



MEDIA RELEASE

20 December 2018

CCCS Clears the Proposed Acquisition by NTUC Enterprise Co-operative Limited of Kopitiam Investment Pte Ltd

1. The Competition and Consumer Commission of Singapore (“**CCCS**”) has cleared the proposed acquisition by NTUC Enterprise Co-operative Limited (“**NTUC Enterprise**”) of 100 per cent of the equity interests in Kopitiam Investment Pte. Ltd. and its subsidiaries (“**Kopitiam**”) (collectively, the “**Parties**”) (the “**Proposed Transaction**”). CCCS concluded from its assessment that the Proposed Transaction, if carried into effect, will not infringe the section 54 prohibition of the Competition Act (Cap. 50B).

2. After consulting stakeholders and evaluating all relevant information, CCCS concluded that the Proposed Transaction, if carried into effect, will not lead to a substantial lessening of competition within the relevant markets in Singapore.

Background

3. CCCS received a notification from NTUC Enterprise for a decision on the Proposed Transaction, and accepted the notification as complete on 28 September 2018.

4. NTUC Enterprise is the holding cooperative for the Singapore-based Group of NTUC Social Enterprises. The food and beverage retail business of NTUC Enterprise is conducted through Foodfare Co-operative Limited (“**Foodfare**”). Kopitiam is a Singapore-based private limited company whose primary business activity is in food and beverage retail.

5. As part of its assessment, CCCS conducted a public consultation from 1 October to 17 October 2018. CCCS also contacted key stakeholders including landlords, competitors, customers, representatives from hawker associations and engaged various government agencies to gather relevant information necessary for CCCS’s assessment of the Proposed Transaction. The majority of the stakeholders indicated that they have no concerns with the Proposed Transaction, with a few raising concerns¹.

¹ The concerns relate mainly to Foodfare becoming a bigger player in the operation of hawker centres, coffee shops and food courts (collectively referred to as “Street Stalls”) thereby enjoying stronger bargaining power over the landlords, and food vendors and consumers may face higher rental fees and food prices respectively as a result of fewer Street Stall operators. Feedback that do not have an impact on competition were not considered in CCCS’s assessment.

CCCS's Assessment

Relevant markets affected by the Proposed Transaction

6. The relevant markets affected by the Proposed Transaction are:
- (a) The sale of hot meals to consumers in hawker centres, coffee shops and food courts (collectively referred to as "Street Stall premises"), within catchment areas of 500 metres radius (from the Parties' premises)²;
 - (b) The rental of stalls in hawker centres within Singapore to food vendors³; and
 - (c) The rental of stalls in coffee shops and food courts to food vendors, within catchment areas of 500 metres to 1 kilometre radius (from the Parties' premises)⁴.

Competition assessment for each relevant market

(a) The sale of hot meals to consumers in Street Stall premises within catchment areas of 500 metres radius (from the Parties' premises)

7. **CCCS found that the Parties only directly sell hot meals in a very limited number of stalls located mainly within the Street Stall premises they operate.** In most of these premises, the Parties compete with many stalls operated by third-party food vendors within their own premises. The merged entity will therefore face sufficient competition without even considering the competing stalls in other Street Stall premises within the catchment areas.

8. CCCS further took a precautionary approach by including the sale of drinks⁵ into the relevant market to check for any potential competition concern. The combined market share of the Parties in all the overlapping catchment areas were well below

² The survey evidence and planning guidance for land use in Singapore by HDB and NEA indicate that consumers are generally only willing to travel short distances for the purpose of food consumption on an average day. CCCS therefore considered that NE's proposed radius of 500 metres for a catchment area is reasonable, based on the information available.

³ CCCS defined the geographic market as Singapore-wide, and not catchment areas of 500 metres, in the case of hawker centres. This is because using catchment areas of 500 metres radius would result in no overlapping hawker centres between the Parties and therefore no further assessment will be required. CCCS has taken a cautious approach by assessing any potential competition concerns that may arise in this market should all hawker centres be considered on an island-wide basis.

⁴ CCCS considered that food vendors would be willing to consider stall options further away when relocating should they offer better business prospects, as this would translate into a better livelihood. However, CCCS has taken a cautious approach by considering the geographic scope for the rental of stalls on coffee shops and food courts to be catchment areas of between 500 metres to 1 kilometre, taking into account the likelihood and the feedback received that food vendors are likely to consider a wider geographic region.

⁵ The Parties do not directly compete in the sale of drinks, fruits, desserts and/or dim sum as the stalls involved are not operated as a standalone business; rather they are operated as a complementary business to improve the attractiveness of the Parties' premises as part of their stall rental business.

20%, falling below CCCS's indicative thresholds for a merger situation that may raise competition concerns⁶.

