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**Common Market for Eastern
and Southern Africa**

Case File No. CCC/MER/01/01/2021

**Decision¹ of the Seventy-Fifth (75th) Committee Responsible for
Initial Determination Regarding the Proposed Merger Involving
Allied Universal Topco LLC and G4S Plc**

ECONOMIC SECTOR: Private Security Services

16th April 2021

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¹ In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

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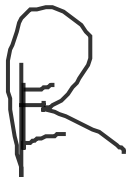
Information and Relevant Background

1. On 28th January 2021, the COMESA Competition Commission (hereinafter referred to as the “**Commission**”) received a notification for approval of a merger involving Allied Universal Topco LLC (“**Allied Universal**”) and G4S Plc (“**G4S**”), pursuant to Article 24(1) of the COMESA Competition Regulations, 2004 (the “**Regulations**”).
2. Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. Pursuant to Article 13(4) of the Regulations, there is established a Committee Responsible for Initial Determinations (hereinafter referred to as the “**CID**”). The Commission submitted its assessment report to the CID on 6th April 2021. The decision of the CID is set out below.

The Parties

Allied Universal (the acquiring firm)

4. The acquiring firm, Allied Universal, is an existing full function joint venture controlled by affiliates of Warburg Pincus LLC (“**Warburg Pincus**”) and Caisse de Dépôt et Placement du Québec (CDPQ) (together, the “**acquiring group**”).
5. Allied Universal is a security services and facilities management company headquartered in Santa Ana, California, United States. It provides the following services: integrated security solutions incorporating manned guarding and security technologies; cleaning and maintenance services; risk advisory and consulting services; and temporary and permanent staffing solutions to customers across a variety of business sectors. Its services are provided to airports, colleges and universities, commercial real estate, corporate campuses, distribution/manufacturing facilities, educational facilities, financial institutions, government facilities, healthcare facilities, chemical/petrochemical facilities, residential communities, retail centres, shopping centres and malls. Allied Universal has no activities in the Common Market.
6. Warburg Pincus is a company incorporated under the laws of State of New York, USA with its business address at 450 Lexington Avenue, New York, NY 10017, USA. Its portfolio companies are active in a variety of sectors, including consumer, industrial and business services, energy, financial services, healthcare, real estate, and technology, media and telecommunications.
7. CDPQ is a legal person without share capital or shareholders. It is established by an act of provincial legislative body of Quebec, Canada. CDPQ’s head office is located at Édifice Price, 65, rue Sainte-Anne, 14th Floor Québec, Québec G1R 3X5, Canada and its principal place of business is at 1000, place Jean-Paul Riopelle, Montréal, Québec H2Z 2B3, Canada. CDPQ is a long-term institutional investor which manages funds



primarily for public and para-public pension and insurance plans. It invests in major financial markets, private equity, fixed income, infrastructure and real estate.

8. The acquiring firm, Warburg Pincus and CDPQ, are active in the following COMESA² Member States: Burundi, Democratic Republic of Congo, Djibouti, Egypt, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tunisia, Uganda, and Zambia.

G4S (the target firm)

9. G4S is a global provider of security solutions with its headquarters in London, United Kingdom. It is a publicly owned company on the London Stock Exchange and Copenhagen Stock Exchange. It has operations in more than 85 countries covering a range of services including guarding, integrated security solutions, custodial and detection services, immigration, policing as well as a broad range of other services, such as health services, crisis planning, facilities management, employment services and cash solutions.
10. G4S subsidiaries have presence in the Common Market and are active in the provision of private security services as follows:

Table 1: List of Companies Controlled by G4S Plc with activities in the Common Market		
Member State	Name of Company	Activities
Democratic Republic of Congo	G4S (DRC) SARL	Provision of Cash Solutions and Secure Solutions
Egypt	G4S Secure Solutions (Egypt) LLC (formerly G4S Secure Solutions (Egypt) LLC)	Provision of Cash Solutions and Secure Solutions
	G4S Security Services (Egypt) JSC	Provision of secure solutions
	Indo British Garments Egypt S.A.E	Provision of Cash Solutions and Secure Solutions
	FS Investments LLC	Provision of Cash Solutions and Secure Solutions
	G4S Lotus Facilities Management Company	Provision of Cash Solutions and Secure Solutions
	G4S Facilities Management (Egypt) LLC	Provision of Cash Solutions and Secure Solutions

² In this decision, COMESA is used synonymously with the term Common Market.

