



FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

FTC Requires Divestitures for Hertz's Proposed \$2.3 Billion Acquisition of Dollar Thrifty to Preserve Competition in Airport Car Rental Markets

Hertz Agrees to Sell Advantage Rent A Car Business, 29 Other On-Airport Locations Nationwide

FOR RELEASE

November 15, 2012

TAGS: Competition

The Federal Trade Commission will require Hertz Global Holdings, Inc. (Hertz) to sell its Advantage Rent A Car (Advantage) business, as well as the rights to operate 29 Dollar Thrifty Automotive Group, Inc. (Dollar Thrifty) on-airport locations around the country, under a proposed settlement that resolves charges that Hertz's \$2.3 billion acquisition of Dollar Thrifty would have been anticompetitive.

As part of the proposed settlement, Hertz has agreed to sell the entire Advantage business as well as 16 Dollar Thrifty on-airport locations where Advantage does not yet operate to Franchise Services of North America, Inc. (FSNA) and Macquarie Capital (USA) Inc. (Macquarie). FSNA currently operates the U-Save rental car business. In addition, Hertz will sell another 13 Dollar Thrifty on-airport locations to FSNA/Macquarie or another FTC-approved buyer after the deal closes.

"American consumers rent more than 50 million vehicles at airports nationwide each year, spending \$11 billion, so this is a real pocketbook issue for everyday people," said FTC Chairman Jon Leibowitz. "Today's bipartisan action by the FTC will ensure that consumers are not forced to pay higher prices for rental cars when they travel."

Hertz and Dollar Thrifty are close competitors in U.S. airport car rental markets. The FTC complaint alleges that the deal, as it was originally proposed, would have harmed competition at 72 airports around the United States, by reducing the number of competitors, diminishing future competition, and enabling the combined firm to raise rental car prices for consumers.

Hertz, headquartered in Park Ridge, New Jersey, offers two brands, Hertz "Classic" and Advantage. Hertz maintains a peak domestic car rental fleet of approximately 355,000 vehicles and employs about 16,400 people in the United States. In 2011, Hertz earned approximately \$3.3 billion in U.S. car rental revenues from transactions at airport locations. On a national level, Hertz's market share of all airport car rentals is approximately 26 percent.

Dollar Thrifty is based in Tulsa, Oklahoma. It operates two brands, Dollar and Thrifty, and maintains an average fleet of approximately 107,000 vehicles, while employing about 5,900 people in the United States. In 2011, Dollar Thrifty earned approximately \$1.4 billion in U.S. car rental revenues, of which approximately 90 percent came from airport locations. On a national level, Dollar Thrifty's market share of all airport car rentals is approximately 12 percent.

Both Hertz and Dollar Thrifty offer car rentals to consumers for leisure and business purposes, and both provide this service

to deplaning passengers at airports across the United States. Hertz and Dollar Thrifty are two of four firms that dominate the U.S. airport car rental markets. Hertz and Dollar Thrifty, along with Avis Budget Group, Inc. (which operates the Avis and Budget brands), and Enterprise Holdings, Inc. (which operates the National, Alamo and Enterprise brands), are the only rental car providers with a national presence, large fleets, well-known brands, and the most convenient airport locations. Together, these four firms account for approximately 98 percent of total airport car rentals in the United States.

Under the terms of an agreement signed on August 26, 2012, Hertz intends to buy rental car competitor Dollar Thrifty for \$2.3 billion. According to the FTC's complaint, Hertz's original proposed acquisition of Dollar Thrifty would be anticompetitive and would violate both Section 5 of the FTC Act and Section 7 of the Clayton Act, in a number of airport car rental markets.

By reducing the number of major competitors from four to three, the FTC alleges, the proposed acquisition would lead to substantially more concentration in 72 airport rental car markets nationwide. The complaint also states that the proposed acquisition would eliminate head-to-head competition between Hertz and Dollar Thrifty at these airports, which include large ones such as Baltimore/Washington International Thurgood Marshall Airport, Chicago O'Hare International Airport, and JFK International Airport in New York.

Hertz's ability to raise rates is currently limited by its competition with Dollar Thrifty, according to the FTC. As the transaction was originally proposed, the combination of Hertz and Dollar Thrifty would have eliminated this constraint, allowing the combined firm to increase prices to consumers, the FTC alleged. In addition, according the agency, the proposed acquisition would make anticompetitive coordinated conduct among the remaining three national car rental competitors more likely.

By requiring Hertz to sell its entire Advantage business, as well as a number of additional on-airport locations, the settlement will replace the current and future competition that otherwise would have been lost as a result of the deal, while also eliminating the likelihood of coordinated interaction post-acquisition. According to the FTC, the settlement will enable Advantage to become the fourth-largest car rental competitor in the United States, and allow it to compete effectively and immediately for the business of deplaning passengers at airports throughout the country.

The FTC has appointed an interim monitor to oversee the sale of the assets as required by the proposed consent order. It also can seek civil penalties if it finds that Hertz has not complied with the order within 10 days of when it becomes final.

The Commission's vote approving the complaint and proposed settlement order was 4-1, with Commissioner J. Thomas Rosch voting no. Commission Rosch explained that, "I voted against acceptance of the consent decree because I found it inadequate to resolve the competitive concerns at several dozen other airports affected by the transaction. I would have instead voted to challenge the transaction because of the significant risk of post-merger coordinated interaction among the remaining competitors."

The proposed order will be subject to public comment for 30 days, until December 17, 2012, after which the Commission will decide whether to make it final. Comments should be sent to: FTC, Office of the Secretary, 600 Pennsylvania Avenue, N.W., Washington, DC 20580. Comments can be submitted electronically.

NOTE: The Commission issues a complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The issuance of a complaint is not a finding or ruling that the respondent has violated the law. A consent agreement is for settlement purposes only and does not constitute an admission of a law violation. When the Commission issues a consent order on a final basis, it carries the force of law with respect to future actions. Each violation of such an order may result in a civil penalty of \$16,000.

The FTC's Bureau of Competition works with the Bureau of Economics to investigate alleged anticompetitive business practices and, when appropriate, recommends that the Commission take law enforcement action. To inform the Bureau about particular business practices, call 202-326-3300, send an e-mail to antitrust@ftc.gov, or write to the Office of Policy and Coordination, Bureau of Competition, Federal Trade Commission, 601 New Jersey Ave., Room 7117, Washington, DC 20001. To learn more about the Bureau of Competition, read Competition Counts. Like the FTC on Facebook, follow us on Twitter, and subscribe to press releases for the latest FTC news and resources.

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(FTC File No. 121-0120)