(b) The rental of stalls in hawker centres within Singapore to food vendors

9. There are 114 hawker centres in Singapore, comprising 107 Existing Hawker Centres ("EHCs") that were built between the 1960s and 1980s, and 7 New Hawker Centres ("NHCs") that were built after 2011. The Parties only overlap in the operation of NHCs, and they would operate 4 NHCs out of a total of 114 hawker centres. Even considering that the merged entity would operate 4 out of the 7 NHCs, NHC operators are subject to regulatory oversight by the National Environment Agency ("NEA") in relation to how they manage the hawker centres and terms imposed on the food vendors. **Therefore, given the small number of hawker centres operated by the merged entity relative to the total number of hawker centres in Singapore and the regulatory oversight by NEA, there is little prospect of a substantial lessening of competition occurring in the market for the rental of stalls in hawker centres.**

(c) The rental of stalls in coffee shops and food courts to food vendors, within catchment areas of 500 metres to 1 kilometre radius (from the Parties' premises)

10. CCCS assessed the number of independent competitors within each catchment area post-merger, and undertook a more granular assessment by using stall count for catchment areas⁷ that were identified to potentially raise competition concerns using the "independent competitors" threshold proposed by NTUC Enterprise.⁸

11. CCCS found that the combined market shares of the Parties in most catchment areas for the rental of stalls in coffee shops and food courts to food vendors range between 30% to 40%, with the combined market shares of the 3 largest firms ("CR3") less than 70%, which fall below CCCS's indicative thresholds of a merger situation that may raise competition concerns. Further, in all the catchment areas, there are at least five other established competing operators remaining post-merger.

12. **CCCS also found that the Parties are not each other's closest competitor** and there remain many other strong competing operators such as Koufu, Food Junction, Food Republic, Kimly and Broadway, amongst others, post Transaction.

13. **CCCS further noted that food vendors have some bargaining power** given that they are likely to consider switching to food courts and coffee shops further away if these locations offer them better business prospects, and therefore have a wider pool of available options to choose from. The bargaining power of food vendors in

⁶ Paragraph 5.15 of *CCCS Merger Guidelines*. CCCS is generally of the view that competition concerns are unlikely to arise in a merger situation unless the merged entity has a market share of 40% or more, or the merged entity has a market share of between 20% to 40% and the post-merger combined market shares of the 3 largest firms ("CR3") is 70% or more.

⁷ The stall count analysis was carried out using both 500 metres and 1 kilometre catchment areas.

⁸ NTUC Enterprise proposed a "4 to 3" independent competitors threshold i.e. overlapping catchment areas are potentially problematic if the Proposed Transaction reduces the number of competitors from 4 to 3.

coffee shops and food courts that are corporate entities, is likely to be higher as coffee shops and food courts operators will seek to keep the branding of the popular food vendors. Importantly, the majority of these operators are master lessors⁹ and they have the incentive to lease out their stalls quickly in order to pay their respective landlords.

14. **Further, barriers to entry and expansion are likely to be low.** More areas for eating establishments including coffee shops and food courts could be made available by the relevant government agencies through regular review. There is also an increasing trend of shopping mall operators allocating more space within their malls to food and beverage retail in response to changing consumer needs for experience and lifestyle. In addition, there are instances where food vendors such as Chang Cheng Food Paradise Pte. Ltd. and Yu Kee Group have expanded their businesses to become master lessors of coffee shops and food courts.

15. In addition, Street Stalls of a specific format that NTUC Enterprise gains from Kopitiam (for example, coffee shops) will not give NTUC Enterprise additional market power vis-à-vis landlords of the other two formats of Street Stalls (i.e., hawker centres and food courts), as the landlords for each of these formats of Street Stalls are different¹⁰. Third party feedback also revealed that landlords do not accord preferential treatment to a particular operator even if it is already a tenant in one or more of the landlord's leased spaces.

16. **CCCS also considered that collusion between operators of food courts and coffee shops is unlikely** due to the large number of competing operators, the low degree of transparency on the rental/ancillary fees charged by master lessors which makes it difficult for operators to monitor one another, and the low barriers to entry/expansion.

17. **Finally, CCCS assessed that the merged entity has no ability or incentive to shut out competitors and to mandate purchases through central kitchens and supply chain networks.** CCCS considers it unlikely for the merged entity to restrict/refuse the lease of stall space to competing operators in order to foreclose them from the market for sale of hot meals to consumers, given that competing operators could operate out of their own premises. Also, these operators have the option of leasing stall space from a multitude of alternative master lessors. In relation to the lack of ability or incentive to mandate purchases through central kitchens and supply chain networks, NTUC Enterprise has submitted that it does not have plans to mandate food vendors to procure their food supplies from NTUC Enterprise on an exclusive basis, following the completion of the Proposed Transaction. Feedback from

⁹ Master lessors lease premises from landlords and have the option to sub-lease the stalls within these premises to food vendors.

¹⁰ NEA manages hawker centres. HDB and private owners (typically individuals or individual small companies) are the landlords of coffee shops. Shopping mall operators are the landlords of food courts.

third parties also indicated that it would be difficult for NTUC Enterprise to disrupt the long-standing relationships between food vendors and their preferred suppliers by mandating purchase of food supplies and raw materials through its central kitchens and supply chain networks.

18. Further information on the notification and CCCS's Grounds of Decision is available on CCCS's Public Register at www.cccs.gov.sg.

- End -

Encl.

Infographic: Proposed NTUC Enterprise – Kopitiam Acquisition

About the Competition and Consumer Commission of Singapore

The Competition and Consumer Commission of Singapore (“**CCCS**”) is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

For media clarifications, please contact:

Ms. Nawwar Syahirah
Senior Assistant Director
Communications
Competition and Consumer Commission of Singapore
Email: nawwar_syahirah@cccs.gov.sg
DID: 6325 8313

Ms. Grace Suen
Senior Assistant Director
Communications
Competition and Consumer Commission of Singapore
Email: grace_suen@cccs.gov.sg
DID: 6325 8216