ANALYSIS OF AGREEMENT CONTAINING
CONSENT ORDERS TO AID PUBLIC COMMENT
In the Matter of Alimentation Couche-Tard Inc. and CST Brands, Inc.
File No. 161-0207, Docket No. C-4618

I. Introduction

The Federal Trade Commission (“Commission”) would result from ACT’s proposed acquisition of C

Under the terms of the proposed Consent A
approved buyer certain CST retail fuel outlets and rela
metropolitan statistical areas (“MSAs”), and the buy

II. The Respondents

Respondent ACT, a publicly traded

III. The Proposed Acquisition

On August 21, 2016, ACT, through its wholly-owned subsidiary Circle K Stores, Inc., entered into an agreement to acquire all outstanding shares of CST for $4.4 billion, with CST surviving post-acquisition as a wholly-owned subsidiary of Circle K Stores, Inc. (the "Transaction"). The Transaction would cement ACT's position as one of the largest operators of retail fuel outlets in the United States.

The Commission's Complaint alleges that the Transaction, 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 71 local markets across 16 MSAs.

IV. The Retail Sale of Gasoline and Diesel

The Commission's Complaint alleges that relevant product markets in which to analyze the Transaction are the retail sale of gasoline and the retail sale of diesel. 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 retail sale of gasoline and the retail sale of diesel constitute separate relevant markets because the two are not interchangeable—vehicles that run on gasoline cannot run on diesel and vehicles that run on diesel cannot run on gasoline.

The Commission's Complaint alleges the relevant geographic markets in which to assess the competitive effects of the Transaction are 71 local markets within the following MSAs: Phoenix, Arizona; El Paso, Texas; Tucson, Arizona; Colorado Springs, Colorado; Denver, Colorado; Jacksonville, Florida; Albuquerque, New Mexico; Corpus Christi, Texas; Austin, Texas; Shreveport, Louisiana; Albany, Georgia; Cleveland, Ohio; Las Cruces, New Mexico; Savannah, Georgia; Sierra Vista, Arizona; and Warner Robins, Georgia.

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The Transaction would substantially lessen competition for the retail sale of gasoline and the retail sale of diesel in these local markets. Retail fuel outlets compete on price, store format, product offerings, and location, and pay close attention to competitors in close proximity, on similar traffic flows, and with similar store characteristics. The combined entity would be able to raise prices unilaterally in markets where CST is ACT's only or closest competitor. Absent the Transaction, CST and ACT would continue to compete head to head in these local markets.

Moreover, the Transaction would increase the likelihood of coordination in local markets where only three or two independent market participants would remain. Two aspects of the retail fuel industry make it vulnerable to coordination. First, retail fuel outlets post their fuel prices on price signs that are visible from the street, allowing competitors to observe each other's fuel prices without difficulty. Second, retail fuel outlets regularly track their competitors' fuel prices and change their own prices in response. These repeated interactions give retail fuel outlets familiarity with how their competitors price and how their competitors respond to their own prices.

Entry into each relevant market would not be timely, likely, or sufficient to deter or counteract the anticompetitive effects arising from the Acquisition. Significant entry barriers 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 Proposed Consent Agreement

The proposed Consent Agreement remedies the Transaction's anticompetitive effects by requiring ACT to divest certain CST retail fuel outlets and related assets in 70 local markets, and an ACT site in one local market at the buyer's option, to Empire Petroleum Partners ("Empire"). Empire is a retail operator and wholesale fuel distributor doing business in 26 states; its executive team has decades of experience with some of the industry's largest players. The Commission is satisfied that Empire is a qualified acquirer of the divested assets.

The proposed Consent Agreement requires ACT to divest to Empire CST's retail fuel the transitional assistance period. In addition, ACT has agreed to provide temporary wholesale fuel supply to Empire on the same terms CST was receiving, giving Empire time to negotiate its own wholesale supply contracts.

In addition to requiring outlet divestitures, the proposed Consent Agreement also requires ACT to provide the Commission notice, for a period of ten years, of certain acquisitions in the 71 local markets at issue. Specifically, the Consent Agreement requires ACT to give the Commission notice of future acquisitions of Commission-