

Impact of Sales of Supermarkets - Result of the Competition Bureau Ruling

(B. Henderson)

Recommendation:

That the February 18, 2014, Sustainable Development report CR_797, be received for information.

Report Summary

This report outlines the terms of an agreement between the Competition Bureau and Sobeys to address competition and coverage of the Edmonton market relative to Sobeys' acquisition of Canada Safeway.

Previous Council/Committee Action

At the November 19, 2013, City Council meeting, Councillor B. Henderson made the following inquiry:

It has come to my attention that with the recent Competition Bureau ruling on the purchase of Safeway by Sobeys, that they have been instructed to divest themselves of some of their existing stores in order to ensure competition. This has meant the announcement that they will sell a number of stores in the Edmonton region, and they have chosen some of the smaller stores in local neighbourhood shopping areas.

This raises concern that we may lose some of these stores jeopardizing those local neighbourhood shopping districts in contradiction to our desired objective to sustain these local shopping opportunities in neighbourhoods.

Could Administration please return with a report on the implications of this ruling for these stores and the ways in which their long-term survival may be affected and can be protected?

Report

On June 12, 2013, Sobeys Incorporated announced its tentative acquisition of the grocery retail locations and other assets of Canada Safeway Limited across Canada. At the time of the announcement, there were 16 Sobeys stores and 21 Safeway stores in Edmonton.

The proposed acquisition was subsequently reviewed by the federal anti-trust regulator, the Competition Bureau. On October 22, 2013, the Competition Bureau announced it had "reached a Consent Agreement with Sobeys Inc. to remedy competition issues related to Sobeys' proposed acquisition of substantially all of the assets of Canada Safeway. The Consent Agreement will require the divestiture of 23 stores and as such will preserve competition for the retail sale of groceries in Western Canada."

Four of the stores Sobeys has agreed to divest itself of are in Edmonton:

- Safeway Mill Woods, 2331 – 66 Street
- Sobeys Hawkstone, 18370 Lessard Road
- Sobeys Goldbar, 5036 106 Avenue
- IGA Ottewell, 6204 – 90 Avenue

To identify the above stores and address distribution of the remaining stores, the Competition Bureau reviewed the size and location of all Sobeys and Safeway stores in Edmonton.

The Consent Agreement includes provisions that give the Commissioner of Competition sole authority to approve the divestiture of stores based on the following:

- the purchaser of each store is fully independent from Sobeys
- Sobeys may have no direct or indirect interest in the divested property for 10 years
- the purchaser of each store is committed to carrying on the divested business
- the purchaser of each store has the managerial, operational, and financial capability to compete effectively in the retail sale of a full line of grocery products.

The above provisions also preclude the possibility that restrictive covenants might be applied to these sites, which was the practice of Safeway in the past upon closing its locations in Edmonton.

Once Sobeys divests itself of the four stores, it will have 33 grocery retail outlets in Edmonton in addition to wholesale distribution facilities.

Policy

The Way We Grow, Edmonton's Municipal Development Plan:

- 5.2.1.6: Encourage large scale commercial centres and commercial strips to develop into vibrant, mixed use, transit supportive and walkable urban areas.
- 6.2.1.10: Revitalize older commercial areas within existing neighbourhoods in association with the Great Neighbourhoods initiative.

Corporate Outcomes

The Way Ahead, City of Edmonton Strategic Plan, 2009 – 2018:

- Transform Edmonton's Urban Form
- Improve Edmonton's Livability
- Diversify Edmonton's Economy

Attachments

1. Map of Sobeys and Safeway Stores in Edmonton
2. Background and Context Setting

Others Reviewing this Report

- K. Rozmahel, General Manager, Corporate Services