limited (**Hughes**)

8. Hughes is also a family owned business, founded in 1921. Hughes' principal business activity is the rental and retail of consumer electrical products. Hughes

[1] For example, in the private rented sector, key worker accommodation, student accommodation and leisure parks.
[2] Usually commercial washing machines and tumble dryers.

offers a wider range of product categories across all types of domestic electrical equipment.[3]

9. Hughes has almost 1,000 employees and a turnover in excess of £110 million. According to Hughes's own website, Hughes is the fourth largest specialist electrical retailer in the country and the second largest provider of home entertainment and kitchen appliance rentals.

10. In addition to its domestic electrical equipment, Hughes also offers commercial laundry and dishwasher equipment and associated support services to businesses and operators of on-premise laundries through its commercial arm, Hughes Pro.

11. Hughes's commercial offering is a relatively new part of the business, having been established in 2012. Hughes Pro was originally part of Hughes Trade (which provides domestic electrical products to trade and business) before becoming its own department in May 2018.

12. Hughes Pro is an official Miele Professional Partner and certified service agent, serving the Midlands, East Anglia and South East of England.

13. Hughes Pro serves a wide range of customer groups including the care, hospitality, tourism and educational sectors.

14. Although publicly available data does not give us an indication of the size of Hughes Pro relative to the rest of the business, a news release regarding Hughes Pro indicated that the department employed 26 staff as of February 2018.

15. Hughes told us that it had only one commercial laundry operation in the higher education sector before the transaction with Armstrong.[4]

Goodman Sparks

16. Goodman Sparks Limited (**Goodman Sparks**) was established in 1971 and is a supplier of commercial laundry systems. Goodman Sparks serves a number of customers, including universities, colleges, independent schools and nursing/care homes. The company operates predominantly across the north of England and the Midlands and generates annual revenue of approximately £[✄] million. In 2017, Goodman Sparks generated around £75,000 of its revenue from higher education customers on vend share agreements.

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[3] For example: washing machines, tumble dryers, dishwashers, fridges, freezers, cookers, microwaves, vacuum cleaners, televisions, Blu-ray players, cameras, laptops, tablet PCs, printers etc.
[4] See summary of call with Hughes held on 11 June 2018, paragraph 3.

Other providers

17. JLA told us that it considered the following providers to be competitors:

(a) Brewer and Bunney Limited (**Brewer and Bunney**): a distributor of commercial and industrial laundry equipment in the South West of England. Brewer and Bunney is active in the sale, rental and maintenance of commercial laundry equipment and is an approved Electrolux business partner. It offers machines for sale as well as providing a fixed rental option. Brewer and Bunney is not currently active in the higher education segment. It had a couple of managed laundry services contracts with higher education customers in the past.

(b) Dishwashers Direct Limited (**Dishwashers Direct**): part of Dishwashers Direct, Laundry Equipment Direct provides commercial machines. Laundry Equipment Direct provide maintenance contracts with its rental option and offers its Aquatec system, aimed at students. Aquatec facilitates online and cashless payments as well as allowing students to check machine availability online.

(c) F.Donald Forbes & Co. Limited (**Forbes**): a national rental services company, offering domestic and commercial equipment for rental to customers. Forbes offers commercial laundry equipment through Forbes Professional and serves customers in the healthcare, care homes and hospitality sectors. It currently does not supply higher education customers. Forbes currently offers managed laundry services although mostly under fixed rental agreements and to the hospitality sector. Forbes indicated to the CMA that, while its preference is for fixed rental agreements, it would be willing to offer vend share agreements.[5] Forbes recently [✂].

(d) Laundry 365 Limited (**Laundry 365**): a regional provider of managed laundry services under fixed rental agreements, mostly to care homes. Laundry 365 provide commercial machines for sale as well as offering a fixed rental option. [✂].

