



**Jersey Competition Regulatory Authority ('JCRA')**

**Decision M 139/07**

**Proposed Acquisition**

**BY**

**Signtech (C.I.) Limited**

**OF**

**Tubeolight Signcraft (C.I.) Limited**

### **The Notified Transaction**

1. On 12 June 2007, the JCRA received an application for approval under Articles 20 and 21 of the Competition (Jersey) Law 2005 (the 'Law') concerning a proposed acquisition of Tubeolight Signcraft (C.I.) Limited ('Tubeolight') by Signtech (C.I.) Limited ('Signtech') (together the 'Applicants'). Signtech intends to purchase 100% of the issued share capital in Tubeolight as soon as reasonably practicable following receipt of the JCRA's approval.
2. Initially, some detail was missing from the Application, and additional information required to complete the Application was received on 14 June 2007. The JCRA published a notice of its receipt of the Application on its website and in the Jersey Gazette, both on 18 June 2007, inviting comments by 2 July 2007. In addition to public consultation, the JCRA consulted with some of the parties' competitors and customers concerning the proposed acquisition.

### **The Parties**

- (a) Signtech (C.I.) Limited*
3. Signtech is a Jersey-registered business, wholly-owned by Sean Guegan. According to the Application, Signtech is active in the production and installation of signage products.
- (b) Tubeolight (C.I.) Limited*
4. Tubeolight is a Jersey-registered business, wholly-owned by Mike Barbet, Nick Rouault and Jon Hetherington. According to the Application, Tubeolight is active in the production and installation of signage products.

### **The Requirement for JCRA Approval**

5. The Applicants applied for JCRA approval under Article 1(1)(a) and (b) of the Competition (Mergers and Acquisitions) (Jersey) Order 2005 (the 'Order'), on the basis that the proposed acquisition would create an undertaking with a 25% or more share, or enhance an already existing 25% or more share, in the production and installation of signage products by Jersey undertakings in Jersey. On this

basis, pursuant to the Order, the JCRA's approval is required under Article 20(1) of the Law before the proposed acquisition is executed.

### **Assessment**

6. Under Article 22(4) of the Law, the JCRA must determine if the proposed acquisition would substantially lessen competition in Jersey or any part thereof, pursuant to the procedures set forth in the JCRA Merger Guideline (the 'Guideline').<sup>1</sup>
7. As detailed below, as a result of this analysis, the JCRA concludes the proposed acquisition will not result in a substantial lessening of competition in Jersey or any part thereof.

### **Defining the Affected Relevant Market(s)**

#### *(i) The Relevant Product Market*

8. According to the application, the Applicants provide a comprehensive service in the production and installation (together 'supply') of signage products. This includes all those products and services as listed in Table 1.

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<sup>1</sup> JCRA Guideline, *Mergers and Acquisitions* at 6.

1	A-boards	19	fascias	37	queue control systems
2	accessories	20	general graphics and lettering	38	registration boards
3	Banners	21	hardwood plinths	39	screen printing
4	blackboards	22	health and safety signs	40	servicing and maintenance
5	boat stripping and names	23	house names	41	shop fitting equipment
6	braille signage	24	internal and external office systems	42	site boards
7	branding merchandise	25	LEDS	43	site hoardings
8	brass plaques	26	lighting sign and menu cases	44	site management equipment signage
9	building wraps	27	literature dispensers	45	street name signs
10	Corporate branding	28	outdoor and indoor advertising	46	tapes and labels
11	custom built exhibition displays	29	pavement signs	47	temporary signs
12	design and consultancy	30	planning applications	48	traffic signs
13	display cases and notice boards	31	point of sale	49	Vandal resistant products
14	display systems	32	pop-ups	50	Vehicle liveries
15	dry-wipe boards	33	Posters	51	window displays
16	electronic displays	34	Print	52	window frosting/etching and tinting
17	engraving and chemical etching	35	projecting signs		
18	event branding	36	Purpose made products		

Table 1: Sign craft products and services identified by the parties

9. Several parties have told us that customers generally will go to a sign craft company for all signage products. We have been informed that this is so that the customer has one point of contact, for convenience and to ensure brand consistency. This argument implies that customers will need a range of sign craft products and services. This is supported by the fact that there are many suppliers in Jersey who supply the full range of products. These factors indicate that the relevant product market is the sign craft market.
10. During the investigation, a competitor indicated that there are four distinct product markets within the sign craft sector. These are: general signage, corporate re-branding, vehicle liveries and advertising and display. However, no evidence was produced to support this statement. Moreover, we have found no other evidence to support this position.

11. Tubeolight specialises in the manufacture and installation of neon lighting and is the sole local supplier of this product: Signtech does not provide this product. According to the Applicants, very little neon lighting is manufactured locally and the bulk of competition for this particular product is from UK companies. Therefore, even if one assumes that neon lighting was in a separate relevant product market, the proposed acquisition would have no appreciable effect in Jersey for the supply of neon lighting.
12. Since the identification of a possible niche market for neon will not affect the outcome of this decision, we will assume that the relevant product market is the sign craft market.

