



Case M1487J

Proposed acquisition of Zero1 Limited by JT (Jersey) Limited

Decision

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Summary

1. JT (Jersey) Limited (**JT**) proposes to acquire all the assets of Zero1 Limited (**Zero1**) which operates in Jersey.
2. The transaction has been notified to the Jersey Competition Regulatory Authority (the Authority) for approval pursuant to Article 21 of the Competition (Jersey) Law 2005 (the **2005 Law**).
3. The Authority 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 6 December 2019, the Channel Islands Competition and Regulatory Authorities¹ (the **Authority**) received a joint application from JT (Jersey) Limited (the **Purchaser**) and Zero1 Limited (the **Seller**) for the proposed acquisition by the Purchaser of the assets of Zero1.
5. The Authority registered the application on its website with a deadline for comments of 20 December 2019. No submissions were received.

The Parties

6. Zero1 is a Jersey registered company (company number 111302). Zero1 offers design and installation services for a range of home automation products including control of lighting, climate, entertainment and security.
7. JT is a Jersey registered company (company number 83487). JT is the incumbent telecommunications provider in Jersey and has been providing fixed line communication services in Jersey. JT is 100% owned by the Government of Jersey. JT provides mobile, fixed line, broadband, leased line telecommunication services, directory and data centre services to consumers and businesses in Jersey, and operates under a Class III licence issued by the JCRA.

Jersey: Requirement for JCRA Approval

8. Under Article 2(4) of the 2005 Law, a merger² occurs where an undertaking acquires the whole or a substantial part of the assets of another undertaking. On completion of the notified transaction, JT will acquire 100% of the assets of Zero1. 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.

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. Article 4 of the Competition (Mergers and Acquisitions) (Jersey) Order 2010 (the **Order**) provides that if one or more of the parties to the proposed merger or acquisition has an existing share of 40% or more of the supply or purchase of goods or services of any description supplied to or purchased from Jersey (unless it falls within one of two exceptions), then the merger must be notified to the JCRA for approval under Article 20(1) of the 2005 Law.
11. According to information provided by the parties to the transaction, JT has a share of more than 40% in the supply of mobile, fixed line, broadband, directory and leased line telecommunications services in Jersey. The notified transaction therefore requires the approval of the JCRA prior to its execution.

Market Definition

12. 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, the Authority 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.
13. The parties consider the relevant market to be the supply of home automation technology in Jersey. For the purposes of this decision, the Authority considers that the precise market definition can be left open since, for the reasons outlined below, the proposed acquisition would not result in a substantial lessening of competition on any reasonable basis.

Effect on Competition

14. Pursuant to Article 22(2) of the 2005 Law, the JCRA must determine if the proposed acquisition would substantially lessen competition in Jersey or any part of it.
15. There is no horizontal overlap between the activities of the parties as JT is not currently active in the supply of home automation technology and Zero1 is not active in any market on which JT is currently active. Since the parties do not currently compete in Jersey on any basis, the acquisition will not substantially lessen competition in this regard.

Vertical effects

16. Vertical mergers are mergers where one party has a 'vertical' relationship with the other (for example, as a supplier to or customer of that party). The focus of control of these types of merger focuses on the ability and incentive to foreclose an actual or potential rival's access to supplies or markets as a result of the merger and whether such a strategy would have a significant detrimental effect on competition either up or downstream.

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. European Guidelines⁴ state that competition concerns are unlikely to arise in respect of non-horizontal mergers where the market share post-merger of the new entity in each of the markets concerned is below 30%.
18. JT has a share of the retail broadband market in Jersey of c. 60%⁵. Zero1 has a share of the home automation market in Jersey of c.35%. The JT broadband services are used for connectivity to provide the home automation products offered by Zero1. As a result of the proposed transaction, JT will acquire control of Zero1, and is in a vertical supply relationship with Zero1.
19. The Authority has considered this vertical relationship, and there would appear very little ability or incentive to foreclose access to alternative suppliers. Other providers of home automation products could switch providers to competitors to counteract any potential foreclosure by JT. In addition, JT holds a local Class III telecommunications licence⁶ which contains conditions relating to Fair Competition (see Licence Condition 34) which would prevent any such anti-competitive foreclosure.

Decision

20. Based on the preceding analysis, the JCRA concludes that the acquisition will not substantially lessen competition in Jersey or any part of Jersey. The merger is therefore approved under Article 22(1) of the 2005 Law.

23 December 2019

By Order of the Board of the JCRA

⁴ Guidelines on the assessment of non-horizontal mergers under Council Regulation on the control of concentrations between undertakings (2008/C 265/07)

⁵ www.cicra.gg/cases/2019/t1439gj-cicra-telecommunications-statistics-and-market-report-2018/t1439gj-cicra-telecommunications-statistics-and-market-report-2018/

⁶ <https://www.cicra.gg/licences-in-issue/jt-jersey-ltd/>