(e) MAG Equipment Limited (**MAG Group**): a regional distributor of commercial laundry equipment. MAG is the exclusive UK distributor for Primer laundry machines, offering machines for sale and fixed rental but it does not provide a vend share option. MAG does not operate in the supply of managed laundry services. It sold its machines to a small number of higher education customers.

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[5] Summary of hearing with Forbes, paragraph 8.

(f) Maxwell Adam Limited (**Maxwell Adam**): an Electrolux distributor and supplier of laundry equipment, mainly to care homes and boarding schools. It currently does not supply higher education customers. Maxwell Adam does not offer vend share agreements but does provide managed laundry services under the fixed rental model.

(g) OPL Group Limited (**OPL**): a provider of commercial laundry services, commercial laundry equipment, commercial catering and associated consumables (ie chemical products for both laundry and catering). OPL was established in 1970 and supplies its services to a range of UK and international businesses including NHS trusts, universities and government. OPL offers commercial laundry machines sales as well as after-sales maintenance agreements and a fixed rental option. OPL told us that they very rarely offer vend share agreements and their fixed rental customers usually require machinery for their own internal use, rather than providing a service to end-users and collecting payments. OPL's website does, however, include information about its vend share offering.[6]

(h) Photo-Me International Plc (**Photo-Me**): a company that operates, sells and services a range of instant service equipment. While mostly known for its photobooth operation, Photo-Me also operates digital printing kiosks and self-service laundrettes. Photo-Me entered the laundry services market in 2017 and offers full maintenance and service contracts following installation of self-service laundry kiosks. It recently launched a new product, Revolution laundrettes. Revolution is a 24/7 outdoor self-service laundrette designed for installation in car parks, convenience stores, supermarkets and petrol station forecourts. Only one higher education customer currently uses the Revolution laundrettes in addition to washing machines and dryers from another supplier.

(i) Thain Commercial Limited (**Thain**): a regional distributor of Miele laundry equipment based in Scotland. Thain provides commercial laundry and dishwasher equipment across a range of sectors including healthcare, hospitality and sports and leisure. Thain's product offering comprises equipment sales and fixed rentals only. Thain has never tendered to supply managed laundry services to higher education customers and has never considered starting to provide these services.

(j) Wolf Laundry Limited (**Wolf Laundry**): a supplier of commercial laundry equipment and related services, based in Yorkshire. Wolf Laundry offers a range of OEM brands for sale and rental to various customer segments including care homes, hospitals, hospitality and leisure and housing

[6] See https://opl-ltd.co.uk/laundry-equipment#main.

associations. Wolf Laundry currently offers a managed laundry service under both fixed rental and vend sharing models. Until recently it did not have any direct relationships with higher education customers, but it recently won a small contract with a small private student accommodation provider . Wolf indicated that it would continue to focus on healthcare and hospitality customers and expand into the private accommodation segment.

Appendix C: List of previous acquisitions made by JLA

1. JLA has also made a number of acquisitions in its recent history to grow its customer base (see Table A: below).

Table A: JLA merger and acquisition activity (last five years)

Date of Acquisition	Company name	Nature of Business	% Higher education customers	Revenue in HE
07 October 2013	Red Squared Foodservice & Laundry Solutions Limited	Laundry	Y ([5-10]% of revenue)	[✂]
14 October 2013	Commercial Kitchen Maintenance Limited	Catering	Y ([✂]% of revenue)	
31 October 2013	Proton (Southern) Limited	Catering	Y ([✂]% of revenue)	
06 December 2013	Carford Holdings Limited	Catering	Y ([✂]% of revenue)	
04 August 2014	Harmony Business and Technology Limited	Catering	Y ([✂]% of revenue)	
18 February 2015	Comcat Engineering Limited	Catering	Y ([✂]% of revenue)	
19 February 2015	Newco Catering Equipment Limited	Catering	Y ([✂]% of revenue)	
19 June 2015	Laundryserv	Laundry, including vend share	Y ([5-10]% of revenue)	£[✂]
20 April 2016	Westwells (North West) Limited	Catering	Y ([✂]% of revenue)	
26 August 2016	Wilsons	Laundry, including vend share	Y ([0-5]% of revenue)	[✂]
18 May 2017	Washstation Limited	Laundry (vend share)	Y ([90-100]% of revenue)	£[✂]
10 November 2017	DCSW Ltd (and subsidiary Direct Catering Products Limited)	Catering	None noted	
13 December 2017	Acer Equipment Limited	Laundry	Y ([0-5]% of revenue)	[✂]
29 March 2018	Fire Bright	Fire Safety	Y ([✂]% of revenue)	

