



PUBLIC

Proposed acquisition of Trinity Tyres  
(Jersey) 2004 Limited  
Case M1137J

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Decision

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**Jersey Competition Regulatory Authority**  
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## Summary

1. Roberts Garages Limited is proposing to acquire Trinity Tyres (Jersey) 2004 Limited from Jacksons (C.I.) Limited. This acquisition has been duly notified to the Jersey Competition Regulatory Authority (**JCRA**) for approval under Articles 20 and 21 of the *Competition (Jersey) Law 2005*.
2. The JCRA has determined that the proposed acquisition will not lead to a significant lessening of competition in the relevant markets and hereby approves this acquisition.

## The Notified Transaction

3. The Jersey Competition Regulatory Authority (**JCRA**) received an application (the **Application**) for approval under Articles 20 and 21 of the *Competition (Jersey) Law 2005* (the **Law**) on 8 May 2015. Roberts Garages Limited (**Purchaser**) is proposing to acquire Trinity Tyres (Jersey) 2004 Limited (**Target**) (the **Acquisition**) from Jacksons (C.I.) Limited (**Seller**).
4. The JCRA registered its receipt of the Application by posting a notification on its website on 8 May 2015. It invited comments by 5pm on 22 May 2015. The JCRA received no submission.

## The Parties

### Roberts Garages Limited (Purchaser)

5. Roberts Garages Ltd, the Purchaser, is a Jersey company; its ultimate parent company is MRH (GB) Ltd, a company incorporated in England and Wales.
6. The Purchaser is involved in the wholesale and retail of motor fuel in Jersey. It operates three Esso-branded forecourts and food and dry goods convenience stores. It also sells tyres and exhausts, mainly to retail customers, and operates an auto centre at its Springfield site for the replacement of tyres, brakes and exhausts and a workshop for other motor vehicle services. These services are supplied to cars and light commercial vehicles only.

### Jacksons (C.I.) Limited (Seller)

7. Jacksons (C.I.) Ltd, the Seller, has the operation of motor dealerships as its main activity. It also owns 100% of the issued share capital of Trinity Tyres (2004) Ltd. It was recently acquired by Ravenscroft Investments PCC Ltd

and, following this acquisition, considered the tyre business should be sold as it was not part of the group's core operations.

### **Trinity Tyres (2004) Limited (Target)**

8. Trinity Tyres (2004) Ltd, the Target, supplies and fits tyres for cars and light and heavy commercial vehicles. It also provides a wholesale supply of tyres to the Jacksons and Motor Mall new and used car franchises. Moreover, it operates an auto spare business which accounts for about [REDACTED] of its turnover.

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

9. According to Article 20(1) of the Law, a person must not execute certain mergers or acquisitions except with and in accordance with the approval of the JCRA. According to Article 2(1)(b) of the Law, a merger or acquisition occurs for the purposes of the Law if a person who controls an undertaking acquires direct or indirect control of the whole or part of another undertaking.
10. Moreover, a merger or acquisition is subject to Article 2(1)(b) of the Law if it satisfies a relevant condition in the Competition (Mergers and Acquisitions) (Jersey) Order 2010 (the **Order**) applicable to the specific merger or acquisition under consideration. CICRA's Guideline 6 on Mergers and Acquisitions provides definitions of the three main types of mergers: "Mergers can be categorised as horizontal, vertical or conglomerate. Horizontal mergers involve a merger between parties at the same level in the supply chain; for example, between two retailers, or several producers of the same good or service in the same geographic market. Vertical mergers typically involve either a merger between a business and its supplier or a business and its customer. Conglomerate mergers cover all other types of mergers."
11. As discussed below, the Acquisition has features of horizontal and conglomerate mergers. As the parties note in their joint application for approval, Trinity Tyres and Roberts Garages estimate they each have [REDACTED] of the supply of tyres in the Jersey market for cars and light vehicles. The threshold for notification set by the Order is a supply of 25% or more for horizontal mergers. The Acquisition therefore is of a type to which Article 20(1) of the Law applies and the JCRA's approval is required before the Acquisition is executed.