(ii) *The Relevant Geographic Market*

13. The geographical market comprises the area in which the undertakings concerned are involved in the supply and demand of products or services, in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighbouring areas because the conditions of competition are appreciably different in those areas.<sup>2</sup>
14. Both the Applicants and competitors have stated that they only supply their products and services to the Island of Jersey.
15. According to the Application, sign craft companies from the UK can and have produced sign craft products for customers in Jersey and frequently install the products themselves. The Applicants have informed the JCRA that they have faced competition from UK companies in all products and services listed in Table 1 except vehicle liveries and boat stripping and names. We have been told by several parties that UK companies will manufacture the signage product and subcontract the installation to local companies.

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<sup>2</sup> See *European Commission Notice on the definition of the relevant product market for the purposes of Community competition law*, O.J. C 372 at 2 (9 Dec. 1997).

16. Given that there is some evidence that a few of the products and services are only supplied in Jersey by local competitors, we will assume, but not conclude definitively, that the relevant geographic market is limited to Jersey. If the proposed acquisition is unlikely to raise competition concerns with the relevant geographic market limited to Jersey, it will be even less likely to do so if the market is expanded to include potential additional sources of supply from outside Jersey.

### **Effect on Competition**

17. According to the Guideline, market shares and concentration levels provide useful first indications of the relevant market structure and of the competitive importance of both the Applicants and their competitors within the relevant markets.
18. The JCRA asked the Applicants to provide the estimated turnover for each local sign craft company. The Applicants provided an estimation of the market shares for Jersey based sign craft suppliers based on the estimated number of staff. During the investigation, we found that there is a positive correlation between the number of staff and turnover figures for 2006 and that in this market using the number of staff can provide a good indication of market share. Our investigation did not indicate that the turnover figures and market share estimates provided by third parties differed significantly from those estimated by the Applicants.
19. The following table summarises the estimated market shares for the supply of signage products in Jersey, as well as the expected change in these shares resulting from the acquisition.

Company	Number of staff (estimated for 3 <sup>rd</sup> parties)	Estimated market shares pre- acquisition <sup>3</sup>	Estimated market shares post-acquisition <sup>4</sup>
Signtech	11	16%	33%
Tubeolight	11	16%	
Mailmate	12	18%	18%
ILS Signage	5	7%	7%
Blue Print	4	6%	6%
Adapt Banners	4	6%	6%
Art and Sign	3	4%	4%
Magic Touch	3	4%	4%
Stansfield Signs	2	3%	3%
Jersey Signs	2	3%	3%
Axon & Harrison	2	3%	3%
One Way	2	3%	3%
Armada	2	3%	3%
Steve Hotton	1	1%	1%
Sign Shop	1	1%	1%
VGL Graphics	1	1%	1%
Visual Displays	1	1%	1%
Total	67	100%	100%

Table 2: Estimated market shares pre and post-acquisition by the parties

20. Table 2 shows that the post – acquisition market share for the Applicants will be the largest in the relevant market, and is estimated at 33%<sup>5</sup>.
21. However, according to the Applicants, there are at least 15 other local suppliers of sign craft products in Jersey. With respect to the smaller competitors, the investigation has not shown that there are significant barriers for these undertakings to compete effectively with the combined undertaking.
22. Furthermore, the Applicants have indicated that they view UK-based sign craft suppliers as their main competitors. We previously identified that there are certain products that according to the parties have been supplied only by local suppliers. Nevertheless, the greater majority of sign craft products and services identified in Table 1 are known to have been supplied by UK based sign craft undertakings.

<sup>3</sup> All market shares are rounded to 0 decimal places.

<sup>4</sup> All market shares are rounded to 0 decimal places.

<sup>5</sup> The market shares figure is greater than the summation of the individual market shares pre-acquisition as this figure is rounded to 0 decimal places.

That is, the geographic market that is assumed for the purpose of this decision uses the most restrictive interpretation of the data.

23. Also, from our investigation we understand that there is some overlap between the goods and services provided by sign craft companies and the goods and services provided by design agencies. According to the application, a design agency is a business that provides clients with design ideas and, if required, will arrange a client's entire signage requirements.
24. During the investigation, we spoke to several design agencies, each identified at least 15 out of the 52 products and services listed in Table 1 as products and services that they also provide. These 15 products and services constitute over half of the total turnover of the Applicants.
25. We have already concluded above that there appear to be no barriers to entry other than availability of staff. This indicates that entry into the market appears to be possible.
26. In light of the following factors, the JCRA concludes that the proposed acquisition is not likely to lessen competition substantially in Jersey or any part thereof:
  - the presence of at least one sizable competitor to the acquired entity;
  - the absence of barriers to entry or expansion that would prevent the large number of smaller competitors from competing;
  - the existence of additional competitors such as design agencies for at least 15 out of the 52 products and services identified; and
  - the existence of additional UK based undertakings that according to the Applicants supply the great majority of the products and services listed in Table 1.



**Conclusion**

27. In light of the analysis set out above, the JCRA concludes that the proposed acquisition is not likely to lessen competition substantially in Jersey or any part thereof. Because of this conclusion, it is not necessary for the JCRA to consider other factors such as assessing pro-competitive effects or efficiencies.
28. Given this conclusion, the JCRA hereby approves the proposed acquisition under Article 22(1) of the Law.

**20 July 2007****By Order of the JCRA Board**