

**ANALYSIS OF AGREEMENT CONTAINING
CONSENT ORDERS TO AID PUBLIC COMMENT**
In the Matter of Alimentation Couche-Tard Inc. and CrossAmerica Partners LP
File No. 171-0207, Docket No. C-4631

I. Introduction

The Federal Trade Commission (“Commission”) has accepted for public comment, subject to final approval, an Agreement Containing Consent Orders (“Consent Agreement”) from Alimentation Couche-Tard Inc. (“ACT”) and CrossAmerica Partners LP (“CAPL”) (collectively, the “Respondents”). The Consent Agreement is designed to remedy the anticompetitive effects that likely would result from the proposed acquisition of Jet-Pep, Inc. (“Jet-Pep”) assets.

Under the terms of the proposed Consent Agreement, ACT and CAPL must divest to a Commission-approved buyer (or buyers) certain Jet-Pep retail fuel outlets and related assets in three local markets in Alabama. ACT must complete the divestiture no later than 120 days after the closing of ACT’s acquisition of Jet-Pep. The Commission and Respondents have agreed to an Order to Maintain Assets that requires Respondents to operate and maintain each divestiture outlet in the normal course of business until a Commission-approved buyer acquires the outlet.

The Commission has placed the proposed Consent Agreement on the public record for 30 days to solicit comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will again review the proposed Consent Agreement and the comments received, and will decide whether it should withdraw from the Consent Agreement, modify it, or make it final.

II. The Respondents

Respondent ACT, a publicly traded company headquartered in Laval, Quebec, Canada, operates convenience stores and retail fuel outlets throughout the United States and the world. ACT is the parent of wholly owned subsidiary, Circle K Stores Inc. (“Circle K”). ACT’s current U.S. network consists of approximately 7,200 stores located in 42 states, making ACT the second-largest retail fuel chain in the country. ACT convenience store locations operate primarily under the Circle K and Kangaroo Express banners, while its retail fuel outlets provide a variety of company unbranded and third-party branded fuels. ACT owns 158 retail fuel outlets in Alabama.

Respondent CAPL, a publicly traded master limited partnership headquartered in Allentown, Pennsylvania, markets fuel at wholesale, and owns and operates convenience stores and retail fuel outlets. ACT, via Circle K, acquired CST Brands, Inc. (“CST”) in June 2017, which gave Circle K operational control and management of CAPL. CAPL supplies fuel to nearly 1,200 sites across 29 states, but it does not operate in Alabama.

III. The Proposed Acquisition

Through three separate agreements (collectively “the Acquisition”), ACT will acquire ownership or operation of 120 Jet-Pep retail fuel outlets with attached convenience stores. Circle K intends to acquire 18 retail fuel outlets and Jet-Pep’s terminal and related assets. CAPL will acquire the remaining 102 Jet-Pep retail fuel outlets. The Acquisition is not reportable under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. § 18a (“HSR Act”). The Acquisition would extend ACT’s position as one of the largest operators of retail fuel outlets in the United States.

The proposed Complaint alleges that the Acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by substantially lessening competition for the retail sale of gasoline and diesel in three local markets in Alabama. The proposed Complaint further alleges that Acquisition agreements constitute a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

IV. The Complaint

As alleged in the proposed Complaint, the relevant product markets in which to analyze the Acquisition are the retail sale of gasoline and the retail sale of diesel. The retail sale of gasoline and the retail sale of diesel constitute separate relevant markets because the two are not interchangeable. Consumers require gasoline for their gasoline-powered vehicles and can purchase gasoline only at retail fuel outlets. Likewise, consumers require diesel for their diesel-powered vehicles and can purchase diesel only at retail fuel outlets.

The proposed Complaint alleges the relevant geographic markets in which to assess the competitive effects of the Acquisition are three local areas in Brewton, Monroeville, and Valley, Alabama. Each particular geographic market is unique, with factors such as commuting patterns, traffic flows, and outlet characteristics playing important roles in determining the scope of the geographic market. Retail fuel markets are highly localized and can range in size up to a few miles.

According to the proposed Complaint, the Acquisition would reduce the number of independent market participants in each market to three or fewer. The Acquisition would thereby substantially lessen competition in these local markets by increasing the likelihood that ACT will unilaterally exercise market power and by increasing the likelihood of successful coordination among the remaining firms. Absent relief, the Acquisition would likely result in higher prices in each of the three local markets.

The proposed Complaint alleges that entry into each relevant market would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects arising from the Acquisition. Barriers to entry include the availability of attractive real estate, the time and cost associated with constructing a new retail fuel outlet, and the time associated with obtaining necessary permits and approvals.

V. The Consent Agreement

The proposed Consent Agreement would remedy the Acquisition's likely anticompetitive effects by requiring ACT to divest certain Jet-Pep retail fuel outlets and related assets in three local markets.

The proposed Consent Agreement requires that the divestiture occur no later than 120 days after ACT consummates the Acquisition. This Agreement protects the Commission's ability to obtain complete and effective relief in light of the non-reportable nature of the Acquisition and the small number of outlets to be divested. Further, based on Commission staff's investigation, the Commission believes that ACT can identify an acceptable buyer (or buyers) within 120 days.

The proposed Consent Agreement further requires ACT to maintain the economic viability, marketability, and competitiveness of each divestiture asset until the Commission approves a buyer (or buyers) and the divestiture is complete. For up to twelve months following the divestiture, ACT must make available transitional services, as needed, to assist the buyer of each divestiture asset.

In addition to requiring outlet divestitures, the proposed Consent Agreement also requires ACT to provide the Commission notice before acquiring designated outlets in the three local areas for ten years. The prior notice provision is necessary because acquisitions of the designated outlets likely raise competitive concerns and may fall below the HSR Act premerger notification thresholds.

The proposed Consent Agreement contains additional provisions designed to ensure the effectiveness of the proposed relief. For example, Respondents have agreed to an Order to Maintain Assets that will issue at the time the proposed Consent Agreement is accepted for public comment. The Order to Maintain Assets requires Respondents to operate and maintain each divestiture outlet in the normal course of business, through the date the Respondents' complete divestiture of the outlet. During this period, and until such time as the buyer (or buyers) no longer requires transitional assistance, the Order to Maintain Assets authorizes the Commission to appoint an independent third party as a Monitor to oversee the Respondents' compliance with the requirements of the proposed Consent Agreement.

The purpose of this analysis is to facilitate public comment on the proposed Consent agreement, and the Commission does not intend this analysis to constitute an official interpretation of the proposed Consent Agreement or to modify its terms in any way.