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Hertz Gives FTC More Time to Review Its Proposed Acquisition of Dollar Thrifty

Jeffrey May (Wolters Kluwer) · Saturday, October 20th, 2012

What would likely be the last major acquisition in the car rental industry may soon be completed, with the blessing of the Federal Trade Commission. The pending acquisition of Dollar Thrifty Automotive Group, Inc. by Hertz Global Holdings, Inc., currently under review by the FTC, would cement the positions of the three major car rental companies by combining the second and fourth largest competitors.

Completion of the transaction would bring to a close years of consolidation in the industry. Antitrust approval of a combination of any of the three remaining firms—Enterprise Holdings, Inc., Avis Budget Group, Inc., and Hertz—would be highly unlikely.

Hertz announced on October 18 that it would provide the FTC with more time to conduct its review of the transaction. Hertz had entered into an agreement with the agency staff not to close the deal before November 1. Because the agency needed more time to conduct its review, Hertz has now agreed to extend the term of its timing agreement with until 11:59 p.m. on November 16. Thus, Hertz will not close the acquisition before November 17 without FTC approval.

Hertz and Dollar Thrifty said that they would continue to assist the FTC in its review of the relevant information and that they were continuing to work with the agency to address matters raised by the Commissioners and the staff.

“There can be no assurance as to what actions the FTC may take in connection with the proposed acquisition,” according to the October 18 Hertz announcement. “There can also be no assurance as to whether the FTC will consent to any request to close the transaction before November 16.”

However, the decision by Hertz to provide the agency with more time to review the transaction suggests that the company believes it can resolve the agency’s competitive concerns about the acquisition and obtain approval of the combination.

To allay competition concerns, Hertz would divest its Advantage business if the Dollar Thrifty acquisition is cleared and completed. Hertz would sell Advantage, which was acquired in 2009, to Franchise Services of North America (FSNA) and Macquarie Capital. FSNA is the largest car rental franchisor in North America. It owns and operates U-Save, Rent-a-Wreck, Practicar, and X Press Rent-a-Car.

Hertz has been pursuing Dollar Thrifty for years. The pursuit was complicated by a bidding war for

Dollar Thrifty with rival Avis Budget Group.

Hertz announced the definitive merger agreement with Dollar Thrifty on August 26. The deal is valued at approximately \$2.3 billion. Hertz has said that the combination “will create a global, multi-brand rental car leader offering customers a full range of rental options through its strong premium and value brands.”

Hertz is a major player in the corporate and premium segments of the car rental industry, while Dollar Thrifty focuses on value-oriented customers. Hertz is the number one airport car rental brand in the United States. It operates from approximately 8,650 corporate and licensee locations in approximately 150 countries in North America, Europe, Latin America, Asia, Australia, Africa, the Middle East, and New Zealand.

Dollar Thrifty has approximately 1,575 corporate and franchised worldwide locations including approximately 585 in the United States and Canada.

Avis Budget Group is considered the third largest player in the industry. Its Avis brand primarily serves the premium commercial and leisure segments of the travel industry. Budget competes primarily in the value segment in the United States, according to Avis Budget.

Enterprise Holdings, Inc. is the largest car rental service provider in the world measured by revenue, employees, and fleet. Its worldwide network includes more than 7,700 neighborhood and airport locations under the Alamo, National, and Enterprise brands.

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