Source: JLA response to RFI dated 16 April 2018, Annex 7.

Appendix D: Background to the sale of Washstation

1. We have provided further detail on the background to the sale of Washstation as we have received conflicting versions of events from the Parties. The initiation of sale discussions is potentially relevant to the counterfactual as a desire to sell Washstation may be an indication that the business was weakening and would support JLA's submissions regarding the competitiveness of Washstation absent the Merger.

2. However, we do not consider this to be a determinative factor in our counterfactual analysis as JLA accepts[1] that the counterfactual is not Washstation's exit from the market and our view is that, in the absence of the Merger, Washstation was not likely to have exited the market. Furthermore, the evidence assessed in section 5 of the Final Report shows that, absent the Merger, Washstation would likely continue to compete as it did pre-Merger.

3. JLA told us that:

   (a) Mr Copley contacted Stephen Baxter, the CEO of JLA, in June/July 2016 to discuss whether JLA Group would be interested in acquiring the Washstation business;

   (b) rather than conduct a formal sales process, Mr Copley sought out JLA due to his prior connections with the business: Mr Copley was previously employed by JLA and had previously sold another company, Circuit Laundrette Services Limited (**Circuit**), to JLA in 2002; and

   (c) Mr Copley wished to sell the Washstation business as it was either facing, or likely to face, financial difficulties.

4. JLA told us that negotiations with Mr Copley started in August 2016 and continued to be conducted bilaterally before Mr Copley appointed Smith & Williamson as his advisers in late January 2017, and that Heads of Terms were signed on 10 March 2017.

5. JLA told us that it undertook legal and financial due diligence following the signing of Heads of Terms agreement, in order to determine the duration and expected

[1] In its Reponse to the Provisional Findings, JLA submitted that there was no basis to accept Alistair Copley's version of events compared to JLA's when facts were in dispute, as for instance, on who approached whom in the context of the Merger. We note that we have not formed a view on this specific point, because this was not a determinative factor in our counterfactual analysis.

revenue from live Washstation contracts, and not to determine the valuation of the Washstation business.[2]

6. JLA told us that it appointed BDO to carry out financial due diligence and that BDO identified that Washstation had accrued approximately £[✂] million of late commission payments due to customers and would require additional investment in equipment of around £[✂] million to service recently awarded contracts.

7. JLA told us that the original purchase price for the Washstation business agreed with Mr Copley was reduced by approximately £[✂] million from £[✂] million to £[✂] million to reflect these issues (late commission payments and additional capital expenditure required) and other debt-like items identified during the financial due diligence work.[3]

8. In contrast, Mr Copley told us that Mr Baxter approached him about a possible sale of the Washstation business, but that he was not initially inclined to sell the business[4]. Mr Copley told us that following further conversations with JLA, the Parties reached an agreement on an acceptable sale price.[5]

9. Mr Copley also provided us with email correspondence leading up to the sale, including an exchange with Grant Thornton. Grant Thornton[6] stated that [✂].This implies, as submitted by Mr Copley, that the decision to sell Washstation was not motivated by financial difficulties and he was not actively looking to sell.