## **Market definition**

12. Under Article 22(4) of the Law, the JCRA must determine if the Acquisition would substantially lessen competition in Jersey or in any part of Jersey. To this end, the JCRA needs to identify the markets which are likely to be affected by the Acquisition and, in a second stage, to assess whether competition in these markets will be substantially lessened. The relevant markets for each of the three types of merger are identified in this section. The impact on competition is assessed in the next.
13. The process of identifying markets is essential to the JCRA's analysis because, by identifying where customers purchase the goods and services they need, the analysis assesses whether customers have an appropriate range of alternatives over which to exercise their choice. In particular, it assesses whether substitutes exist and customers are more or less restricted in the alternatives (price, quality, quantity, etc.) available to them. It is customers' ability to exercise their choice that ensures that markets function well and encourage innovation and 'best endeavour' on the part of suppliers.

### **Horizontal mergers**

14. Horizontal mergers involve companies at the same level in the supply chain that may therefore be direct competitors. The JCRA considers the Acquisition is a horizontal merger in the case of two markets:
  - The supply and fitting of tyres for cars and light commercial vehicles
  - The retail supply of auto parts

### **Vertical mergers**

15. In order to determine the markets that may be affected by a vertical merger, the JCRA first needs to identify the supply chain or chains that may link these markets. A supply chain relevant to the Acquisition and the JCRA's review would be one, for instance, where one of the parties supplied tyres or auto parts to the other party, which would use these supplies to provide services to a retail customer.
16. We have not found evidence of a vertical supply chain linking Roberts Garages and Trinity Tyres in a way that would be relevant for the JCRA's review. We note that Trinity Tyres now supplies tyres to the Seller and the Acquisition may introduce more competition in the market where the Seller acquires tyres.
17. The JCRA has concluded the Acquisition does not have the relevant features of a vertical merger.

### **Conglomerate mergers**

18. The Order defines a conglomerate merger subject to the JCRA's approval as one where "one or more of the parties to the proposed merger or acquisition has an existing share of 40% or more of the supply or purchase of goods or services of any description supplied to or purchased from persons in Jersey (...)". The merger has features of a conglomerate merger as well as those of a horizontal merger. [REDACTED]
19. However, as the Acquisition is notifiable in any event because of its horizontal aspect, the JCRA did not deem it necessary to investigate whether the Acquisition would have been notifiable under the rules applicable to a conglomerate merger.

### **Geographic scope of the markets**

20. The JCRA and the parties agree that the market for tyres is the whole of Jersey. The parties also note that the markets for both tyres and auto parts may extend beyond Jersey as business and retail customers, increasingly, seem able to obtain parts outside the Island, from the UK for instance.

## ***Assessment of Relevant Markets***

21. Under Article 22(4) of the Law, the JCRA must determine if the Acquisition would substantially lessen competition in Jersey or in any part of Jersey.
22. Horizontal mergers may give rise to a lessening of competition. The estimated market share provided by the parties indicates the market share of the combined entity is of the order of half the market for the supply and fitting of tyres for cars and light commercial vehicles. However, the JCRA has taken account of two relevant factors:
- other garages not currently engaged in tyre fitting could become involved in this activity if the combined entity attempted to reduce the value of its offering to customers. Tyres are widely available, in particular from the UK, and the capital investment required for tyre fitting is not high and can be easily combined with the investment that car workshops have already made,
  - [REDACTED - The remaining undertakings in the tyre supply and fitting market are large enough to provide credible competition to the merged entity.]

23. The Acquisition will also result in a horizontal merger of the auto spare businesses of the two parties. The JCRA is satisfied that this transaction does not lead to a substantial lessening of competition in Jersey since the existing market share of Trinity Tyres is [REDACTED] and Roberts Garage runs only a single site at Springfield for the replacement of tyres, brakes and exhausts and a workshop for other motor vehicle services.

24. As noted above, the Acquisition also has the features of a conglomerate merger. This would be of concern, for instance, if Roberts Garages was able to use its activity as wholesale supplier of fuel to Esso-branded forecourts to distort competition in the supply and fitting of tyres. However, the JCRA recently investigated Roberts Garages' acquisition of its wholesale business and is confident that the undertaking that Roberts Garages gave at the time to protect retail competition in the supply of road fuel offered appropriate mitigation of such risk.

### *Conclusion*

25. The JCRA has therefore determined that the Acquisition should be approved.

**12 June 2015**

**By Order of the JCRA Board**