

Jersey Competition Regulatory Authority



Public Version

Case M861/12

**Proposed acquisition by Bensham Holdings Limited
of various entities associated with The Angora Group Limited
from BFP Investments Limited**

Decision

Document No: CICRA 12/31

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Jersey Competition Regulatory Authority
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The Notified Transaction

1. On 12 April 2012, the JCRA received an application (the “**Application**”) for approval under Articles 20 and 21 of the *Competition (Jersey) Law 2005* (the “**Law**”) concerning the proposed acquisition by Bensham Holdings Limited (the “**Bensham**”) of various businesses and assets associated with The Angora Group Limited from BFP Investments Limited (“**BFP**”).
2. BFP and Bensham currently each own 50% of the issued share capital of Kershaw Investments Limited, which in turn owns the entire issued share capital of The Angora Group Limited. It in turn beneficially owns issued share capital in various companies in Jersey and Guernsey, including a 95% share in AngoraBesco Limited, an operator of laundry, dry cleaning and shoe repair businesses in Jersey (together with AngoraBesco Limited, the “**Angora Group**”). The remaining 5% share in AngoraBesco Limited (“**AngoraBesco**”) is held by a private individual, and this will remain the case after the transaction is completed (“**minority share**”).
3. The effect of the proposed transaction is to split the assets and businesses of the Angora Group by dividing the ultimate ownership of the Angora Group’s shares and assets in as equitable manner as possible between the current two shareholders, Bensham and BFP. It is intended that this division will be done on a cost basis. The net result will be the segregation of the laundry, dry cleaning and shoe repair businesses in Jersey and Guernsey, including AngoraBesco (to be owned by Bensham) from the office, carpet cleaning and janitorial businesses in Jersey and Guernsey (to be owned by BFP). A property in Guernsey also forms part of the split of assets, but as the JCRA only has jurisdiction in Jersey, and it is the change of control of the Jersey businesses of AngoraBesco that has triggered the notification (see paragraphs 15-16 below), the remainder of the Decision will focus on the Jersey-based laundry, dry cleaning and shoe repair businesses of AngoraBesco.

4. The JCRA registered a notice of its receipt of the Application in the Jersey Gazette and on its website, both on 13 April 2012, inviting comments on the proposed acquisition by 27 April 2012. No comments were received.
5. The parties submitted the Application on 12 April 2012 seeking a completion date of 30 April 2012 and JCRA Board approval on or before that date. On 25 April 2012, the parties advised that the necessary final form documents - i.e. the umbrella agreement between the parties and documentation of the dividend in specie - would not be ready for some weeks and that they were now working towards a completion date of 31 May 2012. Given this delay, the JCRA “stopped the clock” on its timetable for reviewing the Application until the final form documents were received on 23 May 2012.

The Parties

a) The Angora Group

6. The parties jointly own and operate the Angora Group, which has similar businesses in both Jersey and Guernsey and broadly can be categorised as dry cleaning, office and carpet cleaning, shoe repairs, laundry and janitorial services. The whole of the Angora Group, minus the minority share, is subject to the transaction.
7. In the provision of dry cleaning and domestic laundry services, AngoraBesco operates six shops, four of which are in the commercial heart of St Helier. In the provision of commercial laundry services (excluding the hospital laundry and a few in-house laundries at larger hotels), AngoraBesco is one of only two firms that provide services to the hotel, restaurant and associated trades in Jersey.

8. In the provision of shoe repairs, AngoraBesco has one shop in the commercial heart of St Helier, operated from different premises to the laundries detailed in paragraph 7 above. There are only two shoe repair stores in Jersey.
9. The split of businesses and assets, including the change of control of AngoraBesco, will be completed by means of a distribution in specie.
10. The turnover for AngoraBesco, attributable to dry cleaning, laundry and shoe repair (“**the Services**”) in Jersey for the year ending 31 December 2011 was £[REDACTED].

b) Bensham

11. Bensham is owned by three individuals. The Jersey-based targets to be transferred to Bensham include The Angora Group Limited itself and AngoraBesco.

c) BFP

12. BFP is wholly owned by LGL Trustees, the trustees of BFP; the beneficiaries are private individuals of the same family. The Jersey-based targets to be transferred to BFP include Jersey Carpet & Office Cleaners Limited, St Clements Supplies (C.I.) Limited (“**St Clement Limited**”) and Angora Properties Limited.
13. St Clement Limited supplies dry cleaning and laundry products to AngoraBesco. For the year ending 31 December 2011, St Clement Limited supplied £[REDACTED] of products to AngoraBesco.

The Requirement for JCRA Approval

14. 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

purpose of the Law if a person who controls an undertaking acquires direct or indirect control of the whole or part of another.