10. In response, JLA submitted that:

    (a) Washstation's engagement with Grant Thornton clearly suggested that a process was undertaken regarding a sale of the business; and

    (b) Mr Copley had appointed an interim finance director to prepare the business for sale, prior to any engagement with JLA.

11. While we have received conflicting views regarding the origin of sale discussions, our view is that this is not a determinative factor in our analysis. This is because we have not seen evidence that Washstation's financial situation was such that it

[2] JLA's response also details how a formal valuation for the Washstation business was not carried out. Rather, agreement was reached with Alistair Copley on the basis of what the parties considered the fair value of the company.
[3] Other debt-like items mostly comprised creditor and bank loans of c.£[✂] million.
[4] Summary of CMA hearing with Alistair Copley on 30 May 2018, paragraph 22. Mr Copley provided historic emails pertaining to the sale, including an exchange with Grant Thornton. [✂].
[5] Summary of CMA hearing with Alistair Copley on 30 May 2018, paragraph 22. JLA also confirmed that "the Enterprise Value was agreed with Alistair Copley on a back-and-forth basis over a number of telephone conversations. It was not calculated on a direct multiple basis or according to any formula, but rather on the basis of what the parties considered to be a fair value of the company. It was discussed internally but, given the size of the business and the fact that JLA knew the sector, no documents were produced for such discussions."
[6] JLA's interpretation of this email is that Grant Thornton extrapolated from a meeting with [✂] from JLA in which acquisitions in general, not specifically in the managed laundry sector were discussed.

necessarily required the sale of the business.[7] In addition, JLA has not submitted that the counterfactual should be Washstation's exit from the market.

12. JLA also provided an analysis of the Washstation acquisition price compared to other acquisitions that JLA has made in recent years.[8] This shows that the price paid for Washstation was in line with other acquisitions made by JLA.[9] We consider that the price paid for Washstation indicates that the business was not financially failing and was not at risk of material deterioration in the near term. We understand that JLA ultimately paid £[✂] million for the Washstation business.

[7] See the counterfactual section in the Final Report for our assessment of Washstation's financial situation.
[8] A common business valuation methodology is to use a multiple of the earnings of the business. Analysis provided by JLA shows the earnings multiple paid for all acquisitions since 2012.
[9] JLA purchased Washstation for [✂]. This compares to [✂] for JLA's other acquisitions since 2012.

Appendix E: Assessment of JLA's analysis of the effects of the Merger on JLA's and Washstation's offer

1. JLA provided some data on its own contracts and the commission rates associated with them. Their analysis of their commissions found that the Merger did not raise prices from after the completion of the Merger in May 2017 until December 2017.[1]

2. The dataset analysed consisted of JLA contracts that expired between January 2016 and December 2017, covering a period of 17 months before the Merger and seven months afterwards. Only those contracts which were retained by JLA *and* which were renegotiated are included in the analysis. The dataset includes information on the starting date of the contract, whether the contract renewal required new machines to be installed, the number of machines the contract includes, whether a card payment system was used, and the vend price for a full cycle (presumably under the new contract). The expiry date of each customer's initial contract with JLA is considered as being the renegotiation date, so those contracts which expired after the Merger are considered in the analysis to have been renegotiated after the Merger.

3. Descriptive statistics show that a greater proportion of the contracts (weighted by the number of machines) which involved new machines which were signed after the Merger were more likely to have increased commission (i.e. more money going to the customer) than those signed before the Merger. A smaller proportion involved decreases to commission levels. For contracts involving the retention of existing machines, there was a small increase in the proportion of machines for which the commission level increased, and a larger increase in the proportion for which commission levels decreased.