Kenya	G4S Kenya Limited	Provision of Cash Solutions and Secure Solutions
	G4S Fire Services Kenya Limited	Provision of Cash Solutions and Secure Solutions
	Armorgroup Kenya Limited	Provision of Cash Solutions and Secure Solutions
Madagascar	G4S Madagascar Solutions De Securite SARL	Provision of Cash Solutions and Secure Solutions
Malawi	G4S Secure Solutions (Malawi) Limited, G4S Premier Guarding Services (Malawi) Limited	Provision of Cash Solutions and Secure Solutions
Uganda	G4S Secure Solutions Limited,	Provision of Cash Solutions and Secure Solutions
	Alarm Protection Services Limited (Uganda)	Provision of Cash Solutions and Secure Solutions
Zambia	G4S Secure Solutions Limited	Provision of Cash Solutions and Secure Solutions
	Safetech (Copperbelt) Limited	Provision of Cash Solutions and Secure Solutions
	Safetech Zambia Limited	Provision of Cash Solutions and Secure Solutions

11. G4S is active in the following COMESA Member States: Democratic Republic of Congo, Egypt, Kenya, Madagascar, Malawi, Uganda, and Zambia.

Jurisdiction of the Commission

12. Article 24(1) of the Regulations requires ‘notifiable mergers’ to be notified to the Commission. Rule 4 of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation (the “**Merger Notification Thresholds Rules**”) provides that:

Any merger, where both the acquiring firm and the target firm, or either the acquiring firm or the target firm, operate in two or more Member States, shall be notifiable if:

- a) *the combined annual turnover or combined value of assets, whichever is higher, in the Common Market of all parties to a merger equals or exceeds COM\$ 50 million; and*

- b) *the annual turnover or value of assets, whichever is higher, in the Common Market of each of at least two of the parties to a merger equals or exceeds COM\$ 10 million, unless each of the parties to a merger achieves at least two-thirds of its aggregate turnover or assets in the Common Market within one and the same Member State.*
13. The merging parties have operations in more than two COMESA Member States. The parties' combined turnover value in the Common Market exceeds the threshold of USD 50 million and they each hold turnover of more than USD 10 million in the Common Market. In addition, the merging parties do not achieve more than two-thirds of their respective COMESA-wide turnover value within one and the same Member State. The notified transaction is therefore notifiable to the Commission within the meaning of Article 23(5)(a) of the Regulations.

Nature of the Transaction

14. In terms of the notified transaction, on 8th December 2020, Allied Universal announced its firm intention to acquire the entire issued and to be issued share capital of G4S.

Relevant Markets

Relevant Product Market

15. The acquiring group through Warburg Pincus is active in the Common Market in consumer, industrial and business services; energy; financial services; healthcare; real estate; technology, media and telecommunication services. The acquiring group, through CDPQ, is also active as an investment fund with interests in the financial services market, private equity, fixed income, infrastructure and real estate.
16. The target undertaking is active in the provision of a range of private security services, cash management solutions and facilities management services.

