Decision

Proposed acquisition of Woodside Logistics Limited by Jersey Post Global Limited) (C-014)

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Jersey Competition Regulatory Authority
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1. Summary

1.1 Jersey Post International Limited (**Jersey Post**), proposes, via its wholly owned subsidiary, Jersey Post Global Limited (the **Purchaser)** to acquire the entire issued share capital of Woodside Logistics Limited, a Jersey company (**Woodside Logistics**), (together with the entire issued share capital of two other companies, as described at 2.1 below, which are not part of the relevant transaction). This proposed 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**).

1.2 The Authority has determined that the proposed transaction will not lead to a substantial lessening of competition in any relevant market and hereby approves the notified transaction.

2. The Notified Transaction

2.1 On 4 January 2021, the Authority received an application from the Purchaser for the proposed acquisition of the entire issued share capital of the Woodside Logistics and of Woodside Logistics (Guernsey) Limited (**Woodside Guernsey**) and Woodside Logistics UK Limited (a UK company) (**Woodside UK**).

2.2 The Authority registered the application on its website with a deadline for comments of 15 January 2021. Two submissions were received and considered as part of this assessment below. Full copies of the responses are attached to this Decision.

3. The Parties

Purchaser

3.1 The Purchaser, Jersey Post Global Limited, is a limited company incorporated in Jersey (company registration 117463). It is a subsidiary of Jersey Post International Limited (**Jersey Post**), also incorporated in Jersey (company registration 91247). Jersey Post is wholly owned by the States of Jersey. As the Purchaser is a wholly-owned subsidiary of Jersey Post, in this Decision reference is made to the services, activities and market shares of Jersey Post.

3.2 Jersey Post offers a number of services:

- Postal Services – inbound and outbound mail, local mail, inbound and outbound packets and parcels, European and International mail from Jersey

- International mail and packets that do not originate and terminate in Jersey nor do they involve customers or businesses in Jersey
- Retail – a Jersey-based retail business selling agency, postal products, Forex, loans, cards and other products and services
- Digital – concerned with digital storage and dispatch, customer communication data management (electronic and printed matter such as statements, marketing materials, etc)
- Philatelic – designing and selling stamps to collectors in Jersey and around the world
- Road and sea freight and warehousing / fulfilment through its wholly owned subsidiary Fraser Freight in Portsmouth

3.3 Jersey Post International Ltd operates in Jersey, the UK and globally, and comprises the following companies (either wholly or part owned subsidiaries):

- Fraser Freight – a UK logistics services company (wholly owned)
- Heathrow Import Clearance Services (HICS) – a UK commercial customs clearance broker (wholly owned)
- A2B – a provider of in mail and fulfilment solutions in Hong Kong and China, and based in Kowloon Bay, Hong Kong (part owned)
- Parcel Monkey – a UK parcel services, warehousing and website comparison provider (part owned)
- DAI Post – a Melbourne-based parcel and mail delivery specialist (part owned)
- APG Global – a Miami-based parcel services company specialising in US and Latin American parcel services (part owned)
- Global e-Parcel Solutions (GePS) – providing complete, worldwide postal and commercial solutions for wholesale and retail companies, predominantly in the USA (wholly owned)
- Fetch.je – a Jersey-based e-commerce platform (wholly owned)

Seller

3.4 Woodside Logistics (registration number 131641) is owned by North Coast Holdings Limited (the **Seller**), a company incorporated in Jersey (registration number 124404), which is owed by a private individual. North Coast Holdings also owns Woodside Logistics (Guernsey). Woodside Logistics (UK) is also owned by the same private individual which are also being sold to the Purchaser as part of this transaction.

3.5 Woodside Logistics was established in 2015. It grew over 2018 and 2019, taking additional warehouse space in Guernsey and its UK operation evolved to being managed by Woodside UK with its warehouse based in Portsmouth.