15. The proposed acquisition involves Bensham acquiring control inter alia, of The Angora Group Limited and AngoraBesco, absent the minority share in AngoraBesco, as defined under Article 2(1)(b). The parties applied for JCRA approval of the proposed acquisition on the basis that AngoraBesco is likely to have a share of 40% or more in the supply of any or all of the Services within Jersey and therefore the acquisition falls within the conditions of Article 4 of the *Competition (Mergers and Acquisitions) (Jersey) Order 2010* (the “**Order**”).
16. The parties also applied for JCRA approval on the basis of AngoraBesco’s share of supply of the Services in Jersey and the vertical relationship between St Clement Limited, being acquired by BFP, and AngoraBesco, being acquired by Bensham, in that St Clement Limited supplies dry cleaning and laundry products to AngoraBesco. Therefore, the proposed acquisition also falls within the conditions of Article 3 of the Order.
17. On the basis of these facts, pursuant to the Order and Article 20(1) of the Law, the JCRA’s approval is required before the proposed acquisition is executed.

Assessment

18. 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’s *Guidelines for Mergers and Acquisitions*.¹
19. The JCRA has concluded that the proposed acquisition will not substantially lessen competition in Jersey or any part thereof, for the reasons set out below.

¹ JCRA (2010), *Mergers and Acquisitions*, at page 6.

Defining the affected relevant market(s)

(i) The Relevant Product Market(s)

20. “A relevant product market comprises all those products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the products’ characteristics, their prices and their intended use’.²
21. As noted in paragraphs 15 and 16, the obligation to apply for the JCRA’s approval of the proposed demerger of the joint venture arises by virtue of AngoraBesco’s existing share in the supply of the Services in Jersey.
22. According to the parties, the proper economic market/s for assessment does not need to be defined because there will be no material effect on competition arising from the proposed transaction. The parties note that regardless of how market/s are defined, the transaction essentially involves one of the 50:50 joint venture parties increasing their share to assume full control (absent the minority share). However, they submit that the relevant markets are dry cleaning, laundry and shoe repairs; and further delineate the laundry market between the laundry services provided by the parties and launderettes.
23. In the absence of any evidence of a material vertical effect or potential horizontal or conglomerate effects (see discussion below), the transaction will not give rise to a substantial lessening of competition in any potential product market and arguably will be competition neutral. Accordingly, the JCRA has not sought to define definitively the product market(s) within which the Services are provided.
24. Given the differences between the characteristics of the Services provided, and for example that shoe repairs are not undertaken on the same premises as the dry

² *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 December 1997)

cleaning and laundry shops, the JCRA has proceeded on the basis that separate product markets exist for dry cleaning, laundry and shoe repairs.

ii) The Relevant Geographic Market

25. The relevant geographic market is, stated simply, the area in which competition takes place.

26. The parties state that the geographic scope of the market for the Services is Jersey. For the purpose of this Decision, the JCRA need not make a definitive determination of the extent of the relevant geographic market, given the absence of any substantive effects on competition arising from the proposed acquisition. The JCRA has therefore proceeded on the basis that the relevant geographic market is Jersey, on the basis that the Services are provided to local businesses and local residents, or at least people who are resident at the time that they purchase the Services.

Effect on Competition

27. The JCRA has reached the view that the proposed de-merger of the current joint venture will not substantially lessen competition in the supply of the Services (or any one of them) in Jersey, for the reasons set out in the following paragraphs.

28. As noted in paragraphs 15 and 16 above, the obligation to apply for the JCRA's approval of the proposed acquisition arises by virtue of the share that AngoraBesco is likely to have in the supply of the Services within Jersey. The parties contend that there is no publically available local market data but estimate that they currently have 40-50% of the laundry and dry cleaning services in Jersey, based on the number of shops operated by competitors, and 50% of commercial laundry services, based on there being one competitor. The parties

also contend that they have 50% of the shoe repair market, as there is only one other shoe repair store in Jersey.

29. There is a vertical relationship between St Clement Limited and AngoraBesco, by virtue of St Clement supplying products used in the laundry and dry cleaning businesses to AngoraBesco. The parties contend that as long St Clement Limited remains competitive on service and price, the parties envisage the supply relationship remaining. However, there is no contractual commitment for the supply of these products, the products can be purchased from elsewhere and the parties contend that there are no particular barriers to entry for the dry cleaning, laundry or shoe repair markets.

30. As such, the JCRA has decided that there is no basis for concluding that the proposed acquisition would substantially lessen competition in any relevant markets in Jersey.

Conclusion

31. The JCRA has only seen draft copies of the transaction documents and this decision is conditional on them being executed in materially the same form.

32. Based on the preceding analysis, the JCRA hereby approves the proposed acquisition under Article 22(1) of the Law.

25 May 2012

By Order of the JCRA Board