Case M1514J

Proposed acquisition of 60% of Global eParcels Solutions LLC by Fraser Freight Limited (Jersey Post International

Decision

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Summary

1. Fraser Freight Limited (**Fraser Freight**) proposes to acquire 60% of the issued share capital of Global eParcels Solutions (**GePS**) from Glen W. Ford and Thomas J. Alfonso (**Sellers**). On completion, Fraser Freight will own 100% of the issued share capital of GePS.

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 on any relevant market and hereby approves the notified transaction.

The Notified Transaction

4. On 27 March 2020, the Channel Islands Competition and Regulatory Authorities[1] (**CICRA**) received an application from Fraser Freight (the **Purchaser**) for the proposed acquisition by the Purchaser of 60% of the issued share capital of GePS (the **Target**; the **Notified Transaction**). The Purchaser currently owns 40% of the issued share capital of the Target. As a result of the Notified Transaction, the Purchaser will become the sole owner of the Target.

5. CICRA registered the application on its website with a deadline for comments of 14 April 2020. No submissions were received.

The Parties

6. The Purchaser is a company incorporated in England and Wales, registration number 03892692. It is ultimately owned by Jersey Post International (**Jersey Post**), a company incorporated in Jersey, registration number 91247. Jersey Post is wholly owned by the States of Jersey.

7. The Purchaser provides logistics services for mail and e-commerce goods (road freight, air freight, sea freight, warehousing and storage), primarily within the wholesale or B2B segment. It is based in Portsmouth, UK.

8. The ultimate parent company of the Purchaser is Jersey Post. Jersey Post is a licensed public postal operator in Jersey. Under the terms of its licence, it fulfils a defined Universal Service Obligation in respect of postal services in Jersey. It also provides commercial services internationally, including customs clearance services, e-commerce services, freight forwarding, warehousing services and storage services.

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[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.

9. The Target is a Foreign Limited Liability Company, incorporated in Delaware, USA, and based in Florida, USA, registration number M13000000219. It provides logistics services for mail and e-commerce goods to US companies in the B2C segment (road freight, air freight, sea freight, postal services and international cross border B2C distribution). It also provides bulk mail fulfilment services in the USA.

10. In this Decision, the Purchaser, Target and Jersey Post are referred to collectively as the **Notifying Parties**.

Jersey: Requirement for JCRA Approval

11. Under Article 2(1)(b) of the 2005 Law, a merger[2] occurs where a person who controls an undertaking acquires direct or indirect control of the whole or part of another undertaking. As a result of the Notified Transaction, the Purchaser will acquire sole control of the Target. The Notified Transaction therefore constitutes a merger as defined by the 2005 Law.

12. 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.

13. Article 3 of the Competition (Mergers and Acquisitions) (Jersey) Order 2010 provides that:

    a. if one of the undertakings involved in the proposed merger has an existing share of 25% or more of the supply or purchase of goods or services to persons in Jersey (the **25% Share of Supply**); and
    b. another undertaking involved in the proposed merger is active in the supply or purchase of goods or services of any description that are upstream or downstream of the 25% Share of Supply (whether in Jersey or elsewhere)

    then the merger must be notified to the JCRA for approval under Article 20(1) of the 2005 Law.

14. According to information provided by the Notifying Parties, Jersey Post's share of the supply of bulk mail services to persons in Jersey exceeds 25%. GePS provides bulk mail fulfilment services in the USA and so is active downstream of Jersey Post's 25% Share of Supply. The Notified Transaction therefore requires the approval of the JCRA prior to its execution.

Market Definition

15. 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.

Views of the Parties

16. The Notifying Parties consider that the relevant market in this case is the market for bulk mail/bulk mail fulfilment, specifically the market for the "movement and consolidation of mail and ecommerce goods for delivery into postal administrations or alternate delivery

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

partners around the world for final mile delivery for wholesale US customers". This is the market on which, in the view of the Notifying Parties, GePS is active.

CICRA Consideration

17. The relevant product market is defined primarily by reference to the likely response of consumers and competitors[3]. 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.