3.6 The Seller, through the Target, Woodside Guernsey and Woodside UK provides commercial and domestic freight distribution services between the UK and the Channel Islands. It also arranges the collection of goods from around the world for island delivery. Goods can range from full loads to single items. It provides both ambient and refrigerated solutions to both Jersey and Guernsey.

3.7 Goods from all sectors are carried by road freight – that is, the import and export of full / part loads throughout the Channel Islands and UK using its own fleet of vehicles, sea freight – the transport of shipments port to port, door to door or warehouse to warehouse, with Customs clearance and handling of goods as part of the service, and warehousing and storage of stock and goods on the part of customers.

Target

3.8 Woodside Logistics is incorporated in Jersey (registration number 131641). It provides commercial and domestic freight distribution services between the UK and Channel Islands. It also arranges the collection of goods from around the world for Island delivery.

4. Requirement for Authority Approval

4.1 Under Article 2(1)(b) of the 2005 Law, a merger or acquisition (**merger**) occurs where a person who controls an undertaking acquires direct or indirect control of the whole or part of another undertaking.

4.2 On completion of the Notified Transaction, Jersey Post, via the Purchaser, will acquire all the share capital and as a result direct control of the Target. The Notified Transaction therefore constitutes a merger as defined in the 2005 Law.

4.3 According to Article 20(1) of the 2005 Law, a person must not execute certain mergers or acquisitions except and in accordance with the approval of the Authority. In particular, in relation to this transaction:

Vertical Mergers

4.4 Article 3 of Competition (Mergers and Acquisitions) (Jersey) Order 2010 (**the Order**), provides that if one or more of the parties to a proposed merger or acquisition has an existing 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, and another party involved in the proposed merger or acquisition is active in the supply or purchase of goods of services of any description that are upstream or downstream of those goods or services in which that 25% is held, the merger must be notified to the Authority for approval under Article 20(1) of the 2005 Law.

4.5 Woodside Logistics engages specifically in freight and logistics services that are vertical from those services provided by Jersey Post. Services are engaged at the point at which Jersey Post, via freight providers, receives bulk parcels and packages to and from its headquarters for onward distribution in and from Jersey by Jersey Post or internationally by its partners. At present, Jersey Post does not procure such services from Woodside Logistics.

4.6 On the basis of information provided by Jersey Post, Article 3 of the Order is satisfied as:

- Jersey Post has a share of supply of the delivery of letters and parcels to persons in Jersey in excess of 25%;
- Woodside Logistics engages in freight and logistics services that are vertical from those of Jersey Post, so is active upstream of the 25% share of supply

Conglomerate Mergers

4.7 Article 4 of the Order provides that where one or more of the parties to the proposed merger 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 persons in Jersey, and if neither of the two exceptions apply, then the merger must be notified to the Authority for approval under Article 20(1) of the 2005 Law.

4.8 Article 4 of the Order is satisfied as Jersey Post has a share of supply of certain services of over 40% to persons in Jersey, and Woodside Logistics has an existing share of supply of goods or services and owns tangible and intangible assets in Jersey.

4.9 Therefore, in accordance with Article 20(1) of the 2005 Law, the approval of the Authority is required prior to the completion of the Notified Transaction.

5. Market Definition

5.1 Under Article 22(4) of the 2005 Law, the Authority must determine if the merger would substantially lessen competition in Jersey or in any part of Jersey. As an initial step, the Authority will identify the markets which are likely to be affected by the merger since market definition provides a framework within which the competitive effects of a merger can be assessed.

5.2 The boundaries of the market do not necessarily determine the outcome of the competitive effects of the merger as there can be constraints on the merger from outside the relevant market, segmentation within the relevant market or other ways in which certain constraints are more significant than others. The Authority will, where appropriate, take these factors into account in its assessment.

5.3 The relevant product market is defined primarily by reference to the likely response of consumers and competitors. 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.

