26 June 2007: Agreement in the sector of laundry cleaning and renting fined up to 18 million euros

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The Conseil de la concurrence accepts innovative commitments from the sector's two leaders
- Elis et Initial BTB – who will create a "whistleblowing" system for competition law infringements

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Upon the referral of the Minister of Economy in July 2004 as regards the situation of competition on the market for laundry renting and cleaning, the Conseil de la concurrence gives its decision today in which it penalizes 7 companies members of the Elis group and the company Initial BTB, subsidiary of Rentokil group, for having implemented an agreement vis-à-vis their major customers from 1997 to 2002.

The sector of laundry cleaning-renting : a market concentrated on two leaders

In the years 2000, major companies increasingly resorted to laundry cleaning-renting companies for the cleaning of their corporate laundry, mainly linen (sheets, towels, tablecloth) and employees' working clothes, to the detriment of traditional wholesale laundry. The rental companies own the working clothes and regularly supply the customer with clean linen and working clothes, usually twice a week.
Demand mainly stems from three sectors : health institutions, hotel-restaurants and the industry sector. Large companies often request clothes, with their own special colours, i.e. "image clothes", and select their suppliers via calls for tender

so as to ensure a tailor-made service.
The market is dominated by two leaders : Elis group (58% market share) and the company Initial BTB (18%).

The practices penalized : customer sharing and agreement on prices

The documents seized during searches showed that the Elis group and the company Initial BTB had implemented a non-aggression pact for exclusive customers (exchange of information prior to calls for tender and setting-up of cover offers so as to limit the risk of supplier switches) and a price coordination pact for “shared customers” .

Elis and Initial BTB renounced to contest the charges and proposed innovative commitments

The group Elis, seven companies members of the group, and Initial BTB requested the benefit of the no-contest procedure (negotiated settlement). They took a traditional commitment to develop employees’ training programmes on competition law and also a more innovative commitment to set up a professional warning system called “whistleblowing” concerning infringements to competition law. This move constitutes an innovation in France, as confirmed by the representatives of the Minister of Labour and the Commission nationale Informatique et liberté (CNIL) who were heard as experts during the hearing.

" Whistleblowing "is a procedure used within the company which allows employees to report any prohibited practice, which they would be aware of, to the Human resources department, to an in-house auditing department or a mediator especially appointed, while remaining confidential.

The companies also offered commitments on their conduct as regards transparency of professional meetings between competitors on request and for the service of customers, and commitments aimed at facilitating the passing of working clothes on to the new service supplier when the customer decides to change. The Conseil de la concurrence considered that the commitments were significant to the extent that they can contribute to fluidify the market in removing the obstacle preventing supplier switch constituted by the risk of

interruption of the cleaning-renting service. The Conseil took the commitments into account in the calculation of the fines. It reduced Initial BTB fine by 30% (€5.25 fine), and by 25% the fine of the Elis group companies (€12.9 fine).