18. Previous decision making practice of the European Commission indicates that markets in this sector are highly differentiated. The following distinct markets in the areas in which the Notifying Parties are active been previously been identified:

    a. Distinct national and international markets for the delivery of mail (which are likely to be national in scope, with the exception of outbound international mail), with further possible subdivisions being:
        i. Standard and express delivery services;
        ii. Business mail and mail for private customers;
        iii. Addressed and unaddressed mail;
        iv. National mail (single piece letter);
        v. National mail (industrial mail), with possible further subdivisions into:
            - Administrative mail (e.g. bank statements);
            - Addressed magazines and periodicals;
            - Addressed direct mail (e.g. mail order catalogues)[4].

    b. Distinct markets for express parcel delivery and standard parcel delivery[5], with a further distinction being drawn between domestic and international outbound parcel delivery services[6], and between C2X (consumer to business; consumer to consumer), B2B (business to business) and B2C (business to consumer) deliveries[7]. The Commission has noted that this market is characterised by the presence of a number of different types of operator: integrators[8]; incumbent postal operators; national small package delivery companies and partner networks; freight forwarders; resellers and smaller "pick-up and delivery" services.

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3 CICRA Guideline 7 – Market Definition

4 Case No COMP/M.5152 – *POSTEN AB / POST DANMARK AS*

5 In Case No COMP/M/7630 – *FEDEX / TNT EXPRESS*, the Commission defined a relevant market for small package delivery (being consignments under 31.5kg).

6 In Case No COMP/M/7630 – *FEDEX / TNT EXPRESS*, the Commission drew a further distinction in the international outbound parcel delivery market, namely between international intra-EEA and international extra-EEA outbound delivery, with international extra-EEA outbound delivery by integrators being considered on both a global and a "by continent" basis.

7 Case No COMP/M.5152 – *POSTEN AB / POST DANMARK AS*

8 Companies that own or control assets necessary to be able to offer a credible end-to-end parcel delivery service on a global basis.

c. A possible market (which may be national or EEA-wide) for freight forwarding, with likely subdivisions into:
   i. Air freight;
   ii. Land freight (possibly further subdivided into rail and road transportation);
   iii. Sea freight.

19. In the present case, the precise market definition(s) can be left open, since the Notified Transaction will not give rise to a substantial lessening competition on any reasonable basis.

Effect on Competition

Horizontal effects

20. As the Notifying Parties observe, the Target is currently active in the B2C segment for the supply of services into and out of the USA, whereas the Purchaser is active in the B2B segment for the supply of services between the UK and the EU. Jersey Post provides bulk mail services to customers in Jersey. Previous cases suggest that these activities take place on different product and/or geographic markets and that Jersey Post / the Purchaser and the Target are therefore not competitors.

21. In any event, the Target does not currently supply any goods or services to customers in Jersey. There is therefore no current competition between Jersey Post/the Purchaser and the Target on any plausible relevant market in Jersey.

22. For the above reasons, it follows that there is no horizontal overlap between the activities of the Notifying Parties that could plausibly lead to a substantial lessening of competition on any market in Jersey.

Vertical effects

23. As noted above, the Target does not currently purchase or sell any goods or services to or from Jersey Post and/or the Purchaser in respect of the supply of goods or services into Jersey. Nor, according to the Notifying Parties, does the Target make any sales of goods or services into Jersey. It can therefore be assumed that, to the extent that consumers in Jersey require services of the type supplied by the Target, they are able to purchase these from suppliers other than the Target and will be able to continue do so after the merger.

24. In addition, Jersey Post would be unlikely to have either the incentive to foreclose access to the market to competitors of the Target on a market where the Target is currently entirely inactive or the ability to do so, given the conditions of its licence, in particular the USO in respect of last mile delivery in Jersey.

25. The Notified Transaction is therefore very unlikely to give rise to anti-competitive vertical foreclosure on any plausible relevant market in Jersey.

Decision

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

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

15 April 2020 **By Order of the Board of the JCRA**