



News Release

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SOMERFIELD MUST SELL 12 STORES

The Competition Commission (CC) has concluded that the completed acquisition by Somerfield plc (Somerfield) of 115 stores and other assets from Wm Morrison Supermarkets plc (Morrisons) may be expected to result in a substantial lessening of competition in 12 local grocery retail markets in Great Britain. In order to restore competition in these markets, Somerfield will have to sell 12 stores to suitable grocery retailers approved by the CC.

The CC had provisionally identified 14 local markets where the acquisition gave rise to competition concerns. However, as a result of new evidence from Somerfield, the CC is now satisfied that its acquisition of stores in Bedlington and Paisley will not be anti-competitive.

Christopher Clarke, Chairman of the inquiry, said:

Following responses to our provisional findings, we have now concluded that Somerfield's acquisition of 12 of the stores is expected to lead to a significant reduction in competition in their local markets.

It is important for customers that competition in these local markets is restored and so Somerfield must now sell the specified stores to grocery retailers who are able to compete effectively on price, quality, range and service in these areas.

Somerfield is therefore required to sell 12 stores to purchasers approved by the CC. In seven towns, it must sell the stores which it had acquired from Morrisons; these are in Filey, Middlesbrough Linthorpe, Newark, Pocklington, Poole Bearwood, South Shields and Whitburn (Scotland). In Johnstone, Peebles and Yarm, Somerfield can choose to sell either the acquired store or a specified existing Somerfield store. In Kelso and Littlehampton, where it had already closed its existing store, it must sell the closed store but can continue to operate the acquired store. All are mid-range stores except a convenience store at Filey and a one-stop shop at Johnstone.

The final report is available on the CC web site at:

www.competition-commission.org.uk/inquiries/ref2005/somerfield/index.htm

Notes for editors

1. The acquisition by Somerfield of 115 stores from Morrisons involved mainly mid-range stores defined as being between 280 and 1,400 sq metres (3,000 to 15,000 sq feet). Convenience stores are defined as being of a size below 280 sq metres (3,000 sq feet). One-stop shops, where most householders carry out their main weekly shop, are defined as stores of over 1,400 sq metres (15,000 sq feet).
2. All the stores had been acquired by Morrisons as part of the acquisition of Safeway in 2004. Two of the 115 stores were among the 52 stores required by the CC to be sold as a condition of approving the sale of Safeway to Morrison. Neither of these stores is among the 12 which Somerfield are now required to divest.
3. The previous 2003 CC inquiry into the sale of Safeway had focused on larger 'one-stop' stores so the inquiry group considered to what extent the methodology for evaluating competition in grocery retailing set out in that and a previous report in 2000 could be applied to the circumstances of the current inquiry. The inquiry group found that the 'mid-range' stores were used mainly for supplementary or secondary, that is 'top-up' or convenience, shopping as distinct from 'one-stop' shopping and therefore adopted a methodology relevant to such mid-range stores and to the individual circumstances of their local markets.
4. The Somerfield/Morrisons inquiry group consists of five members of the CC: Christopher Clarke, Group Chairman and a Deputy Chairman of the CC, Nicholas Garthwaite, Chris Goodall, Bob Turgoose and Professor Stephen Wilks.
5. The Enterprise Act 2002 empowers the Office of Fair Trading to refer to the CC completed or proposed mergers for investigation and report which create or enhance a 25 per cent share of supply in the UK (or a substantial part thereof) or where the UK turnover associated with the enterprise being acquired is over £70 million.
6. Further information on the CC and its procedures, including its policy on the provision of information and the disclosure of evidence, can be obtained from its web site at: www.competition-commission.org.uk.
7. Enquiries should be directed to Francis Royle, Chief Press Officer, 020 7271 0242 (email: francis.royle@competition-commission.gsi.gov.uk) or Rory Taylor on 020 7271 0488 (rory.taylor@competition-commission.gsi.gov.uk).