[1] *Submission in Response to CMA Issues Letter*, 14 March 2018, Section 6

Figure 1: Proportion of machines for which commission increased, decreased or stayed the same, pre- and post-Merger – Contracts which required new machines

			%
Change in commission	*pre-Merger (529 machines)*	*post-Merger (325 machines)*	*percent change*
Increase	[✂]	[✂]	[✂]
Decrease	[✂]	[✂]	[✂]
Same	[✂]	[✂]	[✂]

Source: CMA analysis of JLA data submitted by RBB as response of the issue letter in phase 1 investigation 14 March 2018

Figure 2: Proportion of machines for which commission increased, decreased or stayed the same, pre- and post-Merger – Contracts which used existing machines

			%
Change in commission	*pre-Merger (646 machines)*	*post-Merger (274 machines)*	*percent change*
Increase	[✂]	[✂]	[✂]
Decrease	[✂]	[✂]	[✂]
Same	[✂]	[✂]	[✂]

Source: CMA analysis of JLA data submitted by RBB as response of the issue letter in phase 1 investigation 14 March 2018

4. These figures show the number of machines affected by commission decreases and increases, but not the number of contracts. We calculated the figures in terms of numbers of contracts in Figure 3 and Figure 4 below.

Figure 3: Proportion of contracts for which commission increased, decreased or stayed the same, pre- and post-Merger – Contracts which required new machines

			%
Change in commission	*pre-Merger (55 contracts)*	*post-Merger (33 contracts)*	*percent change*
Increase	[✂]	[✂]	[✂]
Decrease	[✂]	[✂]	[✂]
Same	[✂]	[✂]	[✂]

Source: CMA analysis of JLA data submitted by RBB as response of the issue letter in phase 1 investigation 14 March 2018

Figure 4: Proportion of contracts for which commission increased, decreased or stayed the same, pre- and post-Merger – Contracts which used existing machines

			%
Change in commission	*pre-Merger (60 contracts)*	*post-Merger (40 contracts)*	*percent change*
Increase	[✂]	[✂]	[✂]
Decrease	[✂]	[✂]	[✂]
Same	[✂]	[✂]	[✂]

Source: CMA analysis of JLA data submitted by RBB as response of the issue letter in phase 1 investigation 14 March 2018

5. The Parties' regression analysis shows that the number of machines a contract requires, whether new machines are installed, the vend price, and whether a card payment system is used do have an effect on the level of commission agreed, though the dummy variable on whether the agreement was reached after the Merger is insignificant. They fit a similar regression to the percentage-point *change* in commission levels following the Merger, finding that the post-Merger variable is insignificant, as are the other explanatory variables except the presence of a card payment system.

Figure 5: Parties' regressions of commission rates and changes in commission rates

	Dependent variable	
Independent variables	*Commission rate*	*Change in commission rate*
After Merger dummy	[✂]	[✂]
New machines required	[✂]	[✂]
Machines	[✂]	[✂]
Vend price	[✂]	[✂]
Card payment system	[✂]	[✂]
Constant	[✂]	[✂]
N	[✂]	[✂]
R^2		[✂]

Source: RBB analysis of JLA data, submitted 16 July 2018
***/**/* Statistically significantly different from zero at 1, 5 and 10% confidence.

Third party comments

CMA customer research

6. Research respondents were asked whether the quality of service provided by their laundry supplier has changed in the last year.[2] The majority (48 out of 59) said that the service has not changed, with a small number saying that the service has got worse (six respondents) or that it has improved (two respondents). Of Washstation customers, nine respondents said service was the same and one respondent said service had gotten worse.

7. Those who thought that the service had improved mentioned better engagement from the account manager and newer machines requiring less maintenance as the key improvements.

8. Those who thought that the service had got worse, named the following issues:

    (a) increased number of breakdowns and call-outs;

    (b) lengthy repair times;

    (c) the service being reactive not proactive; and

    (d) inflexibility of payment methods and confusion, since the Merger, in terms of responsibilities.

9. When asked directly what impact they expect the Merger to have on them as a customer, around half of respondents (24 out of 59) said 'neutral', around a quarter (13) said 'bad' and less than 1 in 10 (5) said 'good'[3]. Those who thought

[2] Response to Q52 and Q53.
[3] Response to Q54 and Q55.

the impact was positive, mentioned easier management of multiple contracts and better service levels as reasons.