Private security services and cash management solutions

17. Private security services entail the provision of a range of security solutions which include manned guarding, electronic services and cash services. Jurisprudence under the European Commission (EC) has narrowed private security services into distinct product markets. For instance, in the EC's review of the *Group 4 Falck/Securicor*³ merger, it was argued that the provision of private security services can be narrowed as follows:

- a) *The provision of manned guarding* comprising provision of uniformed on-site guards and retail guards (i.e., static manned guarding); mobile manned guarding services; key-holding services; contract project security, events security and crowd management; and associated security consultancy services;

³ EU Decision in case M.3396 – Group 4 Falck/Securicor

- b) *The provision of cash services* comprising the provision of cash-in-transit; cash management and the transportation of high value items;
- c) *The provision of electronic services or electronic guarding equipment* consisting the technical installation and maintenance of alarms; access control; fire alarm and CCTV systems.
18. The EC argued that customer needs under manned guarding were different from customer needs under electronic guarding equipment. It was argued that customers primarily use manned guarding services to deter and prevent immediate security risks due to the physical on-site presence of the guards. To the contrary, electronic guarding equipment only allows the detection of security risks but may not allow for the immediate re-action to address such risks. Further, manned guarding services were suited for specific services requiring the presence of security personnel such as access control or reception services while this would not be possible under electronic services. Thus, a conclusion was drawn that manned guard and electronic services were separate activities since substitution is not likely from a customer perspective.
19. In the same transaction, the EC investigation highlighted that cash services security solutions (i.e., cash in transit) required the provision of additional security measures to secure cash or high value items. Additional measures such as the provision of armoured vehicle with armed security guards would be required to escort cash-in-transit or high value items. To the contrary, such measures are not required in the other segments of security services. It was therefore concluded that substitution between cash services and other segments is not likely given that the suppliers would require different equipment and incur different costs to provide the services.
20. The CID observed that it is possible to determine narrow relevant product markets within the security services market which may comprise: the provision of manned security guarding services; electronic equipment security services; and cash services. However, the CID observed that it was not necessary to narrow the markets further given the absence of horizontal overlap in the activities of the parties in the Common Market, as such competition concerns are not likely to arise under any alternative product market definition.
21. On the basis of the above, the relevant product market was construed as the broad market for the **provision of private security services**.

Facility management services

22. According to the International Organisation for Standardization, facility management services is defined as an “*organizational function which integrates people, place and process within the built environment with the purpose of improving the quality of life of people and the productivity of the core business*”⁴. It involves activities such as catering,

⁴ Source ISO 41011. Accessed on 16th April 2021 on <https://committee.iso.org/home/tc267>.

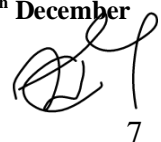
general housekeeping, accommodation management, laundry services, gardening and landscaping, management of on-site shops and bars, swimming pool maintenance, site infrastructure management, pre-site inspections and small project management.

23. The CID observed that from a demand perspective, facilities management services are not likely to be substitutable with private security services. A customer demands facility management services for a different purpose from his or her purpose for demanding private security services. For instance, assuming a bank intends to hire a provider of facility management services and private security services. The CID observed that with respect to the former, the bank's intention would be to ensure that the banking environment is clean, attractive and welcoming to its clients and conducive for its staff. It would therefore hire the services of facility management service provider to provide services such as cleaning services. With respect to the latter, the CID observed that the bank's intention could be to ensure that the funds it keeps on behalf of its customers is protected from any risk of theft, as such it would hire the services of a private security service provider to supply manned guarding or electronic security equipment services. The CID therefore concluded that facility management services can be categorised as a separate product market.
24. The CID in its previous decisions determined that facility management services was a distinct market⁵. In its previous decisions, the CID observed that facility management services are often tailored to clients' particular needs. Further, facility management services may be provided to remote and metropolitan areas but the market was not further segmented on the basis of the location where the services are provided. A distinction was not drawn based on the location where the service is provided given that the ultimate purpose for the service is to support core services of a client.
25. On the basis of the above, the relevant product market was construed as the **provision of facility management services**.