5.4 When defining a market, the Authority may take note of its own previous decision-making practice and/or market definitions applied by other competition authorities. However, these previous decisions are not precedents and are not binding, either on the merging parties or on the Authority. Competition conditions may change over time, changing the market definition. Market definition will always depend on the prevailing facts.[1]

Views of the Parties

5.5 The Parties proposed three relevant markets for the purposes of assessing the competition effects of the merger:

(i) Mail and Parcel Delivery

5.6 This was defined in the original application as the bulk packets market which tends to be outside the licence area that Jersey Post has access to by virtue of its membership to the Universal Postal Union.

5.7 Later discussions with Jersey Post refined this, for the purpose of this assessment, to be Mail (letters), Parcels (bulk mail) and Parcel Delivery Services in Jersey. Jersey Post has the largest share of the final mile delivery of letters and parcels in Jersey.

(ii) Freight, sub-divided into Road and Sea Freight

5.8 The parties make a distinction between the movement of goods by road and the movement of goods by sea, the geographic market is considered to be the Channel Islands and the UK.

[1] This approach is consistent with that taken under EU law – see, for example, Joined Cases T-125/97 and T-127/97 [2000] ECR II-01733, paragraphs 81-82. Article 60 of the 2005 Law requires the Authority to attempt to ensure that so far as possible questions arising in relation to competition are dealt with in a manner that is consistent with the treatment of corresponding questions arising under European Union law in relation to competition within the European Union.

(iii) Warehousing and Storage

5.9 The operation of storage facilities for all kinds of goods including general merchandise and refrigerated warehouses. The geographic market is considered to be the Channel Islands and UK.

5.10 Woodside Logistics is vertical in its relationship to Jersey Post in that it forms part of the supply chain for parcel delivery to the Channel Islands. Woodside Logistics would be engaged at the point where Jersey Post receives bulk parcels and packets to and from its headquarters for onward distribution in and from Jersey by Jersey Post or its international partners. These freight and logistics services are procured by Jersey Post, although at present, Jersey Post does not actually obtain such service from Woodside Logistics.

Rationale

5.11 Woodside Logistics are seeking to grow the company and require investment to achieve this, which Jersey Post can provide. The parties believe this will provide a stronger alternative competitive service in the freight market between the UK and Jersey.

5.12 Jersey Post will benefit through the ability to offer a wider range of services in Jersey. This is in the context of a decline in Jersey Post's core letters business, which has led it to seek new revenue and business streams which will support the provision of the USO in Jersey. The acquisition of a freight logistics business will allow it to increase its capabilities in the provision of end to end logistics services.

Authority Consideration

Letter and Parcel Delivery

5.13 In 2020, Ofcom carried out a review of Postal Users Needs in the UK[2]. This report described the markets for mail and parcel services as follows:

Letter Market

5.14 The Letters Market was found to consist of three main parts:

(i) 'Single piece' end-to-end services (mainly USO services) – single letters sent by individuals or SMEs using a post box or post office

(ii) Business retail end-to-end services (non-USO) – collection of bulk volumes of mail from larger businesses and added to the mail network for sortation, distribution and delivery

[2] https://www.ofcom.org.uk/research-and-data/post-research/review-of-user-needs

(iii) Business access mail service (non-USO) – where competing access operators collect volumes of mail from larger businesses, transport it across the UK and insert it into the network for delivery.

5.15 There is no business access mail service in Jersey. Jersey Post only operates in (i) and (ii) in Jersey.

Parcels Market

5.16 The Parcels Market was divided into three segments:

(i) Consumer to Business/Consumer (C2X) – comprising deliveries of a single parcel sent by an individual to another person or business (for example, a person sending a birthday present, or a consumer returning an item purchased online)

(ii) Business to Consumer (B2C) – delivery of items to end consumers made as part of bulk contracts agreed between businesses and parcel operators (for example, an online retailer sending multiple items bought online)

(iii) Business to Business (B2B) – mainly bulk deliveries of parcels between businesses

5.17 Jersey Post operates in all three of the segments above. For Outbound B2C, operators chose to be in Jersey but could locate elsewhere.

