



DETERMINATION OF MERGER NOTIFICATION M/07/038 – MUSGRAVE/J&J HASLETT

Section 21 of the Competition Act 2002

Proposed acquisition by Musgrave Investments plc of J&J Haslett Holdings Limited

Dated 15/08/07

Introduction

1. On 17th July 2007 the Competition Authority (“the Authority”), in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Musgrave Investments plc which is a wholly owned subsidiary of Musgrave Group plc (collectively “Musgrave”) would acquire the entire issued share capital of J&J Haslett Holdings Limited (“J&J Haslett”).
2. Post acquisition J&J Haslett will come under the sole control of Musgrave.

The Undertakings Involved

3. Musgrave, the acquirer, is an Irish incorporated public company¹ active in the grocery and wholesale food distribution sectors in the State, Northern Ireland, Britain and Spain through the following divisions:
 - i. Musgrave SuperValu Centra in the State – wholesale food and grocery distribution to SuperValu and Centra supermarkets and stores operated by independent retailers;
 - ii. Musgrave SuperValu Centra in Northern Ireland – wholesale food and grocery distribution to SuperValu and Centra supermarkets and stores operated by independent retailers;
 - iii. Musgrave Wholesale Services in both the State and Northern Ireland – including a network of cash & carry’s, a delivered wholesale service business to independent retailers and a delivered food service business;
 - iv. Musgrave Budgens Londis in Britain - wholesale food and grocery distribution to Budgens and Londis stores. This Division also includes the the operation of a number of wholly owned retail outlets under the Budgens brand; and,
 - v. Distribuidora de Alimentacion del Sureste SA in Spain – a wholesale and retail franchise business.
4. In the year to 31st December 2006 Musgrave generated a worldwide turnover of €4,593.5 million worldwide of which €2,584.7 million was generated in the State.

¹ Musgrave is not listed on any stock exchange and is 75% owned by the Musgrave family and 25% owned by directors, employees and ex-employees.

5. J&J Haslett, the target, is incorporated in Northern Ireland and operates two divisions:
 - i. Mace – in addition to its right to license the Mace brand in Northern Ireland, J&J Haslett provides a groceries wholesale distribution service to independently owned and operated stores in Northern Ireland (including both Mace and non Mace branded stores)²; and,
 - ii. Holmes Wholesale – cash & carry and delivered wholesale service to affiliated and non-affiliated retail outlets in Northern Ireland and to non-affiliated outlets in the State;
6. For the year ending 31st December 2006, J&J Haslett achieved worldwide turnover of approximately £191.8 million (approximately €283.4 million)³ of which approximately £3 million (approximately €4.4 million) was generated in the State.

Analysis

7. In the State there is horizontal overlap in the wholesale distribution of food and groceries to the retail sector. However, as noted above, the relatively modest amount of activity by the target in the State implies a minimal level of overlap⁴.
8. Table 1 and Figure 1 below provide an overview of the main wholesale distributors and their relationships with downstream retailers.

**Table 1
Wholesale Distribution of Food and Groceries, the State, 2006**

Wholesale Distributor Type	Wholesale Distributor
Cash and Carry Wholesalers	Musgraves, BWG Group (Value Centre), Gala Mangans Barry's of Mallow
Wholesale Distribution Groups	Musgraves (Centra and Supervalu), BWG Group (SPAR, EUROSPAR, Mace, Nearbuy, Swift), Gala (Gala Convenience, Superstores and Checkout Stores) Mangans (Mace, Vivo and Xpress Stop) Londis Barry's of Mallow (Costcutter, Quickpick)
Vertically Integrated Retailers	Tesco, Dunnes, Superquin, M&S, Aldi, Lidl

9. From Table 1 and Figure 1 it appears that pre-merger while the wholesale distribution of food and groceries sector in the State is highly concentrated there is nevertheless strong competition from a number of large players. Musgrave are one of the main distributors with strong presence not only at retail level through its symbol groups but also through its cash and carry business. Another player with a

