PUBLIC VERSION

PROPOSED PURCHASE OF SPAR (CHANNEL ISLANDS) LIMITED BY SANDPIPERCI RETAIL LIMITED

Consolidated submission by SandpiperCI Retail Limited as to market definition and competition effects

29 November 2016

1. **INTRODUCTION**

1.1 We refer to the Merger Application Form dated 20 October 2016 in connection with acquisition by SandpiperCI Retail Limited (the "**Purchaser**") of Spar (Channel Islands) Limited (the "**Target**") from Jmart Limited (the "**Seller**", and that transaction, the "**Transaction**") and the addendum thereto dated 9 November 2016 (together, the "**MAF**").

1.2 The document draws together the Purchaser's submissions set out throughout the MAF so as to provide a consolidated submission as to:

1.2.1 the proper market definition to be used to assess the competition effects of the Transaction; and

1.2.2 the competition effects of the Transaction.

1.3 Unless otherwise stated in this document, all supporting information and data provided in this document has already been provided to the Jersey Competition Regulatory Authority in the MAF, and is consolidated and/or summarised in this document for convenience.

1.4 This document is provided by the Purchaser only.

2. **EXECUTIVE SUMMARY**

The Transaction involves the acquisition by the Sandpiper group, one of the three main retail groups in the island, of a number of Costcutter branded convenience stores which are currently owned and operated independently of the island's three main retail groups.

It is the Purchaser's submission that:

2.1 **Product Market**

The appropriate product market by which to assess the competition effects of the Transaction is "<u>food and beverage / grocery and general merchandise retail other than in specialised stores, including food (but not restaurants and coffee shops); drink (alcoholic and non-alcoholic); tobacco products and accessories; toiletries, nonprescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers and periodicals; pet food and accessories; and stationery</u>".

The foregoing market definition is consistent with that used by the UK Office of Fair Trading in connection with the UK Competition Commission's 2008 report on groceries in the UK, and recognises that a narrower definition of "groceries" is inappropriate as it is inconsistent with the actual range of products sold by retailers, meaning that retailers would be unable to properly assess market share on the basis of a narrower definition.

Further, it is not appropriate for the purposes of the assessment of the Transaction to segment stores operating within the product market above in Jersey in to "supermarkets", "convenience stores" and other general stores, or to apply a geographic market which is smaller than the whole of the island, for the following reasons:

2.1.1 *Consumer-based analysis*

(a) Consumers are more focused on factors such as range of products, store ambience, consumer perception and price than the size or "type" of store.

(b) Traditional grocery market segmentations between stores where consumers would do a "weekly shop" and other stores to not apply in Jersey; the function of the market is much more fluid.

(c) Many consumers in Jersey could be described as "promiscuous shoppers", who are not wedded to a particular retail outlet and will "shop around" for the best deals (and indeed use different stores for different products based on their personal preferences).

(d) Because of the size of the island and a relative over-supply of general stores, consumers in Jersey are easily able to "shop around" for products amongst all types of general stores, whether supermarkets, convenience stores or other general stores such as farm shops, fish mongers, markets etc, and are able to "pick and choose" which retail outlets they use for particular products, particular purposes etc.

2.1.2 *Retailer-based analysis*

(a) Due to the size of Jersey, the strict planning constraints in operation and the types of properties and sites available for development in to general stores, there is much less of a differentiation than one would find in the UK between sizes of store, and instead retailers focus on attracting consumers through range of products, store ambience, consumer perception and pricing, irrespective of the size of store. It is therefore inappropriate to segment general stores in to "supermarkets", "convenience stores" and other stores for the purpose of assessing the competition effects of a transaction because it fails to take in to account the practicalities of operating in a small island with strict planning constraints and limited locations available to operate what could properly be described as "supermarkets" by reference to their size, available parking etc.

The foregoing is further substantiated by inconsistencies within the manner in which the Channel Islands Competition and Regulatory Authorities ("**CICRA**") has approached the general stores market in Jersey on previous occasions. Notably, in its groceries survey it categorised various stores as "supermarkets" which fall outside of the definition of "supermarket" that has been used by CICRA in various decisions (for example categorising all M&S stores as "supermarkets" where many of them fall within CICRA's definition of "convenience stores").

2.2 **Geographic market**

The appropriate geographic market by which to assess the competition effects of the Transaction is <u>the whole of the island</u>, for the following reasons:

2.2.1 In the context of Jersey, the distinction between urban and rural areas is not significant, and the vast majority of the population works in St Helier. Consequentially, for many consumers, general stores located nearer to their homes outside of St Helier are in direct competition with general stores in St Helier, and *vice versa*.

2.2.2 It is appropriate to assume that consumers in Jersey generally have access to a car and can therefore utilise the road network to shop for groceries and other items that one would expect to find at a general store. On that basis:

(a) Materially the whole of the island is within a 15 minute drive of the centre of St Helier, and materially the whole of the island is within a 15 minute drive time of the centre of the island.

(b) General stores on the main artery routes in and out of St Helier are substantially used by commuters who pass by on their way to and from work, meaning that they compete with all general stores that are open at the relevant time, have car parking and are reasonably on the relevant commuter's route.

(c) Customers frequently drive to general stores, and it is not necessarily the case that they will always go to the general store that is geographically closest to them. Due to the size of the island, a consumer located in any particular geographic location has access to a significant number of different general stores.

(d) The general stores operated by the main retail groups across the island are spread out such that consumers, wherever they are located, have reasonable access to general stores operated by all three of the main retail groups.

(e) The Transaction is a transaction involving the purchase by a retail group that operates across the whole of the island, and competes with other main retail groups which operate across the whole of the island, of general stores which are located across the whole of the island. Competition amongst the main retail groups as a whole operates on an island-wide basis across their entire portfolio of general stores.

(f) It would be practically impossible to assess the competition effects of the Transaction on anything other than an island-wide basis due to the intense competition between the three main retail groups across a range of locations and stores, with any attempt to define particular geographic markets serving to distort or misrepresent the real competition effects of the Transaction, particularly taking into account the low barriers to entry which mean that the competitive position as amongst the island's main retail groups in any restricted geographic area can vary dramatically and substantially in a short period of time.

2.3 **Competition effects**

<u>The Transaction will not substantially lessen competition in Jersey or any part of Jersey</u> for the following reasons:

2.3.1 It will not materially affect the relative market power of the island's three main retail groups, and to the extent it has any effect that effect will be mitigated by other factors such as supply-side constraints on the Sandpiper Group when compared to Co-op and Waitrose in particular.

2.3.2 The actual competition effects of the Transaction will be further mitigated by competition in the general stores market from a number of independent general stores, in particular in St Helier where there is intense competition from independents, who together have a [30 to 40]% share of supply, giving consumers real choice. Taking into account those independent general stores, the Sandpiper Group's overall share of supply will remain less than 40%.

2.3.3 The barriers to entry to the market are low, as is evidenced by recent expansions into the market by the opening of new stores by Co-op in particular. The Transaction would not therefore prevent further competition arising in the future by "locking up" all potential retail units. There are also a significant number of UK retailers who could enter the market at any time.

2.3.4 Supermarkets constrain smaller general stores (as well as competing with them), and the Sandpiper Group does not have sufficient market power within the supermarkets sub-market to dictate prices etc. Consequentially, the market power of Co-op and Waitrose in the supermarkets sub-market acts as a significant constraint on the Sandpiper Group's pricing and other activities in connection with the operation of its general stores, and will continue to do so after completion of the Transaction. Further, the manner in which the Sandpiper Group's revenues are generated means that it is disincentivised from manipulating prices in its supermarkets to enable it to artificially increase prices in its smaller stores.

2.3.5 The Sandpiper Group's actions to date have resulted in increased competition in the general stores market, not reduced competition. This includes selling its largest supermarkets to Waitrose and introducing a lower-priced alternative retailer in the form of Iceland.

2.3.6 [REDACTED]

2.3.7 There is currently supply-side over-supply in the general stores market in Jersey, leading to extreme competition and further weakening the Sandpiper Group's relative position when compared to Co-op and Waitrose.

2.3.8 The Transaction will benefit consumers through the following, which will create additional competition with stores operated by the island's other main retail groups when compared to the current competitive position where the relevant stores are operated under the Costcutter brand:

(a) Improved product display and store ambience.

(b) Improved product range ([25-30]% more than Costcutter).

(c) A greater availability of fruit/vegetables, chilled products etc ([REDACTED]% more than Costcutter).

(d) Reduced pricing (almost [10% or more, but less than 25%] less than Costcutter).

(e) Increased promotional sale items (almost [between 3 and 4] times more promotional sale items than Costcutter).

(f) Availability of "Discount Wednesday" offers, giving a further 10% discount.

These benefits to consumers mean that, in terms of *effective* competition (ie rather than theoretical competition derived from a larger number of operators but where the products and services offered by certain of those operators are such that they are not in "true" competition with other operators in the market), the Transaction will *increase* rather than reduce competition.

2.3.9 The Transaction will create additional local employment opportunities, additional revenues for local tradesman and an increase to the use of local suppliers in stocking general stores in the island.

3. BACKGROUND

3.1 The Target and its subsidiaries (together, the "**Target Group**") operate 16 "Costcutter" branded convenience stores[1] located across Jersey (that business, the "**Target Business**").

3.2 The Purchaser and its subsidiaries (together, the "**Sandpiper Group**") is one of Jersey's three major retail groups, the other two major retail groups being the Channel Islands Co-operative Society (the "**Co-op**") and Waitrose. The Target Group does not form part of one of the island's three main retail groups at present.

[1] At the time the MAF was originally submitted the Target group operated 17 convenience stores; since then the Target's convenience store at 1 and 2 Bagatelle Parade, Bagatelle Road, St Saviour has closed.

3.3 Both the Sandpiper Group and the Co-op operate supermarkets and convenience stores in various locations across the island[2]. Waitrose operates three supermarkets in the island, located at strategic locations such as to give access to one or more of those supermarkets within a reasonable drive time of the whole of the island. The map set out at **Annex 1** shows the locations of those stores (including the Target Group's now closed Bagatelle Parade store), with one-mile radii shown around the Target Group's stores that are outside of St Helier for reference.

3.4 There are a significant number of other retailers who operate within the same market (either in whole or in part), which are again located across the island, with a particular concentration in St Helier. The Target Group is one of those retailers.

3.5 The Sandpiper Group's stores within the relevant market are operated under the brands Benest / Food Hall, Checkers Xpress, Iceland, M&S and Pound Pow£r.

4. SUBMISSION AS TO MARKET DEFINITION

4.1 CICRA Guideline 7 at page 12 states that "*the objective of defining a market is to identify those actual competitors of the businesses involved that are capable of constraining those businesses' behaviour and preventing them from behaving independently of effective competitive pressure.*"

4.2 For the reasons set out in paragraphs 5 to 7 below respectively, the Purchaser submits that the appropriate market definition to be used to assess the competition effects of the Transaction is as follows:

4.2.1 in terms of product market: <u>food and beverage / grocery and general merchandise retail other than in specialised stores including food (but not restaurants and coffee shops); drink (alcoholic and non-alcoholic); tobacco products and accessories; toiletries, nonprescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers and periodicals; pet food and accessories; and stationery</u> (the "**General Stores Market**", and retail outlets within that market, "**General Stores**"); and

4.2.2 in terms of geographic market: <u>the whole of the island</u>.

5. SUBMISSION AS TO PRODUCT MARKET: RANGE OF PRODUCTS

5.1 In its report *The supply of groceries in the UK market investigation* of 30 April 2008 (the "**CC Grocery Report**"), the UK Competition Commission defined "groceries" as "*food (other than that sold for consumption in the store), pet food, drinks (alcoholic and non-alcoholic), cleaning products, toiletries and household goods*", excluding "*petrol, clothing, DIY products, financial services, pharmaceuticals, newspapers, magazines, greetings cards, CDs, DVDs, videos and audio tapes, toys, plants, flowers, perfumes, cosmetics, electrical appliances, kitchen hardware, gardening equipment, books, tobacco and tobacco products*"[3].

5.2 As noted by the UK Competition Commission in the CC Grocery Report[4] (emphasis added), "*This definition of groceries ensures that the competition test is focused on grocery stores defined in line with our terms of reference.* ***It is important to note that this definition of groceries is different from the one to be used by the OFT in the market share assessment (where it is important to have a definition that allows grocery floorspace to be measured—see paragraph 11.115)***".

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2 The Sandpiper Group and the Co-op also have other business lines, but those are not relevant for the purposes of the assessment of the competition effects of the Transaction.

3 See para 11.80 of the CC Grocery Report

4 Footnote 1 to para 11.80

5.3 Paragraph 11.115 of that report goes on to confirm that "*in devising the questionnaire that we sent to the main parties at the outset of this inquiry, we were told by the retailers that it was difficult for them to provide data on the basis of this definition… We therefore consider that the definition of 'groceries' for the purpose of the calculation of groceries sales area in the market share limb of the competition test should be the same as that used in our main party questionnaire, that is including: food (but not restaurants and coffee shops); drink (alcoholic and non-alcoholic); tobacco products and accessories; toiletries, nonprescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers and periodicals; pet food and accessories; and stationery.*"

5.4 On the basis of the foregoing, the Purchaser submits as follows:

5.4.1 The more narrow definition of "groceries" as used in the CC Grocery Report should be limited to that report on the basis that:

(a) it was consistent with the terms of reference for that report, and not more generally; and

(b) the UK Competition Commission accepted that such a definition was too narrow and was not possible to enable a proper analysis to be undertaken from a retailer perspective.

5.4.2 Consistent with the retailer questionnaire used by the UK Office of Fair Trading as referred to in the CC Grocery Report, the product market used to assess the Transaction should include "*food (but not restaurants and coffee shops); drink (alcoholic and non-alcoholic); tobacco products and accessories; toiletries, nonprescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers and periodicals; pet food and accessories; and stationery*".

5.4.3 The Purchaser therefore submits that the proper product market definition for the assessment of the Transaction is "<u>food and beverage / grocery and general merchandise retail other than in specialised stores, including food (but not restaurants and coffee shops); drink (alcoholic and non-alcoholic); tobacco products and accessories; toiletries, nonprescription medicine, health care and optical goods; household and fabric cleaning products; small household goods (including pots, pans, cutlery); newspapers and periodicals; pet food and accessories; and stationery</u>".

5.4.4 Please note, the foregoing references to the CC Grocery Report were not included in the MAF, but are used to substantiate the range of products that the Purchaser submitted in the MAF should be included in the product market definition for the purposes of the assessment of the Transaction.

6. SUBMISSION AS TO PRODUCT MARKET: TYPES OF RETAIL OUTLETS

6.1 In the its *Review of the Grocery Market in Jersey and Guernsey* (CICRA document CICRA 14/06) (the "**CICRA Grocery Survey**"), CICRA split the General Stores Market in to "supermarkets", being those outlets where consumers are likely to do their "weekly grocery shop", and "convenience stores".

6.2 In decision M114/07 *Spar (Channel Islands) Limited and CI Newsagents Limited* CICRA determined that the market for "convenience stores" constituted "*all the retail outlets that offer at least the range of products defined as food and non-food products that are normally found in convenience shops that are open for at least some hours on Sundays*" (with a resultant differential based on retail floor space, given the Sunday trading laws in operation in Jersey).

6.3 The Purchaser submits that such a segregation of the General Stores Market is inappropriate, and the General Stores Market should be taken as a whole. The Purchaser's submission is for the following reasons:

6.3.1 **Consumer-based analysis**

(a) Such a distinction does not take in to account other factors such as range of products, store ambience, consumer perception and price, factors which were taken into account in the CICRA Grocery Survey and resulted in a very different assessment of the market. For example:

(i) a number of Sandpiper Group's stores that were classified as "supermarkets" in the CICRA Grocery Survey (principally those operated under the M&S brand) do not technically fall within the definition of a "supermarket"; and

(ii) stores such as Co-op *Locale* appear to be treated as "supermarkets", where as the Purchaser considers that they should properly be treated as "convenience stores".

(b) The Purchaser estimates the total annual sales for supermarkets in Jersey (being those operated by the three main retail groups, plus Alliance) to be in the region of £190m and the total annual sales for convenience stores in Jersey operated by the three main retail groups plus the Target Group to be £89m, ie approximately £279m in total. The CICRA Grocery Survey confirms that 96% of consumers use Co-op, Waitrose, Iceland (being the Iceland stores in operation at the time of that survey) or M&S for their "weekly shop". It is therefore evident from the Purchaser's estimated sales data that that the function of the General Stores Market in Jersey is such that a very significant proportion of grocery items as a whole are not bought as part of a "weekly shop". This is evidence that, from a consumer perspective, there is no "hard" segmentation as between store types, which is again supportive of the Purchaser's submission that the General Stores Market should be taken as a whole; in other words, as a matter of fact, consumer behaviour is much less focused on the "type" or size of store, and much more on product range and pricing.

(c) Further, such a distinction does not take in to account other General Stores Market participants (ie being General Stores other than supermarkets and convenience stores), in particular farm shops and other independent retailers such as those in the St Helier Central Market.

(d) The foregoing propositions are supported by the CICRA Grocery Survey, which states as follows:

"*While this study focusses on supermarkets, we acknowledge that sales of groceries also take place at fuel forecourts such as Co-op enroute and Checkers Xpress, at convenience stores such as Checkers Xpress in both islands and Island Shopper in Guernsey, and at farm shops. Farm shops are a more prominent and important part of grocery shopping in the Channel Islands than in most regions of the UK. However, many of the products that farm stores sell, i.e. fresh local produce, do not lend themselves to direct comparisons with other jurisdictions and we were conscious that our information requests would impose a disproportionate burden on smaller retailers such as farm shops and some convenience stores. Nevertheless, in recognition that groceries are bought at farm shops, within the consumer survey, we asked, for example if consumers shopped at farm shops.*"

(e) Based on its experience operating within the General Stores Market, the Purchaser has a great deal of practical experience in consumer behaviour in the General Stores Market. The Sandpiper Group uses the term "promiscuous shopper" to refer to consumers who are not wedded to a particular retail outlet, and will "shop around" for the best deals (and indeed use different stores for different products based on their personal preferences). It is the Purchaser's submission that a very significant proportion of customers in Jersey fall within this definition of a "promiscuous shopper"; whilst the Purchaser cannot provide any hard statistical evidence in support of this submission, it is anecdotally evident from any visit to a General Store by looking at the branded shopping bags customers carry (for example they may use a Co-op branded bag to shop in an M&S, or a Waitrose branded bag to shop in a Co-op).

(f) The General Stores Market is over-supplied in Jersey when compared to the UK (see paragraph 8.6 below), and the size of the island makes it easy for consumers to access a significant number of different retail outlets within the General Stores Market (see paragraph 7.3 below). These factors are not only relevant to determining the appropriate geographic market by which to assess the Transaction and its competition effects: they also go to the assessment of the appropriate product market. Specifically, because of these factors, consumers in Jersey are easily able to "shop around" for products amongst all types of General Stores, whether supermarkets, convenience stores or other General Stores such as farm shops, fish mongers, markets etc, and are able to "pick and choose" which retail outlets they use for particular products, particular purposes etc. This creates a much more fluid consumer-side market as between the various types of General Stores than in a larger jurisdiction such as the UK, particularly when compared to rural areas of the UK where consumers may genuinely have only one or two stores that they can reach within a reasonable time.

(g) It follows from the foregoing that, from a consumer perspective, that there is strong competition amongst all types of store operating within the General Stores Market and any attempt to segment those stores in to "supermarkets", "convenience stores" and other stores for the purpose of assessing the competition effects of a transaction is both unnecessary and inappropriate, as it fails to take into account actual consumer habits.

6.3.2 **Retailer-based analysis**

(a) Due to the size of Jersey, the strict planning constraints in operation and the types of properties and sites available for development in to General Stores, it is not possible for retailers within the General Stores Market to create large "out of town" supermarkets with significant parking of a type one might find in the UK. Consequentially, from a retailer's perspective, there is much less of a differentiation than one would find in the UK between sizes of store, and instead retailers focus on attracting consumers through range of products, store ambience, consumer perception and pricing, irrespective of the size of store.

(b) For example, in the UK, Tesco operates its main out-of-town supermarkets and its in-town Tesco Metro branded stores. Many of the General Stores in Jersey which could properly be described as "supermarkets" are, as a matter of fact, no larger (and in many cases smaller) than a Tesco Metro or equivalent store in the UK, meaning that in terms of stock, ability to sell bulk items, available chilled and freezer space etc, they are much more akin to what would be described in the UK as a "convenience store", but nevertheless in Jersey serve the function of a "supermarket".

(c) By way of supporting evidence for the above (being information not provided in the MAF), using data from their annual reports, Sainsbury's in the UK has a weighted average store size of 17,500 sq. ft, while for Tesco the average is 12,000 sq. ft. For Tesco, however, the true picture is more complex, since if one excludes the 72% (by number) of Tesco stores which are clearly in-town "convenience stores" in nature (with a floor space of <3,000 sq. ft), the average store size for the remaining 962 stores is 37,700 sq. ft. For reference, the number of stores with over 20,000 sq. ft of selling area in Jersey is just four (three Waitrose supermarkets and the Co-op *Grand Marché*), none of which are operated by the Sandpiper Group.

(d) It follows from the foregoing that, from a retailer's perspective, it is inappropriate to segment General Stores in to "supermarkets", "convenience stores" and other stores for the purpose of assessing the competition effects of a transaction because it fails to take in to account the practicalities of operating in a small island with strict planning constraints and limited locations available to operate what could properly be described as "supermarkets" by reference to their size, available parking etc. This is supported by factual evidence in the branding and product ranges within the General Stores Market in Jersey; taking a Sandpiper Group example, the Iceland and Benest / Food Hall branded General Stores cover both "supermarkets" and "convenience stores", and offer broadly the same range of products in each, subject to the necessary constraints arising out of differing store sizes.

7. **SUBMISSION AS TO GEOGRAPHIC MARKET**

7.1 CICRA has previously noted that the geographic market for grocery stores that are different sizes (and therefore correspondingly used by consumers in different ways) should be treated as having different geographic markets[5]. In particular, it was noted that convenience stores have a "catchment area" within which consumers will be willing to travel and "*from which most of its customers will originate*".

7.2 In the *Spar (Channel Islands) Limited and CI Newsagents Limited* decision, CICRA follows UK precedent[6], which states that convenience stores compete with other convenience stores within a five-minute drive-time and a one-mile radius in all areas and one-stop shops within a 10-minute drive time in urban areas or a 15 minute drive-time in rural areas, although CICRA instead has historically used a geographic "catchment area" of half a mile to a mile rather than the drive time (which CICRA confirms is also based on UK precedent).

7.3 The Purchaser submits that such a geographic market definition is inappropriate in the context of the assessment of the Transaction, and in such context the General Stores Market should be assessed on the basis of the whole of the island. The Purchaser's submission is for the following reasons:

7.3.1 In the context of Jersey, the distinction between urban and rural areas is not significant, as the majority of the population either lives in a rural setting or in a small town. The vast majority of the population of Jersey works in St Helier and those consumers are able to shop in St Helier as much as their local store (there are over 20 convenience stores within a one mile radius in St Helier, plus various supermarkets and other General Stores, please see the map at **Annex 2**). Therefore, as a matter of fact, for many consumers General Stores located nearer to their homes outside of St Helier are in direct competition with General Stores in St Helier, and *vice versa*.

7.3.2 It is appropriate to assume that consumers in Jersey have access to a car and are able to drive to General Stores. As at 31 December 2014 the number of cars registered in Jersey was approximately 87,000, and in 2011 the number of households was approximately 45,000[7] (please note that the data relating to the number of cars in Jersey was not included in the MAF). The Purchaser is not aware of any reason to assume that this data does not remain materially correct today. On that basis, there are approximately 1.9 cars per household, which evidences that the vast majority of consumers can reasonably be expected to have access to at least one car.

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5 Decision M114/07 *Spar (Channel Islands) Limited and CI Newsagents Limited*, at page 10.

6 Decision ME6529-15 *Co-operative Group and Netto Limited.*

7 See https://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=1462 and http://www.gov.je/government/jerseyinfigures/housingliving/pages/households.aspx

7.3.3 As a consequence, defining the market applicable to a convenience store as being within a 0.5 to 1 mile radius around that store does not adequately address the influence of the road network. In particular:

(a) Materially the whole of the island is within a 15 minute drive of the centre of St Helier (please see the map at **Annex 3**, taking the David Place Costcutter as the central point).

(b) Materially the whole of the island is within a 15 minute drive time of the centre of the island (please see the map at **Annex 4**).

(c) General Stores on the main artery routes in and out of St Helier are substantially used by commuters who pass by on their way to and from work, meaning that they compete with all stores within the General Stores Market that are open at the relevant time, have car parking and are reasonably on the relevant commuter's route. For example, a consumer driving east out of St Helier would have reasonable access to the Co-op *Grand Marché*, the Waitrose in St Saviour and various convenience stores operated by the three main retail groups and independents. Please see the map at **Annex 3**.

(d) Customers can reasonably be expected to frequently drive to a General Store rather than visit it on foot, and it is not necessarily the case that they will always go to the General Store that is geographically closest to them. Due to the size of the island, a consumer located in any particular geographic location would have access to a significant number of different General Stores. Please see the maps set out at **Annex 5**, noting in particular that:

(i) within a five minute drive of the Augres Costcutter there are a very significant number of convenience stores, as well as the Trinity Hill Waitrose and the St Helier Co-op *Grand Marché*;

(ii) within a five minute drive of the Gorey Costcutter there are seven other convenience stores, and the St Saviour Waitrose is only marginally outside of a five minute drive time; and

(iii) within a five minute drive of the Green Island Costcutter there are a number of convenience stores, as well as the St Saviour Waitrose and both Iceland and M&S supermarkets, and the St Helier Co-op *Grand Marché* is only marginally outside of a five minute drive time.

The Purchaser recognises that these drive times may not necessarily be achievable at all times, particularly during rush hour. However, the foregoing illustrates that the nature (and size) of the island and the road network means that it is not, as a matter of fact, as simple as to assess the competition facing convenience stores by reference to a 0.5 to 1 mile radius geographic market. Further, as noted at paragraph 8.6 below, there is a current over-supply of General Stores in Jersey compared to the UK which, combined with the size of the island, means that applying UK tests to assess the Jersey General Stores Market is inappropriate as it is not comparing like-with-like. This further supports an island-wide assessment.

7.3.4 Further, on the basis that consumers can generally choose where to shop, it is material in the context of the Transaction to note that the General Stores operated by the main retail groups across the island are spread out such that consumers, wherever they are located, have reasonable access to General Stores operated by all three of the main retail groups. The Sandpiper Group uses this type of analysis in order to determine where to locate General Stores, rather than assessing markets on a store-by-store basis. For example, by reference to the drive time map at **Annex 3** and taking the island as four broad quadrants with a reasonable degree of overlap to take into account drive times and the location of main artery roads, and St Helier separately:

(a) Consumers in the north-west of the island have access to three Co-op stores (one in St Mary and two in St Peter) as well as various Sandpiper Group stores, and easy access to the Waitrose store at Red Houses.

(b) Consumers in the north-east of the island have access to three Co-op stores (in Sion, Maufant and Gorey) as well as various Sandpiper Group stores, and easy access to the Waitrose supermarket at Trinity Hill and the Co-op supermarket in St Helier.

(c) Consumers in the south-east of the island have access to four Co-op stores (in Maufant, Gorey, Pontac and Georgetown), the Waitrose supermarket in St Saviour as well as various Sandpiper Group stores, and easy access to the Waitrose supermarkets at Trinity Hill and the Co-op supermarket in St Helier.

(d) Consumers in the south-west of the island have access to three Co-op stores (one in Beaumont and two in St Peter), the Waitrose supermarket at Red Houses as well as various Sandpiper Group stores.

(e) Consumers in St Helier have very broad access to a significant number of convenience stores, supermarkets and other General Stores operated by the main three retail groups and independents (on which see paragraph 8.2 below).

The Purchaser would note however that the foregoing is used to demonstrate that the General Stores operated by the three main retail groups are spread out across the island such as to make an assessment of the competition effects of the Transaction on anything other than an island-wide basis inappropriate. For the reasons set out above and in paragraph 7.4 below, the Purchaser is not suggesting that the geographic market for General Stores in the context of assessing the Transaction should be assessed on the basis of quadrants or any other smaller geographic market.

7.4 The Transaction is a transaction involving the purchase by a retail group that operates across whole of the island, and competes with other main retail groups which operate across the whole of the island, of General Stores which are located across the whole of the island. Bearing that in mind, the Purchaser submits the following:

7.4.1 It would be factually incorrect to assess the Transaction on the basis of individual geographic radii around General Stores, or indeed by taking any larger part of the island (for example on a parish or quadrant basis), because competition amongst the main retail groups operates on an island-wide basis across their entire portfolio of General Stores. As evidenced at paragraph 7.3 above, consumers can easily choose where to shop, with General Stores of varying sizes and types operated by various retail groups easily accessible by consumers wherever they are situated. If a consumer prefers to shop at a Co-op or a Waitrose rather than an M&S, there is nowhere in the island where they cannot access a Co-op or a Waitrose store within a reasonable drive time (see paragraph 7.3.4 above).

7.4.2 The JCRA must assess the Transaction on the basis of metrics that are reasonably measurable, possible to evidence with data and represent a fair assessment of the competitive environment in which the Sandpiper Group operates. It would be practically impossible to assess the competition effects of the Transaction on anything other than an island-wide basis due to the intense competition between the three main retail groups across a range of locations and stores, with any attempt to define particular geographic markets serving to distort or misrepresent the real competition effects of the Transaction. For example, due to the low barriers to entry in the General Stores Market, the competitive position as amongst the three main retail groups and the Target Group (and in particular as amongst Co-op, the Sandpiper Group and the Target Group) can vary quickly and significantly in any particular location (see paragraph 8.3 below), and using a "static" assessment of the General Stores Market on a less than whole of island basis at any particular time fails to take such changes to account and could result in the JCRA assessing the Transaction on an unrealistic basis.

8. THE COMPETITION EFFECTS OF THE TRANSACTION

8.1 General

The Purchaser submits that the Transaction will not have any detrimental effect on competition within the General Stores Market assessed on an island-wide basis, and moreover will have a positive effect.

8.2 Share of supply analysis

8.2.1 The Purchaser estimates that the Sandpiper Group's share of supply within the General Stores Market following completion of the Transaction, only taking into account General Stores operated by the three main retail groups plus Alliance, would be **[40-50]**% (up from [30-40]%), with Waitrose's share of supply *amongst those stores* remaining at [25-30]% and Co-op's share of supply remaining at [30-40]% (see the following table for workings, based on the Purchaser's estimates of competitor turnover[8]). Consequentially, the Transaction will not have a material effect on the overall market share amongst the major retail groups or their market power, and the extent it does have the effect of increasing the Sandpiper Group's share of supply or market power that effect is mitigated by supply-side constraints and the various other factors set out below.

Main Retail Group Turnover

Sandpiper Supermarkets	[REDACTED]
Waitrose	[REDACTED]
COOP Supermarkets	[REDACTED]
Alliance	[REDACTED]
Total Supermarkets	[APPROXIMATELY 190]
Sandpiper Convenience	[REDACTED]
COOP Convenience	[REDACTED]
Costcutter Convenience	[REDACTED]
Total Convenience	89.0
Sandpiper "Pound Power"	[REDACTED]
Grand total	[APPROXIMATELY 280]

8 Please note this is based on the same data as set out in the MAF, the difference in relative market shares being caused by including Pound Pow£r in the Sandpiper Group figures, on the basis that it is arguably in competition with General Stores for various product lines.

Market Share

Sandpiper	[30-40]%
Waitrose	[25-30]%
COOP	[30-40]%
Costcutter	[5-10]%
Alliance	[0-5]%
Total	100.0%
Sandpiper + CC	[40-50]%

8.2.2 The actual competition effects of the Transaction will be further mitigated by competition in the General Stores Market from a number of independent General Stores, including farm shops etc outside of St Helier and a number of other independent retailers within St Helier (see paragraph 8.2.3 below for specific retailers within St Helier, and see paragraph 6.3.1(d) above for general support for this proposition from the CICRA Grocery Survey).

8.2.3 The most notable and concentrated independent competition is within St Helier. Based on the Purchaser's competitor turnover-based market share estimates, within the total turnover of General Stores in St Helier, the St Helier Market has a collective share of supply of [10% or more, but less than 25%], Boots has a share of supply of [0-5]%, Pound Magic has a share of supply of [0-5]%, 99p Store has a share of supply of [0-5]%, Dunnells has a share of supply of [0-5]% and c.20 independent General Stores have a collective share of supply of [0-5]%, meaning that a [30-40]% share of the General Stores Market within St Helier is independent of the three main retail groups and the Target Group.

8.2.4 The following table takes the turnover analysis of the main retail groups in the island and adds to it the Purchaser's estimates of turnover for independent retailers <u>within the General Stores Market operating in close proximity to a Target Group store</u> (as set out in the MAF). The result of this is to reduce the Sandpiper Group's share of supply following completion of the Transaction to **[30-40]%**. The Purchaser notes that this is <u>without</u> including other independent market participants that are not geographically close to a Target Group Store, which the Purchaser estimates would reduce the Sandpiper Group's post-completion share of supply by a further [0-5]%:

<u>Turnover data (main retail groups)</u>

	Turnover £m
Sandpiper (incl Pound Pow£r)	[REDACTED]
Costcutter	[REDACTED]
Co-op	[REDACTED]
Waitrose	[REDACTED]
Total	[APPROXIMATELY 270]

<u>Other supermarkets</u>

	Turnover £m
Alliance	[REDACTED]
Total	[5-10]

Independent stores close to a Costcutter store

	Turnover £m
La Moye (Pound Magic)	[REDACTED]
St John (AR Vittel)	[REDACTED]
Gorey (Rosedale Stores, Dunnells, The Works Gorey Wine Cellar, independent store)	[REDACTED]
Millbrook (Roberts, Best One, Bay Stores)	[REDACTED]
Green Island (Roberts)	[REDACTED]
Haut Croix (Woodside)	[REDACTED]
Augres Garage (Rondels)	[REDACTED]
St Helier (Pound Magic, 99p Store, St Helier Market, Boots, c20 independent conv stores, Dunnells)	[REDACTED]
Total	[40-50]

Turnover data (all stores above)

	Turnover £m
Sandpiper (incl Pound Pow£r)	[REDACTED]
Costcutter	[REDACTED]
Co-op	[REDACTED]
Waitrose	[REDACTED]
Others	[REDACTED]
Total	[310-320]

Share of supply analysis (all stores above)	**%**
Sandpiper (incl Pound Pow£r)	[30-40]%
Costcutter	[5-10]%
Co-op	[25-30]%
Waitrose	[20-25]%
Others	[10% or more, but less than 25]%
Total	100.00%

Sandpiper + Costcutter	**[30-40]%**

8.2.5 Whilst not all such General Stores carry the same range of products as a convenience store or supermarket, it is artificial to suggest that they are not, as a matter of fact, in competition with the General Stores operated by the main retail groups at the times they are open and in respect of the products they sell. The Purchaser considers that, absent any independent market data being available, any reduction of relevant turnover based on the foregoing would be materially balanced out when assessing the General Stores Market on an island-wide basis by including those other General Stores that are not in close proximity to a Target Group store, including, in terms of the larger farm shops, Classic Farm Shop, Holme-Grown, Lucas Bros, Homefields, Farm Fresh Organics and Velmont Farm[9].

9 See http://www.genuinejersey.com/media/1858/farm-shops.pdf

8.3 **Barriers to entry**

8.3.1 The Purchaser submits that the barriers to entry in to the General Stores Market are low, and the Purchaser would note that the products and equipment needed to operate a retail unit are widely available, as is the supply of labour to staff the shops. The barriers to entry that do exist are principally the following:

(a) Capital Costs: depending on the sophistication of the shop fit required, there is an upfront capital cost to open a General Store, and in addition there is a requirement to undertake ongoing investment from time to time in order to keep pace with the market and the brand owners' brand identity.

(b) Scarcity and cost of acquiring and developing suitable property.

(c) For an external (non-Channel Island) entrant, the cost of operating in a small market, together with supply chain and regulatory differences versus (predominantly) the UK.

8.3.2 The Purchaser therefore submits that the overall barriers to entry in to the General Stores Market do not prevent new entrants in to the market, or the expansion of the current market participants through organic growth. Evidence for the foregoing is supported by the Co-op having opened new stores in Grouville, Sion, St Mary and Colomberie (which the Purchaser notes has contributed further to the over-supply in the island and therefore placed additional competitive pressure on the Sandpiper Group) and currently expanding its store on King Street. The Purchaser has further identified the following General Stores operators as being potential new entrants in to the Jersey market: Asda, Morrison, Tesco, Sainsbury, Aldi, Lidl, McColls, Premier Stores, One Stop, Londis, Today's Extra and Select and Save.

8.3.3 As well as the opening of new stores being relatively easy, such openings have a material effect on competition. This can be evidenced by the following table, which shows the impact of competitor store openings in close proximity to existing stores (please note this data was not include in the MAF). In every case the impact on the existing stores was significant. It is worthy of note that, in the case of the Checkers Xpress at Grouville, the Sandpiper Group responded to the impact arising from the opening of the Co-op with significant capital investment, and converted the store to an Iceland format, with a consequential reduction of c. [20-30]% in average prices charged at the store:

Store Opening	Opening Date	Stores Impacted	% Impact	Annual Impact
Alliance/Tesco Parade	November 2014	Iceland Parade	-[10% or more, but less than 25%]%	-[REDACTED]
		M&S Food King Street	-[0-5]%	-[REDACTED]
				-[REDACTED]
Co-op Grouville	February 2015	Checkers Xpress Grouville	-[10% or more, but less than 25%]%	-[REDACTED]
Co-op Colomberie	March 2016	Costcutter Snow Hill	-[10% or more, but less than 25%]%	-[REDACTED]
		Costcutter Colomberie	-[30-40]%	-[REDACTED]
				-[REDACTED]

8.3.4 The Purchaser submits that this is strong evidence that the Sandpiper Group and the Target Group, whether independently or combined (especially taking in to account the Purchaser's submission at 8.2.1 above), face very strong competition from the other main retail groups in Jersey, and this will not be affected by the Transaction. The Purchaser would further ask the JCRA to note that, as submitted at paragraph 7.4.2 above, the speed and magnitude of these types of variations in market share, in particular as amongst the Sandpiper Group, the Co-op and the Target Group, in particular locations means that any assessment of the Transaction on any geographic basis other than an island-wide basis would misrepresent the actual competitive environment in which the Sandpiper Group is trading.

8.4 Constraints from supermarkets

8.4.1 In the 2008 UK Competition Commission document *The supply of groceries in the UK – market investigation*, it was suggested that the grocery retail market should be split into three broad product markets: one-stop shops ("**OSS**"), mid-size stores ("**MSS**") and "convenience stores". This is the approach taken by CICRA in decision M601/10 relating to the acquisition of various asserts and properties of the Sandpiper Group by Waitrose in July 2010.

8.4.2 In terms of competition and constraints, the UK Competition Commission found (in summary) that:

(a) OSS compete with other OSS and constrain MSS and "convenience stores";

(b) MSS compete with other MSS, constrain "convenience stores" and are constrained by OSS but do not in turn constrain OSS; and

(c) "convenience stores" compete with other "convenience stores" and are constrained by MSS and OSS, but do not in turn constrain MSS or OSS.

8.4.3 As stated above, the Purchaser submits that the General Stores Market in Jersey should not be segmented with the same granularity as set out above (or as set out in previous CICRA decisions), but the Purchaser does submit that, as well as there being competition amongst all types of General Stores in relation to the product ranges carried, given their relative size and range of products it is true to say that supermarkets constrain other General Stores.

8.4.4 Whilst the share of supply enjoyed by the Sandpiper Group in the supermarkets sub-market is significant, the Sandpiper Group does not have more than a 40% share of supply in such sub-market, and both Co-op and Waitrose in particular have very significant shares of supply ([50-60]% together, with Waitrose alone having a [30-40]% share of supply, which is only marginally below the total Sandpiper Group's share of supply). Further, only Co-op and Waitrose operate supermarkets that are of a size that could truly be called a "supermarket" based on the UK meaning of that term (see paragraph 6.3.2(c) above).

8.4.5 The Purchaser is of the view that there is significant competition amongst supermarkets in Jersey, and its share of supply within the supermarkets sub-market does not give it market power to dictate prices etc. By extension this means that the Sandpiper Group is not in a position to remove the constraints placed upon other General Stores by supermarkets by (for example) forcing an increase in prices charged in supermarkets. Consequentially, this acts (and will continue to act following completion of the Transaction) as a significant constraint on the Sandpiper Group's pricing and other activities in connection with the operation of its General Stores.

8.4.6 Further:

(a) The Sandpiper Group has increased competition in the General Stores Market by selling its largest supermarkets to Waitrose.

(b) The Sandpiper Group's most recent expansion in its supermarkets offing – ie opening various Iceland supermarkets – has introduced a lower-cost supermarket alternative to the island. This has *increased* consumer choice and provided *additional* competition in terms of supermarket retail pricing. Consequentially this has created *additional* constraints on other General Stores, as their pricing (which is often materially higher than supermarkets) appears even more expensive when compared to a lower-cost supermarket offering. Iceland pricing is itself dictated by the branding and market position of that store, ie the Iceland retail offering does not lend itself to price increases such that it would become a direct competitor in terms of pricing, range of products, customer experience etc with Waitrose, for example. Consequentially Iceland is, and will remain, an important competitor in the General Stores Market, and therefore an important constraint on other General Stores (including those operated by the Sandpiper Group). The Purchaser confirms that the Sandpiper Group has no present intention to end the Iceland franchise.

(c) As a proportion of its overall sales revenues generated in the General Stores Market in Jersey, supermarkets account for [REDACTED]% and other General Stores account for [REDACTED]% of the Sandpiper Group's relevant sales revenues. Following completion of the Transaction, based on management projections, supermarkets will account for [REDACTED]% and other General Stores will account for [REDACTED]% of relevant sales revenues. Supermarkets therefore make up (and will make up) a much greater proportion of the Sandpiper Group's overall sales revenues than other General Stores. This creates a strong disincentive for the Sandpiper Group to take any action within the supermarkets sub-market (even if it had the market power to do so) with a view to removing or reducing the constraints supermarkets place over pricing in other General Stores, as any benefits this would generate in relation to those other General Stores would very likely be to the direct detriment of the Sandpiper Group's supermarkets business, and therefore its overall revenues and profits.

8.5 **[REDACTED]**

8.6 **Supply-side over-supply**

8.6.1 For a market of c.100k people Jersey is extremely well-served in terms of food retail, with significantly more outlets than you would typically see in an equivalent-sized UK town.

8.6.2 The total number of units of Sandpiper (23), Co-op(15), Waitrose (3), Alliance (1) and Costcutter (16) on the island is 58. Looking at a comparative population UK town (Worthing – population c.107k) there are 33 stores – ie Jersey has approximately 1.75 General Stores for every General Store in an equivalent-sized UK town. There is therefore significantly more local market competition in Jersey than the Purchaser submits would be seen in an equivalent UK market. This is supported by the CICRA Grocery Survey, which states:

"*Jersey and Guernsey do not appear to be under-supplied with supermarkets in terms of grocery sales area per head of population. Based on the supermarkets included in this study, and the focus of the UK Competition Commission's 2008 groceries report , there is about:*

(a) *0.19 m2 of grocery sales area per head of population in Jersey;*

(b) *0.26 m2 in Guernsey; and*

(c) *0.15 m2 in the UK.*"

8.6.3 The over-supply as set out in the CICRA Grocery Survey has only increased since the date of that survey. The following table (which was not included in the MAF) sets out the Purchaser's analysis of changes since that time:

Grocery Store Space Added since 2008	**Est retail space (k sq ft)**
Co-op Grouville	[REDACTED]
Alliance (Tesco) Parade	[REDACTED]
Iceland St Peter	[REDACTED]
Iceland Parade	[REDACTED]
Wine Warehouse St Ouen	[REDACTED]
Iceland New Era (conversion)	[REDACTED]
Co-op Colomberie	[REDACTED]
Co-op St Mary	[REDACTED]
Costcutter Kensington Parade	[REDACTED]
Alfonso Bath Street	[REDACTED]
Co-op Charing Cross (imminent)	[REDACTED]
Total	**55.0**
Total (k sq.m.)	**5.1**

Population 2015 (States of Jersey Statistics Unit)	102,700
Population 2008 (States of Jersey Statistics Unit)	95,400
Sales Area per Head 2008 (per CICRA Study)	**0.19 m2**
Sales Area per Head 2008 (based on 2015 population)	0.18 m2
Increased Sales Area per Head from New Space	0.05 m2
Estimated Sales Area per Head Current	**0.22 m2**

8.6.4 Anecdotally, based on the Purchaser's directors' experience in the UK retail market, the supply-side over-supply in the General Stores Market in Jersey is further evidenced by the lack of long queues in General Stores at what would traditionally be regarded as peak times, such as Friday evenings.

8.6.5 The foregoing is evidence of the extreme competition within the General Stores Market in Jersey, which further weakens the Sandpiper Group's relative position (and in particular its market power) when compared to Co-op and Waitrose, and is therefore further evidence as to why the Transaction will not have any negative effect on competition in the General Stores Market.

9. CONSUMER BENEFITS

9.1 General

9.1.1 The Sandpiper Group intends to convert the Target Group's Convenience Stores to current Sandpiper Group formats (specifically the "Food Hall" format), with the following benefits to consumers:

(a) Improved product display and improved store ambience.

(b) The range of a typical "Food Hall" store is 11,800 lines (over a full year), whereas current Target Group Convenience Stores under the Costcutter brand have [REDACTED] lines. The conversion will therefore increase the range of products available to customers at each location by c.[20-30]%, making sites more akin to "mini supermarkets" with lower pricing and a greater range of products than usually expected at a convenience store.

(c) Sales in Sandpiper Food Halls consist of c.[REDACTED]% in "fresh" categories (fruit/vegetables, chilled products etc). The same figure for the current Target Group convenience stores under the Costcutter brand is c.[REDACTED]%. By enhancing the fresh offer in stores, the Sandpiper Group will be improving the variety of fresh food choices available to customers.

9.1.2 This, together with the associated pricing benefits (see paragraph 9.2 below), means that, in terms of *effective* competition (ie rather than theoretical competition derived from a larger number of operators but where the products and services offered by certain of those operators are such that they are not in "true" competition with other operators in the market), the Transaction will *increase* rather than reduce competition in the General Stores Market.

9.2 Pricing

9.2.1 Due [REDACTED], the Sandpiper Group expects that, as a consequence of the Transaction, the price of an average basket of goods purchased at one of the Target Group's Convenience Stores post-completion will be reduced by up to approximately [10% or more, but less than 25%]%, which is of material benefit to consumers.

9.2.2 By way of evidence for the foregoing submission, a "basket" of 70 items covering the highest-selling products within each sales category in the Sandpiper Group's "Food Hall" fascia was checked on 3 October 2016 and compared against comparable products at Costcutter. That review found that, for those lines, the Sandpiper Group price was £122.24, while for Costcutter it was £150.80, a difference of £28.56. As the Costcutter stores are converted, average prices will therefore fall. A copy of the basket comparison is set out at **Annex 6**.

9.2.3 Sandpiper will also be offering credit accounts to customers, subject to status.

9.2.4 The number of promotions available for sale in a typical Sandpiper Group "Food Hall" fascia is some 125 lines, by contrast to 34 lines in a typical Costcutter store in Jersey (as verified on 3 October 2016), an increase of almost 3.7 times. The strength of offer in the converted stores will rise towards the current Sandpiper Group level.

9.2.5 The stores converting to "Food Halls" will run the well-established "Discount Wednesday" offer, enabling shoppers to enjoy a 10% discount on their shopping basket on a Wednesday.

10. EMPLOYMENT AND OTHER FACTORS

10.1 The Sandpiper Group has reviewed staffing levels in the Target Group's stores being acquired and, as a result, will be recruiting additional colleagues to operate the converted Target Group stores. The Sandpiper Group is currently looking to recruit 50 additional staff in anticipation of completion of the Transaction.

10.2 Further:

10.2.1 the conversion of the relevant stores will create a significant amount of work for local tradesmen; and

10.2.2 given it does not have access to the same UK supply chain as Co-op, Waitrose, Alliance or Costcutter, the Sandpiper Group utilises more local suppliers, and therefore the Transaction will be of benefit to such suppliers as their effective customer base will be expanded.

11. CONCLUSION

11.1 The competition effects of the transaction should be assessed on the basis of the General Stores Market on an island-side basis.

11.2 For the various reasons set out above, the Transaction will have a positive effect on competition in that market and will be of material benefit to consumers and the island generally.

11.3 The Purchaser would ask the JCRA to note that, if the above market analysis is accepted, the Purchaser will not be willing to offer the undertakings it had offered in the MAF in terms of the disposal of certain General Stores.

Declaration

I declare that:

- The information given herein and in any appendices and attachments hereto is, to the best of my knowledge and belief, accurate and complete, and any opinions expressed herein are sincere.
- All estimates are identified as such and are the best estimates of the underlying facts.
- Photocopies of any documents submitted with this Merger Application Form are exact duplicates of the original documents.
- I have read and am aware of the provisions of Sections 13, 16, 17 and 48 of The Competition (Guernsey) Ordinance, 2012 and/or Articles 20, 21, 22 and 25 of the Competition (Jersey) Law 2005 (as applicable).
- I have the authority to sign this declaration on behalf of all parties to the proposed merger or acquisition.
- The initial fee required for conducting a first detailed review of the merger has been paid or is submitted with this Merger Application Form.

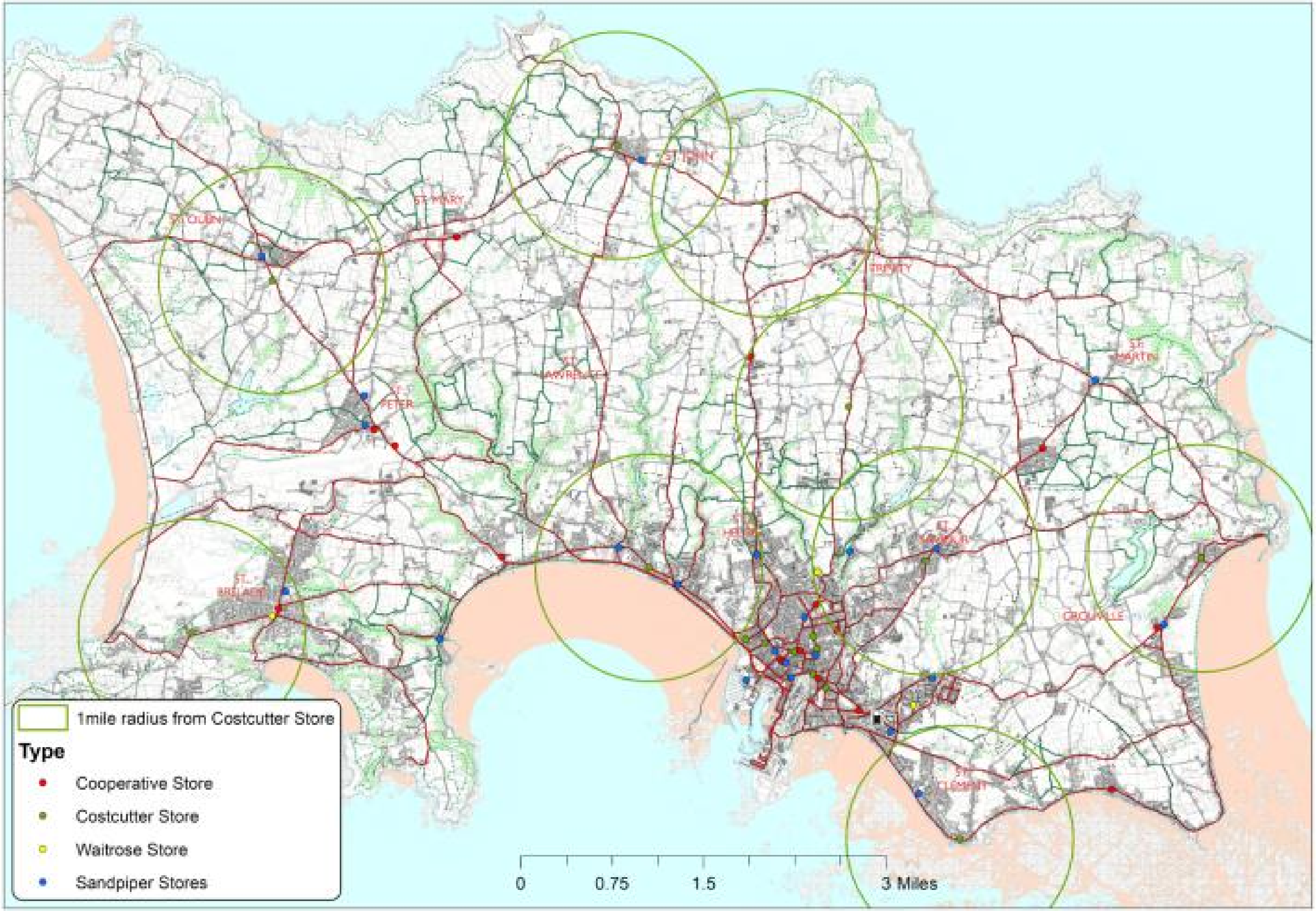
____

Carey Olsen
with authority
for and on behalf of
the Purchaser

Dated: 29 November 2016

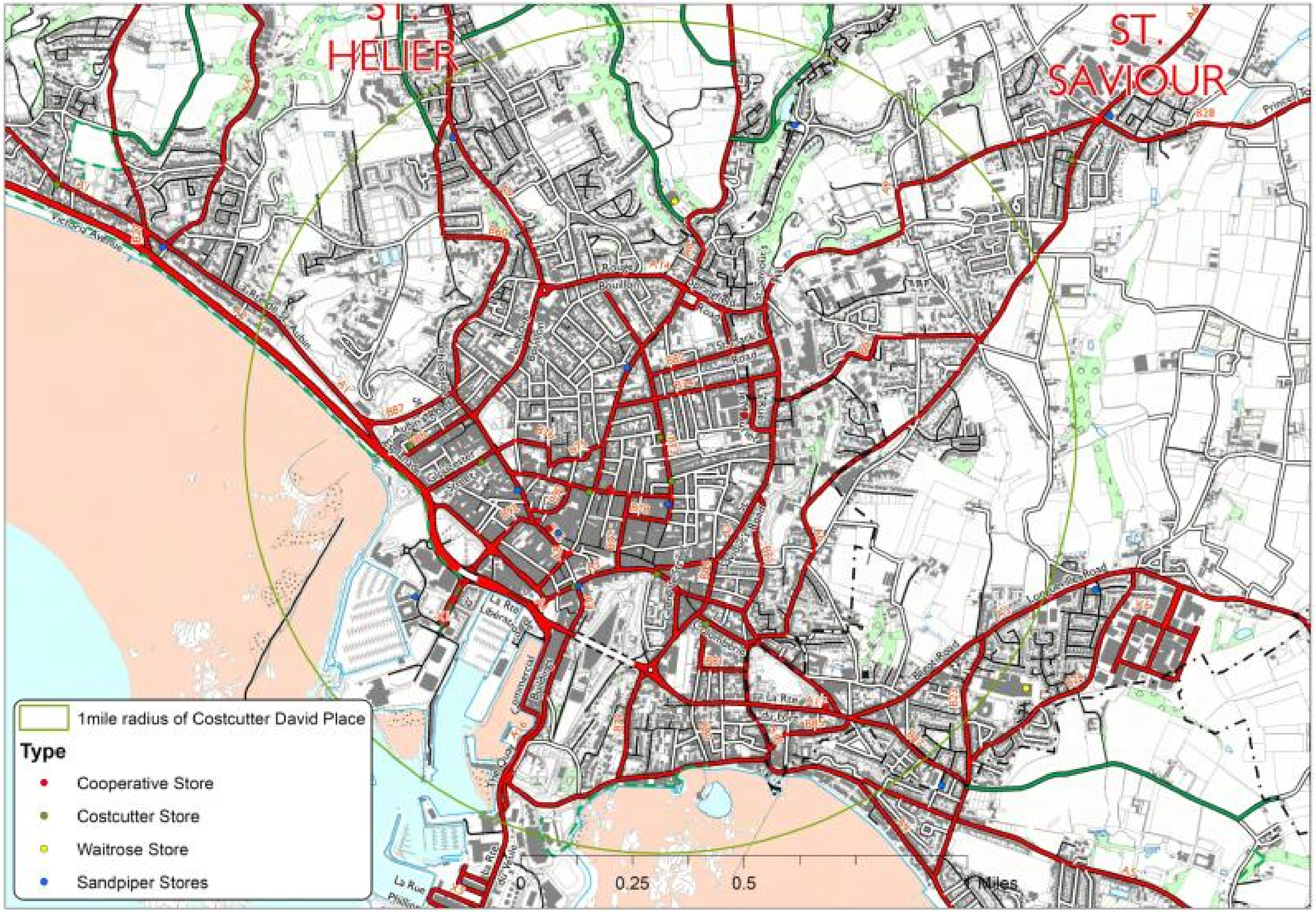
ANNEX 1

Location of Purchaser, Target, Co-op and Waitrose stores



ANNEX 2

Stores within St Helier

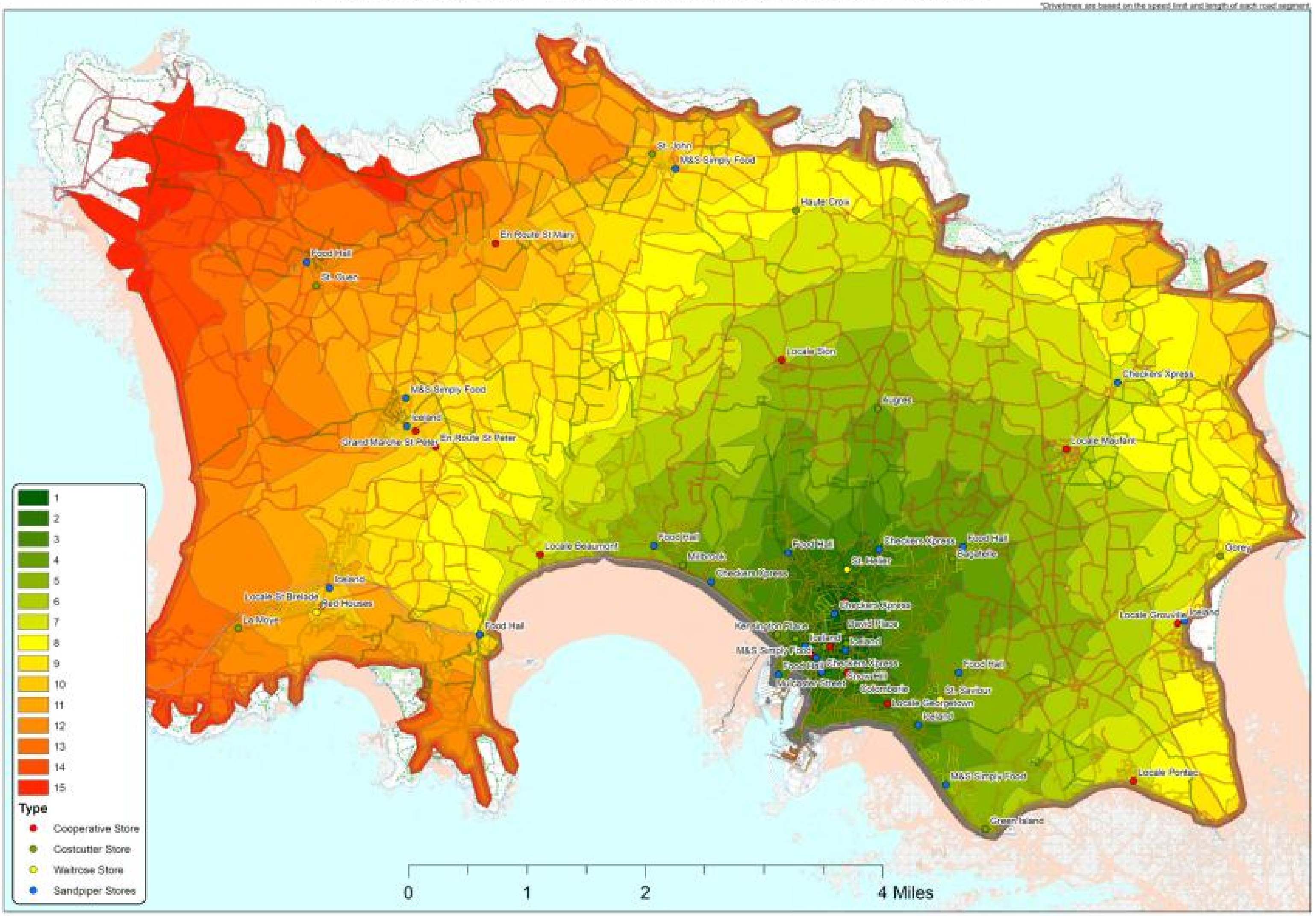


ANNEX 3

Drive time from the centre of St Helier

1 minute drivetime* intervals from David Place Costcutter

*Drivetimes are based on the speed limit and length of each road segment

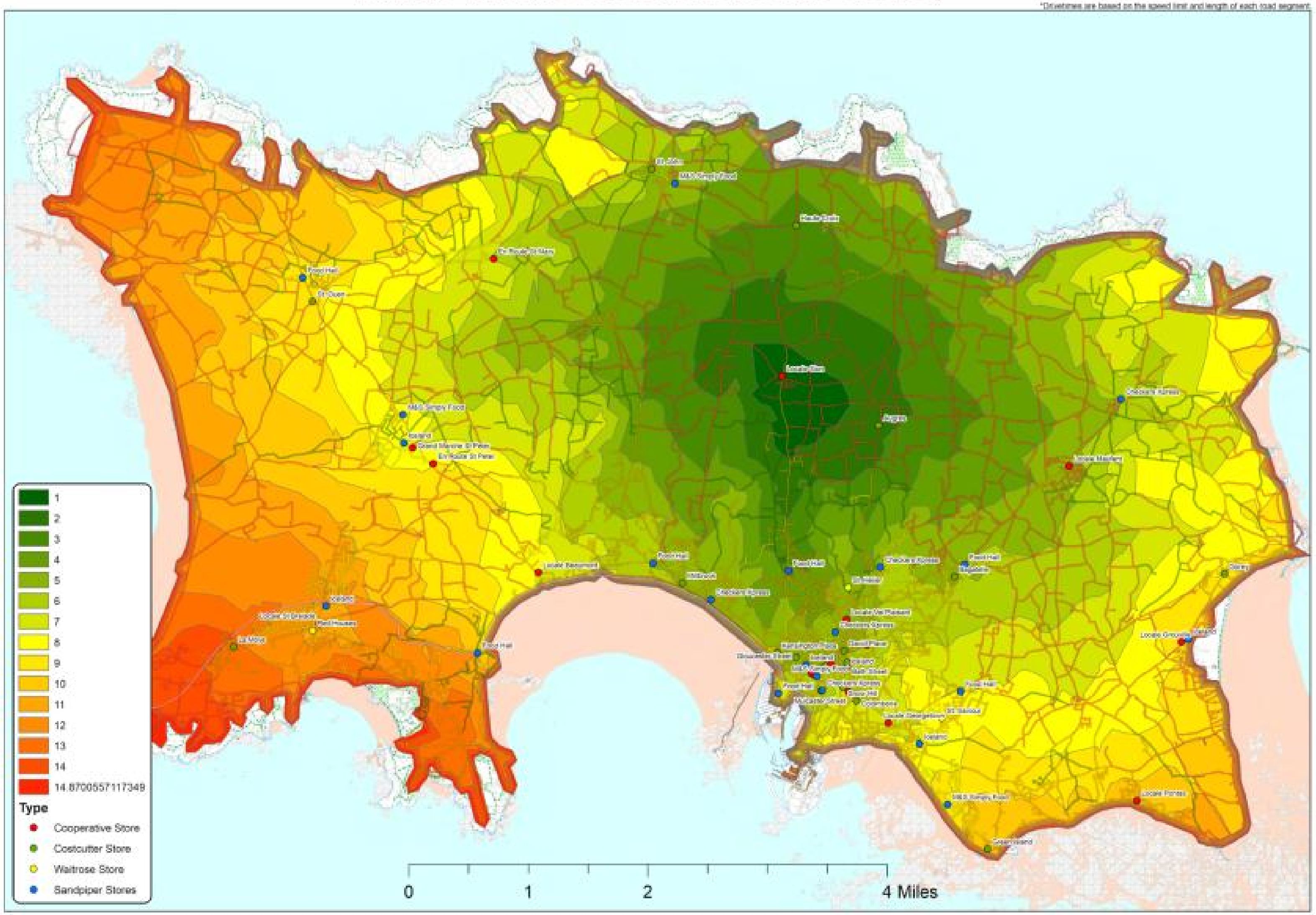


ANNEX 4

Drive times from the centre of the island

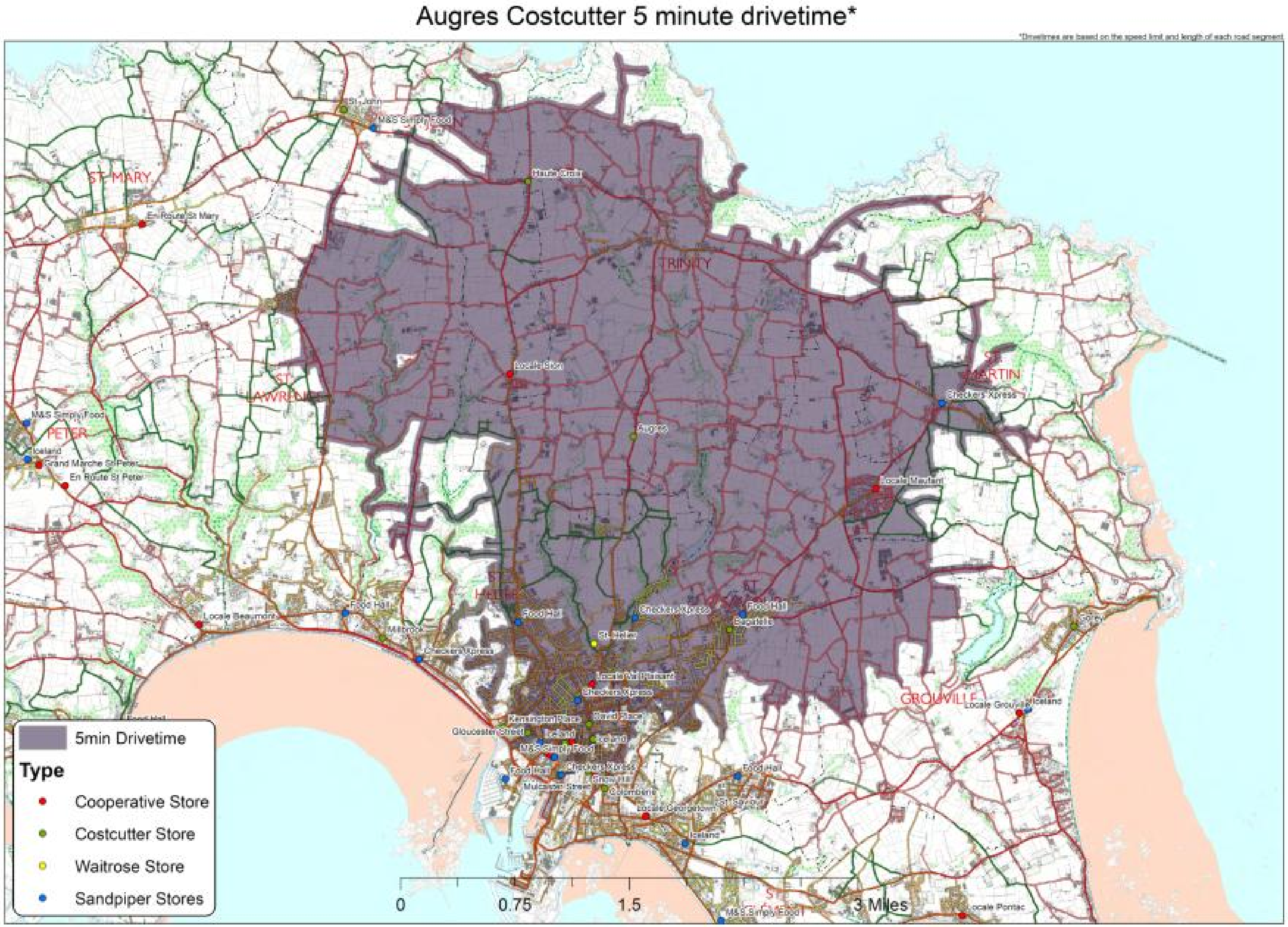
1 minute drivetime* intervals from centre of Jersey

*Drivetimes are based on the speed limit and length of each road segment

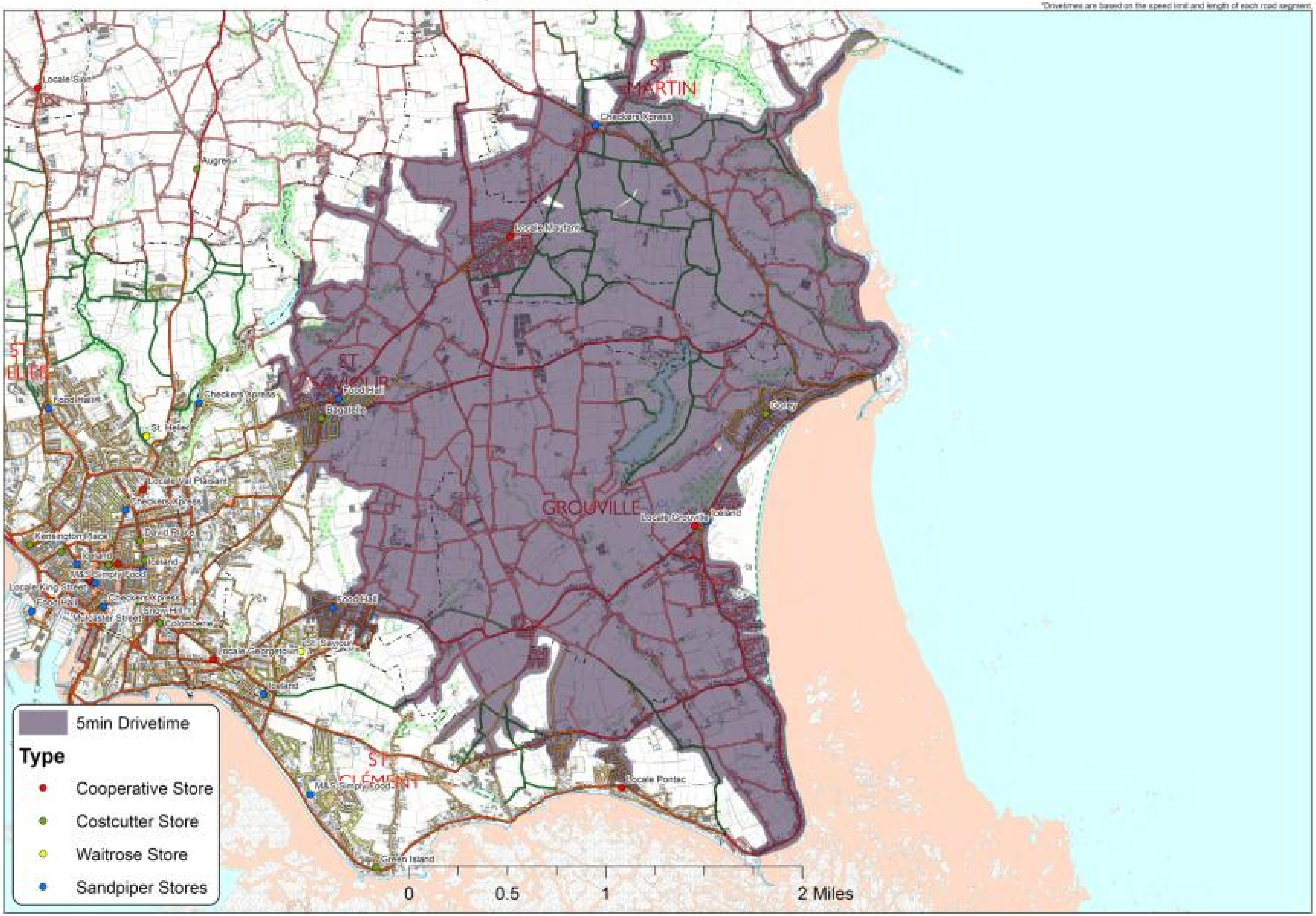


ANNEX 5

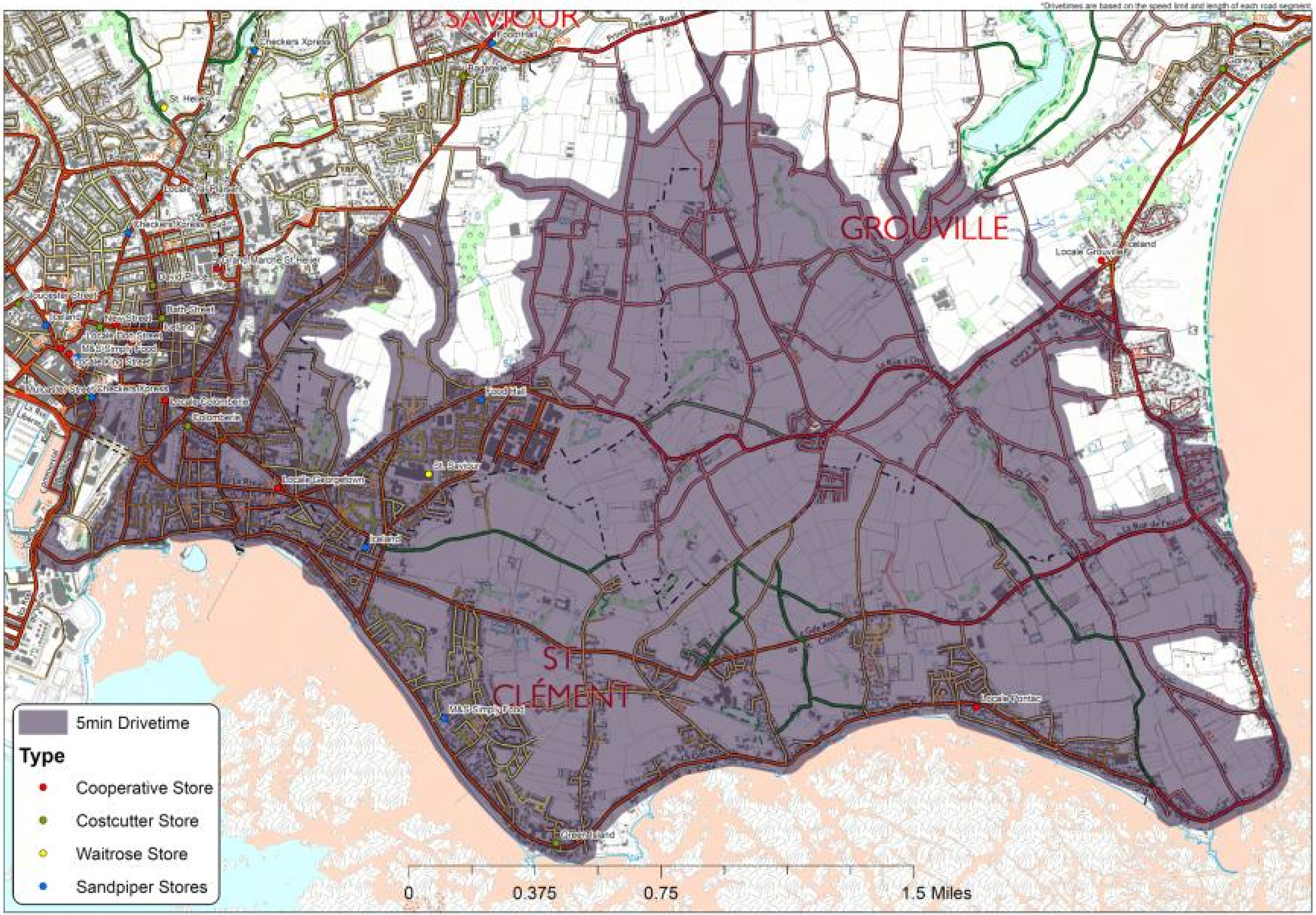
Drive time examples for out-of-town General Stores



Gorey Costcutters 5 minute drivetime*



Green Island Costcutter 5 minute drivetime*



ANNEX 6

Food Hall v Costcutter basket of goods price analysis

Price Checking (Food Hall versus Costcutter)

Product Cod	Category	Product Description	Size	LR JS	CC JS	COMMENTS
181956	001 - GROCERY	TATE & LYLE GRANULATED SUGAR (MUST STOCK)	1KG	£0.68	£0.79	
150178	001 - GROCERY	ESS CHOPPED TOMATOES	400G	£0.58	£0.69	independent tomatoes
133100	001 - GROCERY	HEINZ CLASSIC TOMATO SOUP (MUST STOCK)	400G	£1.15	£1.32	
179447	001 - GROCERY	MARYLAND CHOC CHIP COOKIES (MUST STOCK)	230G	£1.49	£1.95	230g choc chip cookies
559507	001 - GROCERY	BIRD BROTHERS MEDIUM EGGS	15PK	£2.02	£2.15	6pk
150168	001 - GROCERY	ESS BAKED BEANS IN TOMATO SAUCE	420G	£0.44	£0.89	Heinz
226317	001 - GROCERY	JOHN WEST TUNA IN OIL 4PK (IOG)	4x160G	£3.61	£6.00	
175211	001 - GROCERY	WIKINGER HOT DOGS	360G	£1.39	£1.68	
147035	001 - GROCERY	ESS CREAM CRACKERS	300G	£0.48	£1.39	200g jacobs - LR equivalent price for a 200g would be 0.32p
172174	001 - GROCERY	NESCAFE ORIGINAL 50% EXTRA FREE (FB)	300G	£3.83	£4.00	
165736	001 - GROCERY	MCVITIES JAFFA CAKES 12s + 100% EXTRA (IOG)	24s	£1.93	£1.99	12 pack
108621	001 - GROCERY	ESS DIGESTIVE BISCUITS MILK CHOCOLATE	400G	£1.40	£1.84	300g -LR equivalent price for a 300g would be £1.05
141351	001 - GROCERY	ESS TOMATO PUREE TUBE	200G	£0.64	£1.10	140g - LR equivalent price for a 140g would be 49p
128995	001 - GROCERY	JERSEY LARGE EGGS	6PK	£1.84	£2.15	
127190	001 - GROCERY	HEINZ TOMATO KETCHUP TOPDOWN (MUST STOCK)	460G	£2.52	£2.53	
110473	001 - GROCERY	HELLMANNS REAL MAYONNAISE (MUST STOCK)	400G	£2.30	£2.95	430ml top down hellmans mayo £2.95 LR equivalent price would be £2.47
128997	001 - GROCERY	JERSEY MEDIUM EGGS	6PK	£1.65	£1.99	
179987	001 - GROCERY	NESCAFE GOLD BLEND (MUST STOCK)	200G	£6.35	£6.75	
105210	002 - WINES/SPIRITS	FOSTERS LAGER CANS	4X500ML	£4.19	£4.60	
194048	002 - WINES/SPIRITS	STELLA ARTOIS 4.8% (FB)	4X440ML	£4.99	£5.80	
179397	002 - WINES/SPIRITS	REKORDERLIG STRAWBERRY & LIME CIDER	500ML	£2.60	£2.65	
177511	002 - WINES/SPIRITS	STELLA ARTOIS CIDRE (FB)	4X440ML	£4.99	£6.45	
152144	002 - WINES/SPIRITS	BLOSSOM HILL WHITE ZINFANDEL (FB)	75CL	£5.99	£7.25	
178793	003 - FRUIT/VEG	BANANAS	PP=KG	£1.59	£1.94	
198103	003 - FRUIT/VEG	CUCUMBER EACH	EACH	£0.84	£1.00	
595569	003 - FRUIT/VEG	ICEBERG LETTUCE	EACH	£0.84	£1.00	
595573	003 - FRUIT/VEG	WHITE SEEDLESS GRAPES	500G	£2.10	£2.49	
485678	003 - FRUIT/VEG	BAKING POTATOES	4PK	£0.84	£1.00	
562913	003 - FRUIT/VEG	CARROTS PP	1KG	£1.15	£1.60	
571379	003 - FRUIT/VEG	ESS ONIONS	1KG	£0.93	£0.99	large per kg
474164	003 - FRUIT/VEG	WHITE POTATOES	2KG	£2.29	£2.46	
595565	003 - FRUIT/VEG	CLOSED CUP MUSHROOMS	300G	£1.26	£1.29	
588686	003 - FRUIT/VEG	HERITAGE STRAWBERRIES	227G	£2.10	£2.92	
172950	008 - SOFT DRINKS	COCA COLA REGULAR	500ML	£1.19	£1.37	
108797	008 - SOFT DRINKS	HIGHLAND SPRING STILL	1.5LTR	£0.92	£1.22	
175725	008 - SOFT DRINKS	HERITAGE STILL WATER 2 FOR £1.00 (MUST STOCK)	2LTR	£0.76	£1.25	Evian
178235	008 - SOFT DRINKS	HERITAGE MINERAL WATER 6PK PMP	6X500ML	£1.26	£1.58	Independent Harvest Mills Spring 6 x 500ml spring water
297343	008 - SOFT DRINKS	RED BULL ENERGY DRINK	250ML	£1.38	£1.75	
176037	008 - SOFT DRINKS	HERITAGE SPARKLING WATER 2FOR£1 (MUST STOCK)	2LTR	£0.76	£0.80	Independent Harvest Mills Spring still and sparkling
468321	008 - SOFT DRINKS	COCA COLA REGULAR	1.75LTR	£1.89	£2.50	
241930	008 - SOFT DRINKS	ROBINSONS APPLE & BLACKCURRANT NAS (FB)	1LTR	£1.50	£1.79	
125092	008 - SOFT DRINKS	RED BULL ENERGY DRINK	355ML	£1.72	£2.75	473ml - LR equivalent price 473ml would be £2.29
125738	008 - SOFT DRINKS	ESS INDIAN TONIC WATER SUGAR FREE	1L	£0.64	£0.80	Independent Harvest Mills Tonic Water
125740	008 - SOFT DRINKS	ESS CLUB SODA	1L	£0.64	£0.80	Independent Harvest Mills Soda Water
181946	010 - TOILETRIES	CUSSONS BABY WIPES SENSITIVE	64PK	£1.14	£2.63	x56 LR equivalent 56 pack would be 0.98p
473706	010 - TOILETRIES	ESS 4 IN 1 FACIAL CLEANSING WIPES	25S	£1.84	£3.09	3 in 1 Nivea
119222	010 - TOILETRIES	ESS COTTON BUDS 100% PURE	200s	£1.05	£1.74	x100 LR equivalent for 100 would be 0.53p
436120	011 - CHILLED	JERSEY DAIRY SALTED BUTTER	250G	£1.54	£1.85	
423273	011 - CHILLED	ESS SAUSAGE ROLL JUMBO	145G	£0.88	£1.25	
436935	011 - CHILLED	ANCHOR SPREADABLE	500G	£1.78	£1.89	
178342	011 - CHILLED	C/CITY CHEDDAR MATURE WHITE (MUST STOCK)	350G	£4.79	£4.99	
470278	017 - BAKERY	WARBURTONS CRUMPETS	6PK	£0.99	£1.19	
433420	017 - BAKERY	ESS BREAD WHITE MEDIUM SLICED	800G	£0.79	£1.52	kingsmill
465574	017 - BAKERY	ESS CRUMPETS	8PK	£0.54	£1.19	
437875	017 - BAKERY	ESS BREAD WHOLEMEAL MEDIUM SLICED	800G	£0.79	£1.72	kingsmill
466214	017 - BAKERY	ESS TORTILLA WRAPS LARGE 8PK	512G	£1.52	£2.09	small old el paso x 8
429782	017 - BAKERY	ESS BAPS WHITE FLOURED	6PK	£1.15	£1.49	6 x soft rolls
296283	017 - BAKERY	ESS WHITE FINGER ROLLS	6PK	£0.89	£1.28	mini soft rolls white 8's
268727	017 - BAKERY	BAKER ST SEEDED BURGER BUNS	6PK	£1.05	£1.19	
299600	017 - BAKERY	ESS BAPS WHOLEMEAL	6PK	£1.15	£1.59	x6 brown soft rolls
228994	029 - CRISPS & SNACKS	WALKERS CRISPS READY SALTED	6X25G	£1.73	£1.99	salt and vinigar
160963	040 - NEG	ESS BLEACH THICK CITRUS	750ML	£0.55	£1.15	blitz
105814	040 - NEG	ESS BATHROOM TISSUE U/SOFT WHITE	9'S	£4.41	£4.80	velvet
273994	029 - CRISPS & SNACKS	WALKERS CRISPS SALT & VINEGAR	32.5G	£0.60	£0.60	
242745	010 - TOILETRIES	IMPERIAL LEATHER SOAP GENTLE PMP	3PK	£1.00	£1.00	
137059	040 - NEG	ULTRA KITCHEN TOWELS WHITE	2X55S	£1.69	£1.69	
465371	014 - CAKES	ISLANDS CHOICE JAM DOUGHNUTS	4PK	£1.50	£1.49	
595565	003 - FRUIT/VEG	CLOSED CUP MUSHROOMS	300G	£1.29	£1.26	
408654	011 - CHILLED	JERSEY DAIRY FAT REDUCED MILK	500ML	£0.62	£0.62	
170601	004 - FROZEN FOODS	GOODFELLAS THIN PIZZA PEPPERONI	340G	£3.30	£3.29	
			Total Basket	£122.24	£150.80	
			Basket Difference £	-£28.56		
			Basket Difference %	-18.9%		