



DETERMINATION OF MERGER NOTIFICATION M/06/014 – MAGNET/NETSOURCE

Section 21 of the Competition Act 2002

Proposed acquisition by Magnet Networks Limited of Solutions by
Netsource Limited

DATED 05/04/06

Introduction

1. On 8 March 2006 the Competition Authority (“the Authority”), in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby Magnet Networks Limited (“Magnet”) would acquire the entire issued share capital and control of Solutions by Netsource Limited (“Netsource”).
2. The Authority forwarded a copy of the notification to the Minister and notified the undertakings involved that it considers the acquisition to be a media merger, in accordance with section 23(1) of the Act.

The Undertakings Involved

The Acquirer

2. Magnet, the acquirer, is active in the provision of multi-play digital telephony, multi-channel digital television and high-speed broadband with ancillary services in Ireland.
3. Magnet is a limited liability company incorporated in the State and is wholly-owned by CVC Icelandic Holdings which is itself wholly-owned by Columbia Ventures Corporation (“CVC”), a U.S.-based international investment company. CVC has a 100% share in Hibernia Atlantic, a Dublin-based company which acts as owner-operator of Ireland’s only direct fibre-optic link to North America linking Ireland with the United Kingdom, the United States and Canada.
4. CVC is owned in its entirety by Kenneth D. Petersen. Mr. Petersen also owns 78% of the shares in European Access Providers Limited, a company which trades as Leap Broadband (“Leap”) in Ireland providing Ireland’s first broadband wireless specialist services to the business market.

5. Magnet provides broadband connection in the greater Dublin area with plans to expand its product offering to Laois, Galway, Limerick and Cork.
6. Leap operates its broadband connection activities in Dublin, Galway, Limerick and Cork and is currently expanding its operations into the unbundled local loop market with its SDSL service offerings.
7. In 2005, Magnet had a start-up turnover of €[], CVC had assets of €500million and Leap achieved a turnover of €[] for the year end August 2005.

The Target

3. Netsource, the target, is a limited liability company incorporated in Ireland and is active in the provision of broadband connection and ancillary services.
4. Netsource's broadband services are offered mainly in the greater Dublin area with some co-location facilities allowing access to some locations outside Dublin, for example, Cork. Its turnover for the year ended 2005 was €3.28million.

Analysis

5. Both Netsource's and Magnet's (and Leap's) activities overlap in the provision of broadband connection.
6. Magnet, however, offers a broadband connection product which is higher in both capacity and speed than the broadband product offering of Netsource. Magnet's broadband connection is mainly targeted at residential/ household customers, while Netsource's and Leap's broadband connection offerings are targeted at Small and Medium Sized Enterprises ("SMEs") and corporate institutions.
7. The undertakings involved have submitted that the combined market share of Magnet, Netsource and Leap, might be estimated at approximately 2.5%.
8. Post-merger, the undertakings involved will face competition from the incumbent operator, Eircom, with an estimated 74% current share of broadband connection to residential/household customers and 61% and 66% for broadband connection for SMEs and corporate institutions respectively.
9. Moreover there are a range of other providers of broadband connection including but not limited to a large number of small operators such as Irish broadband, Digiweb, Chorus/ntl, MCI, Smart

telecom Unison, Indigo and Cable and Wireless and bigger providers such as BT Ireland and Smart Telecom.

10. Given the number of competitors, the structure of the market and the likely future growth of the market in Ireland the proposed transaction does not give rise to competition concerns.

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 Magnet Networks Limited of Solutions by Netsource 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.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority