



Case M1374J

Proposed acquisition of Jersey International Business School
Limited by BPP (CI) Limited

Decision

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Summary

1. BPP (CI) Limited (**BPP**) proposes to acquire 82.5% of the shares in Jersey International Business School Limited (**JIBS**) which operates in Jersey.
2. The transaction has been notified to the Jersey Competition Regulatory Authority (**JCRA**) for approval pursuant to Article 21 of the Competition (Jersey) Law 2005 (the **2005 Law**).
3. The JCRA has determined that the proposed acquisition will not lead to a substantial lessening of competition in any relevant market and hereby approves the notified transaction.

The Notified Transaction

4. On 29 May 2018, the Channel Islands Competition and Regulatory Authorities¹ (**CICRA**) received a joint application from BPP CI (the **Purchaser**) and JIBS (the **Target**) for the proposed acquisition by the Purchaser of 82.5% of the shares of the Target from Balboa Holdings Limited (the **Seller**).
5. CICRA registered the application on its website with a deadline for comments of 12 June 2018. No submissions were received.

The Parties

6. BPP CI is a wholly owned subsidiary of BPP Holdings Limited, which is a company incorporated in England and Wales. BPP CI is a Jersey registered company (registration number 75705).
7. JIBS is a Jersey registered company (registration number 103913). It is 82.5% owned by Balboa Holdings Limited, which is wholly owned by Mr Platt, and 17.5% by Fairway Trust as Trustee of JIBS Employment Benefit Trust.

Jersey: Requirement for JCRA Approval

8. Under Article 2(1)(b) of the 2005 Law, a merger² occurs where a person who controls an undertaking acquires direct or indirect control of the whole or part of another undertaking. On completion of the notified transaction, BPP CI will acquire 82.5% of the shares in JIBS. The notified transaction therefore constitutes a merger as defined by the 2005 Law.
9. According to Article 20(1) of the 2005 Law, a person must not execute certain mergers or acquisitions except with and in accordance with the approval of the JCRA. Article 2 of the Competition (Mergers and Acquisitions) (Jersey) Order 2010 (the **Order**) provides that if the merger or acquisition would create an undertaking with a share of 25% or more of the supply or purchase of goods or services of any description supplied to or purchased from persons in Jersey, or enhance such a share held by an undertaking, then the merger must be notified to the JCRA for approval under Article 20(1) of the 2005 Law.

¹ The JCRA and GCRA co-ordinate their activities with respect to competition law enforcement in the Channel Islands. For the purposes of this document, the JCRA and GCRA are together referred to as CICRA, and all references to CICRA should therefore be read as references to each of the JCRA and GCRA unless the context otherwise requires.

² For brevity, mergers and acquisitions are referred to as 'mergers' in this document.

10. According to information provided by the parties to the transaction, the parties' combined share of supply of professional qualifications for persons working in the financial services industry in Jersey will equal or exceed 25%. The notified transaction therefore requires the approval of the JCRA prior to its execution.

Market Definition

11. Under Article 22(4) of the 2005 Law, the JCRA must determine if the merger would substantially lessen competition in Jersey or in any part of Jersey. To this end, CICRA will identify the markets which are likely to be affected by the merger and then assess whether competition in these markets will be substantially lessened³.

Views of the Parties

Product Market

12. Both parties are active across different aspects of the professional training and qualifications sector, including the creation and supply of a variety of training and qualifications in Jersey. The parties propose that the relevant product market should be defined as the provision of professional training according to each identifiable qualification or each industry sector (i.e. accountancy, tax, fiduciary).
13. Within the market for professional qualifications, a distinction can be made between qualifications that are relevant to each industry. Each industry requires and delivers very specific content. Industry specific qualifications are only substitutable with qualifications equally appropriate for that industry.
14. Within the market of provision of industry specific qualifications, there is an argument that the market could be further segmented according to different means of delivery (e.g. online, distance learning, in person tutoring). The parties are of the view that the market should not be further segmented in this way as they do not consider there to be notable differences on either the demand-side or the supply-side of the market according to the type of infrastructure the provider adopts for delivery.
15. The parties therefore consider that the relevant product market for the purposes of the assessment of this transaction should be *the supply of industry specific professional qualifications*.

Geographic Market

16. The parties propose that consumers have a wide choice as to the areas in which they might receive training. Similar courses are provided in the UK and Guernsey as well as being available online. Depending on the nature of the particular industry, the qualification may be globally recognised and available and so the geographic market is wide.

³ In many cases, a market may already have been investigated and defined by CICRA or another competition authority. CICRA may take note of market definitions applied by other competition authorities, although these are not precedents. Competition conditions may change over time, changing the market definition. Market definition will always depend on the prevailing facts.

17. Some qualifications are more limited in geographic scope. For example, the professional development run from Jersey is specific to the offshore environment, although it could be relevant to other jurisdictions.
18. The parties submit that the relevant geographic market in all cases is broader than the Channel Islands.

