



MEDIA RELEASE

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South Pacific Laundry's proposed acquisition of Spotless Laundries raises preliminary competition concerns

The ACCC has identified potential competition concerns with South Pacific Laundry (SPL)'s proposed acquisition of Spotless Laundries, which is part of Spotless Group Holdings Limited. Spotless Group Holdings Limited is majority-owned by Downer EDI Limited (ASX:DOW).

Spotless Laundries and SPL both offer commercial laundry services in multiple cities and regions across Australia.

"This transaction would combine the two largest commercial laundry suppliers in Sydney and Adelaide, and two of the biggest suppliers in Melbourne and Perth, increasing market concentration where there are already a limited number of comparable suppliers," ACCC Commissioner Stephen Ridgeway said.

"Spotless Laundries and SPL stand out as well-established suppliers with scale, brand and reputation."

In Sydney, Adelaide, Melbourne and Perth, a combined SPL and Spotless Laundries would be the largest supplier with substantial market shares and a significant gap to its next largest rivals. The ACCC is also considering whether the transaction may lessen competition for customers who seek laundry services from providers nationally or across multiple regions.

The ACCC's preliminary view is that SPL and Spotless Laundries may be important constraints on each other as two of the key suppliers in each city, although each has historically specialised in serving different types of customers.

"SPL historically focuses on linen services for accommodation providers and Spotless Laundries focuses on linen and garments services to healthcare and industrial customers. However, it seems that switching between different customer types can occur and most other commercial laundry suppliers do operate across more than one specialisation," Mr Ridgeway said.

"As major laundries with established reputation and expertise, SPL and Spotless appear to be well placed to expand."

"The transaction would remove the possibility of closer competition between SPL and Spotless in the future. SPL has been gaining credibility as a healthcare linen provider and both parties are seen as viable competitors in each other's focus areas," Mr Ridgeway said.

Other commercial laundry suppliers vary across cities and in size and area of specialisation. The ACCC's investigation showed that scale is important in the laundry industry, with new entrants facing significant upfront capital and inventory costs. The ACCC will explore whether existing and new rivals would constrain the merged business.

"Customers with large time-sensitive volumes appear reluctant to switch to new and unfamiliar suppliers who might not have the scale, reliability or reputation to meet their needs," Mr Ridgeway said.

The ACCC has published a statement of issues and is seeking further information. The ACCC invites submissions by Friday 18 September 2020. The ACCC's anticipated final decision date is Thursday 26 November 2020.

Further information is available at [South Pacific Laundry – Spotless Laundries](#).

Background

SPL and Spotless Laundries provide hiring, cleaning and delivery services for linen and garments in multiple states across Australia. Both supply to customers in metropolitan and regional areas.

Linen and garments are the two main classes of laundered items for accommodation, healthcare/aged care and industrial customers.

SPL is owned by Australian private equity firm Anchorage Capital Partners, and Spotless Laundries is part of Spotless Group Holdings Limited, which is majority owned by Downer EDI Limited (ASX:DOW).

Alsco Pty Ltd is separately bidding in the sale process to acquire Spotless Laundries' garment business. The ACCC is currently considering this transaction and further information is available at [Alsco Pty Ltd - Spotless' garment business](#).

Media enquiries: 1300 138 917

Email: media@accc.gov.au

accc.gov.au/media