

Ref: A802J

17 January 2013

Mr Andrew Riseley
Chief Executive
Jersey Competition Regulatory Authority
2nd Floor Salisbury House
1-9 Union Street
St Helier
JE2 3RF

Dear Andrew

Request by the Minister for Economic Development for the Jersey Competition Regulatory Authority (JCRA) to produce a report examining the retail supply of groceries in Jersey under the authority of Article 6(4) of the Competition Regulatory Authority (Jersey) Law 2001

The price of food in Jersey has been the subject of considerable public debate in recent times, and remains a topic of significant interest for consumers in Jersey. During a debate in the States Assembly on 18 May 2011 in relation to a proposition to zero-rate or exempt foodstuffs and domestic fuel from Goods and Services Tax, I stated my view that the JCRA should investigate food prices in Jersey and, in particular, the difference between prices for food in Jersey and the United Kingdom (UK).

The *Comparison of Consumer Prices* report for June 2012, released by the States of Jersey Statistics Unit on 7 September 2012, highlights substantial differences between the prices of certain categories of food in Jersey and the UK. In particular, the report states that fresh fruit was over a third more expensive in Jersey than in the UK, fresh vegetables were almost a quarter more expensive in Jersey, and the price of meat was, on average, around 10% higher in Jersey than in the UK.

You have noted that it would be efficient for a study by the JCRA to encompass all products sold at supermarkets (i.e. groceries), rather than merely foodstuffs. In addition, the way in which goods are supplied to, and retailed in, Jersey suggests that the looking at this issue in terms of the scope of the usual retailing function (rather than a small sub-set of what is sold) is more likely to illuminate any problems, should they exist.

I understand that the Commerce & Employment Department in Guernsey has expressed its support for the Guernsey Competition and Regulatory Authority (GCRA) to undertake a market study into the retail supply of groceries in Guernsey. You have indicated that the JCRA and GCRA have together determined that a single study should be undertaken, covering grocery retailing in Jersey and Guernsey, and that a single report will be produced. Given that many of the main grocery retailers operate across both islands, the main supply chain is shared, and many of the features of the respective markets are likely to be very similar, the Economic Development Department supports a pan-Channel Islands approach, particularly in light of the potential for cost savings.

I have therefore decided to request the JCRA under Article 6(4) of the *Competition Regulatory Authority (Jersey) Law 2001* to undertake a study of the retail supply of groceries in Jersey, with the following aims:

1. To identify the extent of the differences in the prices of groceries sold at retailers in Jersey, Guernsey and the UK, and any other jurisdictions that the JCRA considers may be comparable to Jersey;
2. To identify whether these price differences vary between different categories of groceries (e.g. food vs. non-food; perishables vs. non-perishables; alcoholic vs. non-alcoholic beverages);
3. To quantify the extent to which prices in Jersey can be explained by reference to defined categories of cost in supply chains – in particular, shipping/freight; real property costs; labour costs; compliance with local legislative requirements, and lack of economies of scale, and whether they reflect excessive ('super-normal') levels of profits anywhere in those supply chains;
4. To identify whether retail grocery prices, the quality and range of groceries available, or the quality of service in grocery retailing in Jersey reflect a lack of competition and whether there are barriers to entry in grocery retailing in Jersey that may, for example, hinder the entry of new retailers, and to advise on how they could be corrected;
5. To consider whether any other measures could be taken to increase the extent of competition in grocery retailing in Jersey, or otherwise to improve outcomes for consumers.

For the purposes of this investigation, the relevant scope is the retailing of goods through supermarkets (and other outlets that compete with supermarkets) to residential consumers, and the supply chains used by supermarkets (and their competitors) to bring those goods to Jersey.

In order to undertake this market study, the JCRA will require access to information. This request allows the JCRA to engage powers under Article 26(2) of the *Competition (Jersey) Law 2005* to require the production of information relevant to this market study.

I understand that the JCRA will endeavour to complete this project by September 2013. The JCRA has discretion in deciding whether to publish any findings, the level of detail of the same and in what form any such report or publication will be published, balancing issues of accountability, effectiveness and confidentiality.

We have agreed that it is intended that the JCRA will meet the cost of the review from its own resources. In the event that specific consultancy assistance is required, support for this specific cost may be sought by the JCRA from the Department. Expenditure which the JCRA may hope to reclaim from the Department must be approved by me before any commitments are made.

Yours sincerely

Senator Alan Maclean
Minister for Economic Development