

Regulatory Announcement

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Company Office of Fair Trading
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OFT CONSIDERS DIVESTMENTS IN SPORTS DIRECT'S ACQUISITION OF JJB STORES

The OFT is considering an offer by Sports Direct International Plc to divest stores in five local areas following its acquisition of 31 stores from JJB Sports Plc.

Sports Direct and JJB are the two largest specialist retailers of sports-related clothing, footwear and equipment in the UK. Sports Direct purchased the stores from JJB in a series of separate transactions over a two year period, but under merger legislation, the OFT was able to review these acquisitions as one individual transaction.

The OFT investigation, which was carried out under its own initiative, found that the acquisitions raised competition concerns in five local areas where Sports Direct already had existing stores.

Sports Direct has offered to divest outlets in these areas to up-front buyers approved by the OFT.

Amelia Fletcher, OFT Senior Director of Mergers said:

'The OFT used its discretion in this case to roll a number of separate acquisitions of JJB stores by Sports Direct over the last two years into a single investigation, given that the overall impact on consumers had the potential to be significant.

Although our investigation indicated that the purchase of these stores had not reduced competition at a national level, we identified concerns in five local areas that needed to be addressed.'

If the divestments are not accepted, then a referral to the Competition Commission will be necessary.

NOTES

1. For reasons of confidentiality, the OFT will not currently disclose which stores Sports Direct has proposed to divest. Details on how the OFT identified the local areas to be divested will follow in the full text of the decision and in public consultation on the undertakings in lieu.
2. Own-initiative merger inquiries– while the majority of mergers reviewed by the OFT arise from voluntary notification by the parties, the OFT's own-initiative inquiry programme has led to remedial action by the OFT or CC in a number of cases under the Enterprise Act 2002 regime. In some of these cases, it is always possible that the parties would have voluntarily notified the OFT of their merger at a later date. The OFT has a dedicated Mergers Intelligence Officer responsible for monitoring non-notified merger activity and liaising with other competition authorities. That person can be contacted confidentially at mergers.intelligence@oft.gsi.gov.uk if any interested party wishes to make the OFT aware of a merger that it considers might potentially be anti-competitive.
3. Thereference test - the OFT has a duty to make a reference to the Competition Commission if it believes that it is or may be the case that a relevant merger situation has been created, and the creation of that situation has resulted or may be expected to result in a substantial lessening of

competition within any market or markets in the United Kingdom for goods or services.

4. Under the Enterprise Act, a relevant merger situation is created if two or more enterprises have ceased to be distinct, and the value of the turnover in the United Kingdom of the enterprise being taken over exceeds £70 million' or as a result of the transaction, in relation to the supply of goods or services of any description, a 25 per cent share of supply in the UK (or a substantial part thereof) is created or enhanced.
5. Section 27(5) of the Act also gives the OFT the ability to treat a series of transactions between the same parties or interests as having occurred simultaneously on the date on which the latest of them occurred.
6. Undertakings in lieu of reference - under section 73 of the Enterprise Act, the OFT may, instead of making a reference to the Competition Commission, and for the purpose of remedying, mitigating or preventing the substantial lessening of competition concerned, or any adverse effect which has or may have resulted from it or may be expected to result from it, accept from such of the parties concerned as it considers appropriate undertakings to take such action as it considers appropriate. The OFT is required to consult publicly before accepting any such undertakings.
7. Upfront buyer - the OFT considered that, given the limited number of potential purchasers that might be interested to acquire the divested stores and who would be able to do so in the five local areas, the divestiture of these stores should be made to a suitable purchaser approved by the OFT. This means that the OFT will consult publicly on the suitability of the proposed purchaser, as well as any other aspects of the draft undertakings, during the public consultation period.
8. The text of these decisions will be placed on the Office of Fair Trading's web site at www.offt.gov.uk as soon as is reasonably practicable.

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