5.18 Jersey Post, by way of its Class II Postal Operator's Licence[3] is responsible for delivery of the Universal Service Obligation (**USO**), including final mile delivery, in Jersey. This is defined in Condition 12.3 of the Licence, and includes the collection and delivery of mail to private and business addresses in Jersey. Jersey Post also collects and delivers parcels in Jersey using its mail network.

5.19 For the purposes of the assessment of this transaction, there is no reason to consider segmenting the Letters and Parcels Market into the segments outlined in the Ofcom Report. There is also no reason to consider the two separately as the segmentation will not impact on the conclusions of the analysis. The Authority therefore considers the relevant market to be **Letters and Parcels** as described above, and the relevant geographic market to be **Jersey**.

Freight

5.20 In considering freight, in 2017 the Authority defined 'freight' as '*goods being conveyed for commercial gain, by ship, air or road. Freight can be transported into and out of Jersey by air or by sea, with transport by road from the point of origin to the port or airport, and from the port or airport to final destination*."[4]

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[3] https://www.jcra.je/licences-in-issue/jersey-post-ltd/

[4] Case - M1280JRockayne (Jersey) Ltd t/a Channel Island Lines and Paul David Freight Services Ltd

5.21 The vast majority of goods transported to and from Jersey are conveyed by sea and therefore air freight was excluded. It was noted that air freight cost more than three times that of sea freight and was only used for high priced goods or goods which require extremely rapid transport. Letters and parcels are transported both by air and sea, and therefore these have not been differentiated for the purposes of this transaction.

5.22 With respect to the geographic market, as noted the majority of freight to/from Jersey is conveyed by sea from various points of origin in the UK. These tend to serve the Channel Islands generally, rather than just one island. For example, the freight ferries from Portsmouth, typically serve both Guernsey and Jersey.

5.23 For the purposes of the assessment of this transaction, the Authority considers the relevant market to be **Freight**, which consists of the activities of goods being conveyed for commercial gain by air and sea, and the relevant geographic market to be the **UK and Channel Islands**.

Warehousing and Storage

5.24 Warehousing and storage consists of businesses that operate storage facilities for all kinds of goods including general merchandise and refrigerated warehouses. In Jersey, there is a variety of warehouse space available, this is focused in St Helier and includes warehouse space at the harbour, La Collette or Rue des Pres. In previous analysis in 2005[5] the Authority noted that for sea borne temperature-controlled freight, while access to warehouse space at the Harbour is at a premium and often preferred, it may not be absolutely required.

5.25 In the present case, the precise market definition for Warehousing and Storage can be left open, since the Notified Transaction will not give rise to a substantial lessening competition on any reasonable basis in this market.

6. Effect on Competition

Approach

6.1 The analysis of a notifiable transaction will consider whether the merger creates or enhances the ability or incentive to exercise market power, either unilaterally or in co-ordination with competitors, and whether other market forces (such as the entry of new competitors or countervailing power of customers) will eliminate this risk. The assessment will also consider any pro-competitive effects or efficiencies that may result from the merger.

6.2 For non-horizontal (vertical or conglomerate) mergers such as the Notified Transaction, the Authority's focus will be on assessing whether the merged entity would have the ability or incentive to foreclose the market to competitors, either by denying access to competitors upstream, or by denying access to 'routes to market' downstream.

[5] Case - M005/05J - Ferryspeed (CI) Ltd and Channel Express (CI) Ltd

6.3 When considering the effect on competition, the Authority has regard to the guidelines produced by the European Commission[6]. It may also consider the substantive merger guidelines applied by the Competition and Markets Authority in the UK, as well as those of other competition authorities.

Non-Horizontal Mergers

6.4 Vertical mergers involve companies operating at different levels of the supply chain. For example, when a manufacturer of a certain product (the 'upstream firm') mergers with one of its distributers (the 'downstream firm'), this is called a vertical merger.

6.5 As noted in Section 4 above, Woodside Logistics operates in a market vertical to that of Jersey Post, distributing parcels and packages to and from Jersey.