10. The main reasons why some customers were expecting a negative impact were lower service levels and a lessening of competition, both resulting from an increase in JLA's size. For example:

    (a) A private student accommodation provider said that there would be less competition in the market to keep costs down.

    (b) Further, a university or college said that they were unhappy with JLA's service levels and that JLA had no incentive to improve because "there is now little or no competition".

11. Those who thought the impact would be positive mentioned easier management of multiple contracts and better service levels as reasons. For example:

    (a) A private student accommodation provider said that the merged firm would have more resources and more experience.

    (b) Further, a university or college said that they have contracts with multiple suppliers, and would benefit from "discuss[ing] all issues with a single supplier".

Review of the evidence submitted by JLA on pre- and post-merger service level KPIs

12. As part of its response to the working papers, JLA submitted four graphs comparing (i) the average responses times of Washstation and JLA between December 2017 and May 2018; (ii) the average response times of Washstation from December 2017 until May 2018, and JLA from May 2016 until May 2018; (iii) the proportion of 'first time fix' of Washstation and JLA between December 2017 and May 2018; and (iv) the proportion of first time fix calls for Washstation between December 2017 and May 2018, and for JLA between May 2016 and May 2018. The graphs are analysed in the paragraphs below, however the CMA noted that from the graphs it is difficult to compare JLA's and Washstation's service levels pre- and post-Merger due to a lack of Washstation data on service level pre-Merger.

13. Figure 6 and Figure 7 show that for JLA and Washstation the average response to a call remains overall constant post-Merger, being around [✂]%. When looking at the period before the Merger (May 2016) and comparing it with the period after the Merger (until May 2018), Figure 7 indicates that JLA's average response rate has slightly increased going from between [✂]% between May 2016 -and May 2017 to [✂]%. However, the graphs do not report any data for Washstation's average

response in the period prior the Merger and therefore it is difficult to compare how Washstation was performing pre-Merger relative to JLA.

Figure 6: JLA and Washstation average response to a call December 2017 – June 2018

[✂]
Source: JLA submission as response to CMA working paper

Figure 7: JLA and Washstation average response to a call May 2016 to May 2018

[✂]
Source: JLA submission as response to CMA working paper

14. Figure 8 and Figure 9 report the proportion of first time fix for JLA and Washstation between December 2017 to May 2018 (data relating to JLA goes back to May 2016 in Figure 9) and they show that there has been a slight decline in the proportion of the first-time fix from [✂]% to [✂]% between May 2016 to May 2018 for JLA. JLA submitted that this has nothing to do with the Merger itself but rather this is because there is a trend increase in the number of simpler jobs that do not need an engineer which are now increasingly fixed over the phone. It is difficult to compare Washstation's and JLA's service performance due to a lack of data for Washstation prior to the Merger.

Figure 8: First time fix JLA and Washstation December 2017 to June 2018

[✂]

Source: JLA submission as response to CMA working paper

Figure 9: First time fix JLA and Washstation, May 2016 to May 2018

[✂]
Source: JLA submission as response to CMA working paper

Glossary

Act	The Enterprise Act 2002.
Alliance	Alliance Laundry Systems LLC.
Armstrong	James Armstrong & Co Ltd.
Acquisition Contracts	Contracts with **higher education customers** transferred to **JLA** at the time of the **Merger**.
Brewer and Bunney	Brewer and Bunney Limited
CMA	Competition and Markets Authority.
Circuit	Circuit Launderette Services Limited
Commercial Laundry Services	Services in which non-domestic washing machines and tumble dryers (machines) are either rented or sold to business customers.
Commission	An agreed percentage of the revenues generated from end-users of the machines which are then paid to higher education customers by managed laundry services providers under vend share agreements.
CMA customer research	The CMA commissioned customer research conducted by DJS Research.
Counterfactual	Assessment of the most likely competitive situation in the absence of the Merger.
DJS	DJS Research Limited
Current Contracts	Contracts with **higher education customers** currently held by **Washstation** under the existing hold separate arrangements.
FFV	Full Forward Value, which is the sum of the annualised revenue of each contract, multiplied by the remaining contract period. Annualised revenue reflects annual revenue projections for each contract plus any vend price increases where appropriate. Amounts are not discounted to present value.
Fixed rental agreement	An agreement where the provider rents the machine to a customer and carries out repairs and maintenance works; and the customer pays a fixed monthly fee and