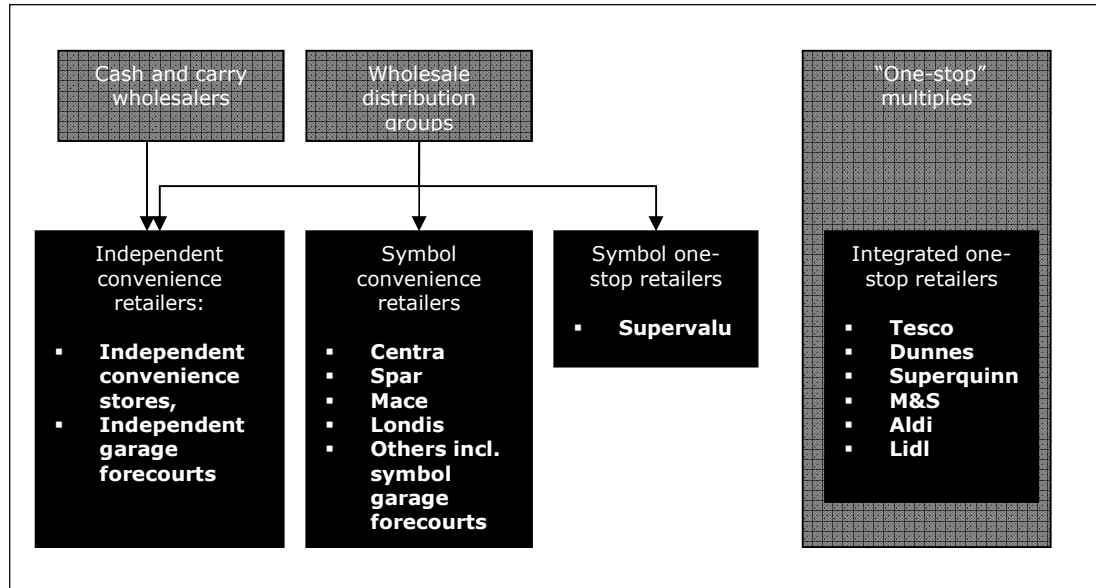
² In the State BWG and Mangans hold the master franchises for the Mace chain.

³ Exchange rate calculated using ECB foreign exchange reference rates on 10 August 2007.

⁴ While J&J Haslett supply to [...] customers in the State only [...] of these customers have accounts worth more than €[...] with the largest account being approximately €[...].

considerable presence in both the cash and carry and retail business is BWG Group.

Figure 1: Vertical Structure of the Food and Groceries Sector in the State, 2006



Source: Competition Authority, 2006

10. [The Authority used two alternative estimates of Musgraves share of the overall groceries sector in which it operates i.e., one from the parties themselves and one from a recent paper⁵ to estimate the size of the market.] [These shares] are estimated on the basis of supplies to 530 Centra and Supervalu branded stores as well as wholesale distribution and Cash and Carry sales to independent retailers. In its notification of the extant merger Musgraves estimates its share of the sector to be [22% to 26%] on the basis of a current total market size of €[.] billion in value.
11. Using the two alternative estimates this would put the total value of the wholesale distribution of food and groceries sector at somewhere between €9.8 billion to €13.7 billion per annum. Taking the lower figure as a conservative estimate of the size of the sector gives J&J Haslett a maximum share of 0.04% of the sector.
12. Given the limited nature of this overlap, the low accretion of market share post merger and the presence of other strong competitors (many of whom are vertically integrated into the retail grocery sector), the Authority considers that the proposed transaction does not give rise to competition concerns.

Ancillary Restraint

13. The Authority also reviewed restrictive arrangements agreed by the Parties in their Share Purchase Agreement. The Authority considers

⁵ G Donnelly "The impact of the Restrictive Practices (Groceries) Order on Competition in the Irish Grocery Trade", a paper delivered to the Statistical & Social Inquiry Society of Ireland (2006).

that these arrangements are in line with its approach in respect of ancillary restraints in mergers and are directly related and necessary to ensure the implementation of the proposed acquisition.

Determination

The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Musgrave Investments plc of J&J Haslett Holdings Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K Gorecki
Member of the Competition Authority