Relevant Geographic Market

26. The relevant geographic market consists of all areas where the condition of competition is similar for all traders. The CID observed that the market for provision of private security services is subjected to different national laws and regulatory requirements in different countries such as licensing and registration requirements. The CID also observed that there is limited substitution of facility management services across borders.
27. For purposes of this competitive assessment, the relevant geographic market for provision of private service services is determined as national and pertains to the Democratic Republic of Congo, Egypt, Kenya, Madagascar, Malawi, Uganda and

⁵ Case File No. CCC/MER/08/31/2019 – **Doctor No Parent Limited/CR-Honos Parent Limited, decision issued on 26th December 2019** and Case File No. CCC/MER/08/30/2018 – **Tsebo Egypt Investment (Mauritius) Limited/Compass Egypt for Hotels and Foods Services S.A.E., decision issued on 5th December 2018**



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Zambia. The relevant geographic market for the provision of facility management services is determined as Egypt.

Competitive Assessment

28. The private security services market in most Member States is fragmented and characterised by the presence of a considerable number of alternative suppliers to the services that would be provided by the merged entity. For instance, it is reported that there are approximately 11,000 security firms in operation in Egypt which employ over 190,000 individuals⁶. On the other hand, Kenya has over 2,500 private security companies in operation and employ over half a million guards⁷. In Rwanda, there are 17 licensed security firms in operation which employ 24,000 individuals⁸.
29. The CID noted that in the relevant markets, pre-merger, the parties do not provide similar services within the Common Market. The CID also noted that the parties are not active within the same industry in the Common Market and neither do they provide products or services which are of complementary nature in the Common Market. The CID observed that neither the acquirer nor target acts as a distributor of the products or services which the other provides in the Common Market.
30. The CID further considered that there are no significant barriers to entry in the relevant markets which consist of overhead costs; regulatory and policy barriers; strategic barriers; and reputation.
31. The transaction does not result in a change in market structure as the acquirer and target are not active in similar relevant markets. The transaction does not raise any vertical competition concerns such as input foreclosure or customer foreclosure since the acquirer and target are not active along the same supply chain or within the same industry. As a result, the transaction will not result in any creation or strengthening of market power. Further, in view of the absence of market concentration and foreclosure concerns, it is concluded that the transaction will not frustrate trade between Member States.

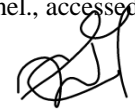
Third-Party Views

32. Submissions were received from the Egyptian Competition Authority; Trade Competition Consumer Protection Authority (Ethiopia); Competition Authority of Kenya, Conseil de la Concurrence de Madagascar; Competition and Fair Trading Commission (Malawi); Competition Commission (Mauritius); Rwanda Inspectorate, Competition and Consumer Protection Authority; Fair Trading Commission (Seychelles) who confirmed that the transaction was unlikely to result in the absence of competition

⁶ Barnes, Security Guards & Patrol Services Industry 2020, page 40

⁷ <https://icoca.ch/2020/01/07/east-africa-mission-2019/> accessed on 24th March 2021 at 2:43 pm

⁸ See: <https://taarifa.rw/private-security-companies-challenged-on-qualitytraining/#:~:text=There%20are%2017%20licensed%20private,strengthen%20of%2024%2C%20000%20personnel.,> accessed on 24th March 2021

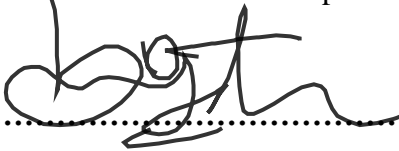


concerns due to the absence of direct overlaps between the activities of the merging parties, pre-merger.

Conclusion

33. Based on the foregoing reasons, the CID determined that the merger is not likely to substantially prevent or lessen competition in the Common Market or a substantial part of it, nor be contrary to public interest. The CID further determined that the transaction is unlikely to negatively affect trade between Member States.
34. The CID therefore approved this transaction. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 16th of April 2021



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Commissioner Brian M. Lingela (Chairperson)



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Commissioner Justice Charlotte Wezi Malonda



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Commissioner Ellen Rugaranganda