	retains any payments made by end-users for use of the machine.
Forbes	F.Donald Forbes & Co. Limited
Goodman Sparks	Goodman Sparks Ltd.
Greenwald	Greenwald Industries, Inc.
Higher education customers	Higher education customers include: (a) universities and colleges; (b) private organisations that provide student housing and related services either directly to students or on behalf of a university/college via an outsourcing arrangement; and (c) management companies who manage student accommodation, but do not own the buildings.
HSM	The Hold Separate Manager, appointed to operate the **Washstation** business separately from **JLA** for the duration of the investigation.
Hughes	Hughes Electric Ltd
Hughes Armstrong	Armstrong under the ownership of Hughes, ie after Hughes acquisition of Armstrong in January 2018
IEO	The Initial Enforcement Order served by the CMA on the **Parties** on 13 December 2017 under section 72(2) of the **Act**.
IQ	IQ Student Acccomodation Ltd
JLA	JLA New Equityco Limited and its subsidiaries.
Laundry 365	Laundry 365 Limited
Machines	Non-domestic washing machines and tumble dryers.
Maintenance and repair services agreements	The customer owns the machine and the provider carries out all repairs and maintenance of the machine (these agreements are often signed alongside a sales agreement of machines).
MAG Group	MAG Equipment Limited
MAG	Merger Assessment Guidelines (CC 2 Revised), September 2010

Managed laundry services	Services in which commercial laundry services are provided on fixed rental agreements and vend share agreements. This is a subset of the commercial laundry sector.
Maxwell Adam	Maxwell Adam Ltd
Merger	The completed acquisition of **Washstation** by **JLA** via its subsidiary Vanilla Group Limited.
Maytag	Maytag Corporation
MT	The Monitoring Trustee, appointed to monitor compliance by **JLA** with the **IEO**.
OEM	Original Equipment Manufacturer. For example, **Alliance** or **Maytag**.
OPL	OPL Group Limited
Online services	Additional services to managed laundry services, eg app-based machine monitoring.
Parties	JLA and Washstation
Phase 1	The investigation, by the CMA, of the Merger to determine whether the statutory test for reference for an in-depth phase 2 has been met.
Phase 1 decision	The CMA's phase 1 decision dated 3 April 2018 to refer the acquisition of Washstation by JLA for further investigation.
Phase 2	An in-depth investigation by the CMA of the Merger following the reference from phase 1.
RCBs	Relevant Customer Benefits within the meaning of section 30 of the **Act**.
Provisional Findings	The provional findings report published on 10 August .
Remedies Notice	The notice of possible remedies under Rule 12 of the CMA's rules of procedure for merger, market and special reference groups.
Response to the Provisional Findings	JLA's responde to the Provisional Findings of 31 August 2018
Photo-Me	Photo-Me International Plc
Thain	Thain Commercial Limited

UPP	UPP Group Holdings Limited
Vend share agreement	The provider supplies and installs the machines and carries out repairs and maintenance works. The customer does not pay rent to the provider, but instead receives an agreed percentage of the revenues generated from end-users of the machines in the form of commission from the provider.
Variable rental agreement	The same meaning as vend share agreement
Washstation	Washstation Limited.
Whirlpool	Whirlpool Corporation
Wolf Laundry	Wolf Laundry Limited