



GAZDASÁGI
VERSENYHIVATAL

Shell fuel network enlarged by Tesco petrol stations

The Hungarian Competition Authority (GVH) granted authorisation for Shell to rent Tesco's petrol stations for 15 years. The parties to the concentration will not even have an aggregate market share that would raise competition concerns.

According to the contract concluded on 30 January 2009, Shell Hungary Zrt. would rent the 51 petrol stations that are run by Tesco for 15 years. Shell Hungary belongs to the Shell-group controlled by Royal Dutch Shell Plc. The Shell-group is interested among others in gasoline and motor oil retail, food and beverage stores and car wash services at petrol stations. The business unit that Shell has bought is engaged in gasoline and motor oil supply next to some Tesco shopping centres, and LPG retail at one of the petrol stations besides providing shopping services.

Further 7 undertakings are interested in fuel products (petrol and diesel) and motor oil retail trade within the Hungarian service station network (so-called coloured stations). Besides them there are several hundreds of stations (the so-called white stations) in Hungary that do not belong to any of these networks. The amount of fuel sold per year and the shares of the main market players have not showed any significant change in the last few years. The most significant player of the market is Mol whose share regarding the number of petrol stations and the turnover realised from petrol, diesel and motor oil trade and supply on the whole territory of Hungary exceeds 20 percent.

Since 2007 a moderate concentration has started in fuel retail. Agip with the fourth biggest fuel network has bought up Esso, the sixth biggest at that time; and Lukoil possessing the fifth biggest share of the market has bought up Jet, the seventh biggest one. This fact however has not changed significantly the character of the market that two thirds of the stations (more than half of the quantity sold) belong to the biggest four networks (Mol, Shell, OMV, Agip). The parties to the concentration under investigation by the GVH and the competitors have all stated that entering the fuel market is mainly possible by acquisition since the market is saturated. Comparing the average list prices of 2008 of each fuel network in Hungary, we can distinguish between 3 groups. Mol, OMV and Shell are more expensive with HUF 1-2 than the national average. Prices of Agip are more expensive with less than HUF 1 and Tesco is cheaper with less than HUF 1 than the average price in Hungary. Lukoil and the white petrol stations offer the cheapest prices.

With the help of econometric methods the GVH analysed what the correspondence was between the concentration and the prices applied in the micro regions regarding fuels. The results of the analysis showed that there is no significant correspondence from an

economic point of view between the concentration and the prices. It was not proved either that the presence of Tesco's petrol stations would have had a perceptible impact in their neighbourhood on the pricing practice of the Shell petrol stations.

According to the Competition Act, the GVH may not refuse to grant authorisation for a concentration where the concentration does not create or strengthen a dominant position, which would impede the formation, development or continuation of effective competition on the relevant market. Based on the practices followed by the GVH, fuel retail constitutes a single product market – taking into consideration the supply side substitution of gasoline and diesel at the production and distribution level–, and the relevant geographic market for fuels is the whole territory of the Republic of Hungary.

Concerning the distribution of fuel and motor oils on the Hungarian market, Tesco petrol stations and Shell-group do not even have an aggregated market share (20%) above which competition concerns would raise according to the GVH, therefore the latter cleared the concentration.