6.6 This type of merger is generally less likely to lead to a substantial lessening of competition than horizontal mergers. The EC Guidelines[7] note '*non-horizontal mergers are generally less likely to significantly impede effective competition than horizontal mergers*'. This is because they do not entail the loss of direct competition between the merging firms in the same relevant market and provide substantial scope for efficiencies.

6.7 However, in certain circumstances, non-horizontal mergers may lead to a substantial lessening of competition, in particular as a result of the creation or strengthening of a dominant position. This is because a non-horizontal merger may change the newly merged entity's ability and incentive to compete in ways that cause harm to competition.

6.8 There are two main ways in which non-horizontal mergers may substantially impede competition: non-coordinated effects and coordinated effects, where:

- Non-coordinated effects arise when non-horizontal mergers give rise to *foreclosure*, where competitors' access to market is impacted by the merger, reducing their ability or incentive to compete.
- Coordinated effects arise where the merger changes the nature of competition in such a way that firms that were not previously coordinating their behaviour are now significantly more likely to do so, to raise prices or otherwise harm competition.

6.9 Concerns around non-coordinated effects were raised in responses to the consultation, including concerns around input foreclosure. These are considered in more detail below.

Market Shares and Concentration Levels

6.10 After defining the relevant market, the Authority considers the respective market shares of the competitors in that market, both before and after the proposed transaction. These shares can be

[6] https://op.europa.eu/en/publication-detail/-/publication/19597169-c020-4a72-816a-0b15416119f7

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

used as an initial indication of the overall level of market concentration which will be brought about as a result of the merger.

Letters and Parcels Market

6.11 Evidence submitted by the Parties identifies a number of competitors in this market. The estimates for the market shares for letter and parcel delivery in 2019 are set out in the Table below. For Jersey Post, their market share is split between the different sources. The figures below are estimated on the basis on the revenue of Jersey Post.

Company	**Estimated Market Share**
Jersey Post –Total	**[50-60%]**
- *[Redacted]*	
- *[Redacted]*	
- *[Redacted]*	
- *[Redacted]*	
DPD	[5-15%]
Hermes	[5-15%]
UPS	[5-15%]
TNT	[0–10%]
Other	[10-20%]
Total	**100%**

Freight Market

6.12 Evidence submitted by the Parties shows the following estimated market shares for 2020. Given the exit of the market of PDFS in early 2020, their meterage was reallocated based on conservative assumptions for where the meterage would go. Fraser Freight, owned by the Jersey Post Purchaser, is not included in the table as it does not provide freight services between the UK and Jersey.

Company	Estimated Market Share
Woodside Logistics (the Target)	**[Less than 10%]**
Ferryspeed	[More than 75%]
DSV	[Less than 10%]
Breakwells	[Less than 10%]
Total	**100%**

6.13 Non-horizontal mergers pose no threat to effective competition unless the merged entity has a significant degree of market power (which does not necessarily amount to dominance) in at least one of the markets concerned. EC Guidelines provide that the European Commission is unlikely to find concern in non-horizontal mergers where the market share post-merger of the new entity in each of the markets concerned is below 30%. Given the market share of the Purchaser in Letters and Parcels, this safe harbour does not apply for the assessment of this transaction.

6.14 However, although the existence of a significant degree of market power in at least one of the relevant markets is a necessary condition for competitive harm, it is not in itself a sufficient condition. Other factors relevant to the Notified Transaction are considered below.

Non-Coordinated Effects

6.15 As described above, there are two forms of foreclosure which may arise as a result of a vertical merger – the first is where the transaction is likely to raise the costs for downstream competitors by restricting their access to an important input (input foreclosure), the second is where the merger is likely to foreclose upstream competitors by restricting their access to a sufficient customer base (customer foreclosure).

Input Foreclosure

6.16 Input foreclosure occurs where, as a result of the merger, the new entity would be more likely to restrict access to the upstream products or services than it would previously. This may raise downstream competitors' costs by making it harder for them to obtain services under similar prices and services as before the merger.

