

Completed acquisition by Regus Group Limited (Regus) of Avanta Serviced Office Group plc (Avanta) (the Merger)

Consent to certain actions for the purposes of the Initial Enforcement Order (Initial Order) made by the Competition and Markets Authority (CMA) on 14 May 2015

We refer to your email of 30 April 2015, which provided a consolidated version of your client's request that the CMA consents to various derogations to the Initial Order and subsequent correspondence. The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for written consent by the CMA, Regus are required to hold separate the Regus business from the Avanta business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference.

After due consideration of your requests for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, Regus may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 5(a), (c), (e), (f), (i) and (l) of the Initial Order

Transfer of the Avanta business enquiry processing function from Hammersmith to Regus' site in Belfast

On the basis of representations made by Regus to the CMA, the CMA understands that a number of steps were taken prior to the Initial Order to transfer Avanta's business enquiry processing function (including disabling relevant IT systems and entering into compromise agreements with enquiry staff). The CMA understands that, as a result of these integration steps, Avanta will not be in a position to maintain this function from 5 June 2015 onwards.

Regus has therefore requested a derogation from the Initial Order to:

- (i) transfer the Avanta enquiry processing function to Regus' location in Belfast; and

- (ii) allow the use of the Regus' Pivotal client relationship management system by personnel dedicated to the handling of enquiries related to the Avanta business.

Regus informed the CMA that the role of this enquiry function is limited to responding to initial queries from web brokers and customers, before directing them to the sales team at the relevant Avanta centres, and that the relationship between the Avanta sales team and existing and future customers will be preserved.

The CMA gives consent in respect of the requested actions subject to the following conditions:

- (a) Separate enquiry processing teams will receive and process enquiries for each of the Regus and Avanta businesses. Each enquiry processing employee will be allocated within the system to one of the two businesses.
- (b) Eight enquiry processing employees will be assigned exclusively to the Avanta enquiries team, with further team members to be added if demand is greater than expected.
- (c) The Regus client relationship management system will operate entirely separate campaigns for Regus and Avanta enquiries, whereby each team member will only be able to access data (including tour booking details and centre lists) and the related search functionality that concerns their allocated business.
- (d) The enquiry processing system will function entirely separately in order to allow the identification of Regus and Avanta enquiries and will ensure that when a customer or web broker contacts the team by phone, email or web enquiry, the call or message will be channelled to the correct enquiry processing team. This includes the creation of a dedicated mailbox for all Avanta enquiries from brokers and its website. In addition, Avanta allocated employees will not be able to reassign enquiries to Regus within the system (and vice versa).
- (e) When communicating with customers or web brokers in relation to the Avanta business, the enquiry processing team member will not be permitted to discuss pricing or offers available from Regus (and vice versa).
- (f) Each member of the team will, prior to commencement, sign a non-disclosure agreement (NDA), to be approved in advance by the CMA, and a log will be maintained (for inspection purposes) of these signed NDAs.

- (g) A reporting system will be put in place to record any breaches of these requirements. Any breaches will be notified to the CMA as soon as reasonably practicable.
- (h) View filters will be implemented to prevent either enquiry processing team from being able to see the other's pipeline or activity.
- (i) All communications with web brokers and customers via email will be branded according to the relevant business.
- (j) Separate telephone numbers will be used for enquiries for the Avanta business.
- (k) Necessary steps will be taken to ensure that any information received in relation to the Avanta business, including but not limited to details of current or potential Avanta customers stored on Regus' CRM system, will not be accessible to any employee of Regus.

2. Paragraphs 5(c), (e), (f) and (l) of the Initial Order

Payroll

The CMA understands that, prior to the Initial Order coming into force, Regus had taken steps that resulted in the transfer of the processing of orders and expenses as well as temping staff payments to its processing system. The CMA also understands that Avanta's employee records were transferred to Regus' HR system prior to 15 May 2015.

In light of the above, Regus has requested a derogation from the Initial Order to complete this transition by transferring Year to Date tax balances from the Avanta system into Regus' systems after Avanta's May 2015 payroll has been completed.

The CMA gives consent in respect of the requested action.

3. Paragraph 5(c) of the Initial Order

Sales Commission

Regus submitted that the Finance Director for Avanta will exit the business under a compromise agreement at the end of May 2015. The Finance Director was previously responsible for approving the sales commission of Avanta's sales staff.

In light of the above, Regus has requested a derogation to introduce a new procedure to approve sales staff commissions, to allow approval of sales staff commissions by the Avanta Operations Director or CEO.

Provided that decisions regarding Avanta's sales staff will continue to be taken solely by Avanta, independently of Regus, the CMA gives consent in respect of the requested action.

4. Paragraph 5(c) of the Initial Order

Rates administration

The CMA understands that Avanta will not have any remaining capability to manage rates administration as a result of the exit of certain employees within its Finance team following the Merger.

Regus has requested a derogation from the CMA to allow Avanta to directly instruct Regus' third party provider (Dron & Wright) to provide the following functions in relation to Avanta's business rates:

- (i) paying the monthly rates that are due for each Avanta property, which involves determining the rateable room by room assessments and paying relevant invoices;
- (ii) reviewing and making void relief claims for empty offices and reacting to centre issues, such as road works, including liaising with Avanta centres as necessary.

The CMA gives consent in respect of the requested action.