



## **Determination of the Competition Authority, dated 21<sup>st</sup> October 2005, under Section 21 of the Competition Act, 2002 in respect of Merger Notification Case Number M/05/062 – Proposed acquisition by Johnston Press plc of Local Press Limited**

### **Introduction**

1. On 21<sup>st</sup> September 2005, the Competition Authority, in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”), was notified on a mandatory basis of a proposal whereby Johnston Press plc (“Johnston”) would acquire the issued share capital of Local Press Limited (“Local Press”) and its subsidiary undertakings. The Authority advised the parties and the Minister that it considers the transaction to be a “media merger”, within the meaning of Section 23 of the Act.

### **The Parties**

2. Johnston, the acquirer is a fully-listed public company on the London Stock Exchange. Johnston publishes a range of newspaper titles in Scotland and England and operates associated internet sites of local (Scottish and English) interest. As of 2004, it published 243 newspaper titles and operated 182 websites. In 2005, Johnston acquired Score Press Limited and now holds an additional 45 newspaper titles of which 16 are in Scotland, 24 are in Northern Ireland and five are in the State. These titles are local and/or regional newspapers and include: The Kilkenny People, the Leitrim Observer, the Longford Leader, The Tipperary Star and the Nationalist/Munster Advertiser which are all published by Score Press in and for the State<sup>1</sup>.
3. In addition to its newspaper titles, Score Press also operates three printing presses, one in each of Scotland, Northern Ireland and the State. All presses are operated and managed by wholly-owned subsidiaries of Score Press.
4. In 2004, Local Press, the target, was formed following the acquisition of the Northern Ireland and Republic of Ireland newspaper division of Trinity Mirror plc by a 3i-backed management team<sup>2</sup>.
5. Local Press holds interests in the newspaper publishing industry in Northern Ireland and in the State through several subsidiary

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<sup>1</sup> Johnston Press acquired its current portfolio of titles published and distributed in the State following the purchase of Score Press Limited in 2005, a transaction which was notified to the Competition Authority and cleared in Determination No. M/05/036 Johnston Press plc/Score Press Limited which is available from the Competition Authority website at <http://www.tca.ie>.

<sup>2</sup> This transaction was notified to and cleared by the Competition Authority in Determination Number No. M/03/036 of 31 December 2003 which is available from the Competition Authority website at <http://www.tca.ie>.



companies: Century Press and Publishing Limited, The Derry Journal Limited and Local Press Employee Benefit Trust Limited.

6. Century Press and Publishing Limited, through its wholly-owned subsidiary Century Newspapers Limited, publishes two titles: The News Letter and the Belfast News. Century Newspaper Limited has three wholly-owned subsidiaries: Sunday News Limited; Belfast News Letter Limited; and Shopping News Limited, none of which subsidiaries trade.
7. The Derry Journal Limited publishes six titles: The Derry Journal<sup>3</sup>; The Foyle News; The City News; Derry on Monday; The Journal; and Sunday Journal/Donegal on Sunday<sup>4</sup>.
8. The Derry Journal Limited has four other wholly-owned subsidiaries: The Donegal Democrat Limited; Donegal Democrat Printing; Kalamalka Limited and Kitzbuhel Limited. Of these four, only the Donegal Democrat Limited trades.
9. The Donegal Democrat Limited publishes several titles: The Donegal Democrat<sup>5</sup>; The Donegal Democrat incorporating The Donegal People's Press (which is an edition of the Donegal Democrat); and The Letterkenny Listener.
10. Local Press is majority-owned by 3i Group plc and its funds are managed by 3i Investments plc. Its remaining shareholders include members of management and a third-party corporate shareholder, Mecom UK Management Company Limited.
11. 3i Investments plc is venture capital and private equity company, registered in England and Wales, managing investments in a wide range of sectors worldwide. 3i Investments plc is a wholly-owned subsidiary of 3i Group plc, a company listed on the London Stock Exchange and active in the provision of venture capital and private equity.

## **The Transaction**

12. Johnston has submitted several rationales to the Authority for the transaction:
  - The ability to expand its operations in the local newspaper sector, particularly in Northern Ireland with the acquisition of eight additional titles;
  - The opportunity to enter the newspaper market in the Donegal region of the State, an area in which Johnston Press has no current press activities. The addition of Local Press in this particular region will serve as an attractive complement to its current portfolio of press titles published in the State; and

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<sup>3</sup> Tuesday and Friday editions.

<sup>4</sup> The Republic of Ireland edition of the Sunday Journal.

<sup>5</sup> Tuesday and Thursday editions.



- The provision of opportunities for operational and purchasing synergies.

## **Analysis**

### ***Newspaper Advertising***

13. The Parties are both active in the publication of newspapers of local and/or regional interest in the State.
14. Having reviewed the titles published by both Parties and the geographic localities and regions in which the titles are published, the Authority has concluded that there is generally no overlap either in terms of the readership targeted by or of the advertising carried or sought by the Parties' publications.
15. Local Press' portfolio, the subject-matter of this transaction, is mainly concentrated, in the State, in the Donegal region. In this particular region, there is an insignificant overlap in the Parties' publications: Johnston sells approximately 300 copies of its Press Farm Week publication and Local Press sells 143 copies of its Local Press farming supplement Farming Life which is a supplement to the Saturday edition of the News Letter.
16. Despite this overlap in the Parties' activities, the Authority has concluded that the overlap is insignificant and does not give rise to competition concerns.

### ***Printing Presses***

17. In addition to the publication of local and/or regional newspaper titles, both Parties operate printing presses which print their respective titles but only Local Press provides for contract printing services for third-party newspaper titles.
18. In the case of Johnston, it operates three printing presses, one in each of Ireland, Northern Ireland and Scotland. Johnston's printing press in Ireland is located in Kilkenny. The only newspaper printing carried out by the Johnston printing press in Kilkenny is in respect of Johnston's own Republic of Ireland titles and not of other third-party newspaper titles.
19. Local Press operates two printing presses one in each of Derry and Belfast in Northern Ireland. Local Press' printing presses provide, *inter alia*, contract printing services for other newspaper titles in addition to the printing of its own titles. Local Press has submitted that approximately 98% of the titles printed by it on its two printing presses in Northern Ireland are Northern Ireland/Northern Ireland readership targeted titles.
20. Local Press provides contract printing services for two Republic of Ireland-based titles: The Donegal Times (approx. 3,200 copies on a



bi-monthly basis) and The Gaelic Game (approx 10,000 copies per week). In the case of the latter title, it is also distributed in Northern Ireland.

21. The Authority concludes that in respect of the Parties' newspaper printing activities, there is no overlap and no competition concerns arise.

### ***Ancillary Restraints***

22. The Authority also examined a restrictive covenant ("covenant") included in the Sale and Purchase Agreement ("Agreement") which contains a non-solicitation and non-compete clause imposed on the covenanters as defined in the Agreement.

23. Both clauses contained in the covenant are imposed for a one-year duration post-completion of the sale and purchase of Local Press.

24. The covenant and its individual clauses are in line with the Authority's approach in respect of non-solicitation and non-compete clauses and reflect a balanced approach to ensuring the protection of Johnston's investment in Local Press while not unduly restricting the covenanters in their future business pursuits.

25. The proposed transaction does not give rise to competition concerns.



**The Competition Authority**  
An tÚdarás Iomaíochta

### **Determination**

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Johnston Press plc of Local Press 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 subject to the provisions of Section 23(9)(a) of the Act.

### **For the Competition Authority**

**Edward Henneberry**

Member of the Competition Authority