6.17 This is only a concern where the newly merged entity has a significant degree of power in the <u>upstream market</u> (i.e. the Freight Market), as it would allow it to influence the conditions of competition in that market, which could reduce the ability of competitors to compete downstream

6.18 As can be seen from the table above, Woodside Logistics has a low market share in the freight market. Downstream competitors in the Letter and Parcels Markets will still have the ability to choose from a number of alternative freight providers, and any increase in cost or other barriers to entry in the Letter and Parcels Market as a result seems unlikely.

Customer Foreclosure

6.19 Customer foreclosure occurs where a supplier integrates with an important customer in the downstream market. This may cause harm to upstream competitors by restricting their access to downstream markets. This will not be the case where other upstream suppliers can continue to operate efficiently, for example where there are alternative uses for their products or services.

6.20 As a consequence of the Notified Transaction, the competitors to Jersey Post in the Letters and Parcels Market will continue to have a number of alternative providers of Freight services. Any vertical integration of Jersey Post and Woodside Logistics would be unlikely to impact on the competitors in the Freight Market given the small proportion of that market which is concerned with the Letters and Parcels Market and as there are other alternative users of Freight services.

Co-ordinated Effects

6.21 A merger may change the nature of competition in such a way that firms that previously were not co-ordinating their behaviour are now significantly more likely to co-ordinate and raise prices or otherwise harm competition. For example, this may occur if the merger makes collusion easier, more stable or more effective. However, no factors which suggest this may occur are present in relation to this transaction.

7. Third Party Views

7.1 During the consultation period, the Authority received two formal responses to the Notice of Application.

Response A

7.2 A response was received by email on 7 January (the **Response A**) suggesting that the transaction will have a significant risk of distorting price and the freight market. Jersey Post offers a service ‘Ship2Me’, arranging for delivery of goods to Jersey. Woodside Logistics operates a service in competition to this. The respondent believes that these are the two largest competitors offering this service, and the merger would further consolidate the position of Jersey Post. An alternative service provider, BookMySpace being too small to compete.

7.3 Ship2Me is a service that allows Channel Island consumers to order goods primarily from UK suppliers that do not deliver to the Channel Islands. Customers set up an account and arrange for delivery to the Ship2Me address at Fraser Freight (a subsidiary of Jersey Post) in Portsmouth.

Fraser Freight then consolidate the good for shipment to Jersey Post or Guernsey Post for delivery. Woodside Logistics offer a similar service.

7.4 The Authority has not considered this as a market distinct from other Parcel Delivery or Freight services between the UK and Jersey. Consolidation of goods in the UK for shipment to Jersey is undertaken by a number of other companies and barriers to entry are fairly low, with the ability to use other freight providers operating in competition to Woodside Logistics for transportation to Jersey and delivery on Island.

Response B

7.5 Another response was received on 15 January (the **Response B**). This response expressed concerns that:

(a) Jersey Post may be able to leverage its position in **bulk mail** by using Woodside Logistics to block competitors from entering this market, leading to a substantial lessening of competition in the bulk mail market, with higher prices for customers and/or lower quality of service.

(b) Jersey Post would be able to foreclose **freight operators** who compete with Woodside Logistics, and exclude them from that market, leading to higher prices and/or lower quality of service. Jersey Post would be able to benefit from its position with its Universal Service Obligation (USO) which is not open to commercial competition.

(c) Jersey Post would be able to foreclose competitors in the freight market by charging higher prices from warehousing and storage in Portsmouth through its subsidiary Fraser Freight.

(d) Requesting the Authority re-consider its lighter touch regulation of postal services in Jersey to ensure customers are not overpaying for postal services

7.6 Points (a) and (b) are covered in the section above on input foreclosure. Given the relative size of Woodside Logistics in the Freight Market, it would be unable to prevent or affect competitors in that market as there are a number of alternative providers of Freight Services which can be used by other mail operators. Mail and Parcel delivery is likely to be a small percentage of a freight operator's overall business. The bulk mail market is declining and it is unlikely that a competitor would seek to enter the market on the basis of the transportation of bulk mail alone. With regard to (c), the provision of warehousing and storage in Portsmouth has not been considered as part of this assessment. Fraser Freight does not operate in Jersey.