CICRA Consideration

19. The relevant product market is defined primarily by reference to the likely response of consumers and competitors⁴. It will comprise products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the product's characteristics, prices and intended use. An undertaking cannot have a significant impact on the prevailing conditions of a market if customers can easily switch to other service providers.
20. The UK Department for Business, Innovation and Skills (BIS) published a Research Paper on 'Understanding the Further Education Market in England' in July 2016⁵, which provides a definition for the Further Education market.
21. The report defines 'independent providers' as providing FE for all ages, which tend to be small organisations (up to just a few hundred learners) with a sector-specific focus. Employers may be considered to be a subgroup of these providers as they provide training to employees, but training is not their core business.
22. With respect to the product market, within which consumers would consider the services on offer as close substitutes, the paper found that learners make their choice based on a range of criteria such as confidence, perceived benefits of the training, qualification gained, etc.
23. With respect to the geographic market, the report considered that a radius of 10km was the most appropriate catchment areas, with 70% of learners coming from within this radius. Although a significant number of learners do travel further to regional centres or even further for specialist training.
24. Taking these two dimensions together, the paper identifies 7 market groupings. These are grouped by the nature and characteristics of the FE delivered, not the providers that deliver it. A provider could therefore be active across several groupings.
25. The most relevant to this transaction appears to be Group 1: Local 'core' mixed environment training, which covers levels 0 to 3 (up to and including A Level standard) courses, and Group 4: Regional Advanced Sector Focussed Training, which is regional, classroom based, sector-specific training at levels 4+.

⁴ CICRA Guideline 7 – Market Definition

⁵ <https://www.gov.uk/government/publications/understanding-the-further-education-market>

26. For Group 1, only providers within a 10km radius of the consumer (learner or employer) offering a course at the same level with the same learning mode within a mixed learning environment would be considered substitutes.
27. For Group 4, only providers offering classroom based provision within the same sector at the same level within a 20km radius of the consumer would be considered substitutes. From a supply-side perspective, providers tend to be able to switch to providing other courses within the same sector relatively easily. There may be sector variation in this according to the specific skills required to teach particular courses as well as scarcity of those teaching staff.

Conclusion

28. The product market proposed by the parties is quite similar to that defined in the BIS Paper, although the geographic market is different with the parties suggesting the market is wider than the Channel Islands, and the UK definition ranging from 10 – 20km of the consumer, which would suggest a geographic market limited to Jersey only. However, this precise geographic definition can be left open as on the narrowest definition of ‘Jersey’, there is no significant lessening of competition.
29. For the purposes of assessing this transaction, the narrowest feasible market namely, *the provision of sector specific professional training and qualifications in Jersey* has been adopted.

Effect on Competition

Horizontal effects

30. After defining the relevant market, CICRA estimates the respective market shares of the competitors in that market, both before and after the proposed transaction. These shares can be used as an indication of the overall level of market concentration which will be brought about as a result of the merger.
31. On the basis of a market definition of sector specific professional training and qualifications, there is no overlap between the parties other than ‘professional development’ which is discussed further below.

BPP CI	Sector	BPP CI	JIBS	Post Transaction
ACCA	Accountancy	[REDACTED]	n/a	[REDACTED]
ICAEW	Accountancy	[REDACTED]	n/a	[REDACTED]
ICSA	Company Secretarial	[REDACTED]	n/a	[REDACTED]
FIA	Accountancy	[REDACTED]	n/a	[REDACTED]
Events		<i>The market shares for these categories are insignificant in terms of calculating a percentage</i>		
Degrees				

Investments (including RDR qualifications)	Investments / Financial Planning	n/a	[REDACTED]	[REDACTED]
STEP	Trust / Estate Planning	n/a	[REDACTED]	[REDACTED]
ICA	Compliance	n/a	[REDACTED]	[REDACTED]
E-learning		<i>The market shares for these categories are insignificant in terms of calculating a percentage</i>		
Professional Development	(See below)	[REDACTED]	[REDACTED]	[REDACTED]

32. The only area of overlap between the services provided is face-to-face 'professional development' in different technical areas. Professional development training incorporates any technical or soft skill courses that are outside the syllabus areas provided by professional qualifications.

33. BPP CI currently provides professional development in subjects such as tax, accounting, soft skills and funds. JIBS provides face-to-face professional development training in technical subjects such as AML, financial crime, trust and company compliance. However, the parties do not overlap in terms of sector specific professional development training.

34. Given that there is no overlap in the sector specific training and qualifications provided by the parties in Jersey, there is no significant lessening of competition as a result of the transaction.

Decision

35. Based on the preceding analysis the JCRA concludes that the acquisition will not significantly lessen competition in Jersey or any part of Jersey.

36. The merger is therefore approved under Article 22(1) of the 2005 Law.

18 June 2018

By Order of the Board of the JCRA