7.7 The regulation of Jersey Post and compliance with its licence conditions are considered further in Section 8 below. Further additions to Response B were received on 4 February, after the deadline for responses had passed relating more specifically to Jersey Post's compliance with its licence conditions rather than to competition issues which may arise as a result of this transaction. This complaint will be dealt with separately by the Authority under its functions in the regulation of postal services if appropriate.

8. Regulation of Postal Services in Jersey

8.1 The Postal Services (Jersey) Law 2004 provides that a person shall not convey a letter[8] from one place to another without a licence issued by the Authority. Jersey Post holds a Class II Licence (the **Licence**), issued on 1 July 2006 and renewed on 20 July 2016. Part II of the Licence contains details of the Universal Service Obligation (**USO**) to be provided by Jersey Post. Relevant to this transaction, the USO contains an obligation to provide at least one delivery of mail, whether generated within or outside the Island of Jersey, which should be delivered to every Delivery Point in the Island of Jersey on each Delivery Day.

8.2 Jersey Post is required to defray the full cost of the USO from profits generated by licenced services, except when otherwise permitted by Condition 24.1. That Condition provides that Jersey Post may cross-subsidise for the purpose of providing the USO. The Licence contains specific conditions relating to Fair Competition (Condition 22) and the prevention of Undue Preference and Unfair Discrimination (Condition 25).

8.3 The Authority aims to protect and further the interests of users of postal services, where appropriate by promoting competition. In 2020, as in previous years, it has taken a light touch approach to the regulation of postal services in Jersey. For 2021, in particular, the Authority intends to work closely with Jersey Post and other operators to understand the impact of the coronavirus pandemic on the business. The Authority will also investigate any potential breaches of the Law and Licence Conditions by operators.

8.4 Unlike for mergers in unregulated markets, the Authority has the ability to continue to monitor the behaviour of Jersey Post as a result of this transaction and any impact on competition or any undue preference or unfair discrimination.

8.5 The transaction has also identified a number of areas where the Authority may consider further review of the regulation of postal services in Jersey. As discussed in Section 5 above, in 2020 Ofcom carried out a review of the needs of postal users in the UK to see if the requirements placed on Royal Mail reflect what consumers and businesses need today. This review included research on changes to users' views as a result of the Coronavirus Pandemic.

[8] 'Letter' is defined as a communication in handwriting or in print (or in both) that is to be conveyed and delivered to a person, or to an address, indicated on the communication itself or its envelope or cover, and includes a packet containing such a communication – but excludes – (a) a book, catalogue, newspaper or periodical; and (b) anything that weighs more than 20 kilograms. 'Post packet' is defined as anything that weighs no more than 20 kilograms and is for transmission by post or is transmitted by post. 'Postal service' is defined as the conveyance of postal packets, the incidental services of receiving, collecting, sorting and delivering postal packets, and any other service that relates to any of those services and is provide in conjunction with any of them.

8.6 As a result, Ofcom is undertaking a review of the future regulatory framework for post, including issues affecting the broader postal sector as reliance on parcels continues to grow. It is now engaging on a range of issues including access regulation for letters, consumer issues in the parcels and letters market, and how regulation can support a modern well-functioning parcels market that delivers benefits to end users.

8.7 These issues are not directly related to consideration of this transaction, however given the changing nature of these markets in 2020 and 2021, the Authority will consider separately whether a more detailed review of postal regulation in Jersey is appropriate under its role as the regulator of postal services.

9. Decision

9.1 Based on the previous analysis, the Authority concludes that the acquisition will not substantially lessen competition in Jersey or any part of Jersey; and the merger is therefore approved under Article 22(1) of the 2005 Law.

22 February 2021 **By Order of the Jersey Competition Regulatory Authority**