



DETERMINATION OF MERGER NOTIFICATION M/08/003 - INDEPENDENT/CHAMPION

Section 21 of the Competition Act 2002

Proposed acquisition by Independent News and Media Holdings (Ireland) Limited of Champion Publications and Champion Printing Limited

Dated 10/03/08

Introduction

1. On 12 February 2008, the Competition Authority ("the Authority"), in accordance with section 18(1)(b) of the Competition Act 2002 ("Act"), was notified on a mandatory basis of the proposed acquisition by Independent News and Media Holdings (Ireland) Limited ("INM Holdings") of Champion Publications and Champion Printing Limited ("Champion Printing").
2. The Authority advised the parties and the Minister for Enterprise, Trade and Employment that it considered the proposed acquisition to be a media merger within the meaning of section 23 of the Act.

The Undertakings Involved

The Acquirer

3. INM Holdings is a wholly owned subsidiary of Independent News & Media plc ("INM"). INM is quoted on the Irish, London and New Zealand Stock Exchanges. It is a newspaper and communications group, with its main interests in Australia, India, Ireland, New Zealand, South Africa and the UK. Across these regions, the INM group publishes over 180 newspaper and magazine titles. For the 2006 financial year, its consolidated worldwide turnover was €1,635.7 million.
4. [...] INM has three main classes of business: printing, publishing and distribution of newspapers and magazines; outdoor advertising; and electronic media. However, its principal activity is the publishing of newspapers.
5. INM publishes national daily, evening and Sunday titles including the *Irish Independent*, *Irish Daily Star*, *Sunday Independent*, *Sunday World*, *Star Sunday*, *Evening Herald*, *Ireland's Own* and a freesheet, *Herald AM*, as well as 14 regional titles (*Bray People*, *Carlow People*, *Drogheda Independent*, *Dungarvan People*, *Enniscorthy Guardian*, *Fingal Independent*, *Gorey Guardian*, *New Ross Standard*, *The Argus*, *The Corkman*, *The Kerryman*, *Waterford People*, *Wicklow People* and *Wexford People*). INM also publishes a number of freesheets in the circulation areas of the paid for regional titles.

6. Its titles in the island of Ireland are printed by INM in Belfast, Newry and Dublin. Its subsidiary Newsread Limited ("Newsread") distributes these and third party titles in the State (except Donegal). Its subsidiary Wholesale Newspaper Services Limited ("WNS") distributes newspapers in Northern Ireland and Donegal. INM outsources the distribution of the majority of its regional titles [...] to third parties. INM also provides webhosting services to its own titles and third party regional/local titles. For the 2006 financial year, INM had turnover in the State of €404.7 million.

The Target

7. Champion Publications is a private company incorporated in the State. It owns and publishes the *Sligo Champion*, a weekly local¹ newspaper published in Co. Sligo. Sales are primarily centred around Sligo city and county, with limited sales in south Donegal, North Leitrim, North Mayo and North Roscommon. For the financial year ended 31 December 2006, Champion Publications had turnover of €[..], all of which was achieved in the State.
8. Champion Printing is a private company incorporated in the State. Its principal activity is the printing of the *Sligo Champion*. Supplements are printed externally in order to avail of full colour printing, which is not available in-house. It also prints two small local papers, the [...] and [...]. The company also does some general commercial printing. For the financial year ended 31 December 2006, Champion Printing had turnover of €[..], the majority of which was internal turnover derived from printing the *Sligo Champion*.

Third Party Submission

9. One third party submission, from a private citizen, was received by the Authority. The submission argued that the proposed transaction would substantially lessen competition because:
 - INM would control between approximately 80-90% of all newspapers advertising in the Sligo area;²
 - INM would control 12 regional weekly titles, making it the largest owner of such newspapers in the State and would be responsible for a significant proportion of total regional advertising revenue. Such control would diminish competition further amongst the regional weekly newspapers;³
 - the *Sligo Champion* is a potential entrant in the printing market, with excess capacity. The closure of such facilities by INM would remove a potential local supplier of printing services and reduce the potential for competition even further;⁴ and,
 - if INM transfers the distribution of the *Sligo Champion* to its subsidiary Newsread, this would eliminate the existing local

¹ The terms "regional newspaper" and "local newspaper" are used interchangeably in this Determination.

² See paragraphs 13 to 16 inclusive for the Authority's view.

³ See paragraphs 13 to 16 inclusive for the Authority's view.

⁴ See paragraph 17 for the Authority's view.

distribution channel and thus the existing competition with Newsread.⁵

Overlap

10. There are several areas of horizontal overlap in the activities of the parties in the State, which will be discussed further under "Analysis" below:
 - the publication of newspapers
 - the sale of national newspaper advertising
 - the sale of regional/local newspaper advertising
 - newspaper printing
 - newspaper distribution
11. As regards vertical overlaps, although INM is active in the downstream activity of the distribution of newspapers, it has no local distribution activities in the distribution area of the *Sligo Champion*. Furthermore, INM outsources the distribution of most of its regional titles [...] to regional distributors. In addition, Unison, a wholly-owned subsidiary of INM, provides downstream web hosting services to the *Nenagh Guardian* and until recently, to the *Sligo Champion*. The Authority does not consider that these minimal vertical overlaps warrant further investigation and they will not be discussed further here.

Analysis

Publication of Newspapers

12. The Authority considers that the publication of national newspapers and the publication of regional/local newspapers are different product markets. As Champion Publications does not own a national newspaper and as INM does not have any regional titles targeted at the same distribution area as the *Sligo Champion*, the Authority does not have competition concerns in this regard.

Sale of National Advertising in Regional/Local Newspapers

13. Both the INM regional titles and the *Sligo Champion* are represented by Mediaforce in the sale of national advertising in regional/local newspapers.⁶ As stated above, INM does not own a regional newspaper in the distribution area of the *Sligo Champion* that competes with the *Sligo Champion* for national advertising.
14. The Authority also considered whether an acquisition of the *Sligo Champion* would increase the ability of INM to offer a substitute product to advertising in national newspapers, i.e. advertising in a nationwide network of its own regional newspapers. However, the

⁵ See paragraph 18 for the Authority's view.

⁶ Mediaforce Ireland Limited ("Mediaforce") is a subsidiary of the Mediaforce Group, which operates in the UK and Ireland. In Ireland, in 2003, Mediaforce took over from the Regional Newspapers Advertising Network to represent regional newspapers in Ireland in respect of advertising sales.

Authority has learned from its investigation that: (1) Mediaforce is an independent company and is not owned and controlled by its client newspapers. Mediaforce sells advertising to national advertisers in those of its client newspapers with a circulation and regional focus that suit the advertiser's needs; (2) national advertising in all titles of any particular newspaper group is not sold in a bundle to advertisers; (3) many national advertisers use individual regional newspapers as "uplifts" to national advertising campaigns or to highlight a local event or opening, rather than using them as a substitute for advertising in a national newspaper; and, (4) advertising in various regional newspapers instead of a national newspaper can be less cost effective.

15. As a result of its conclusions in paragraphs 13 and 14 above, the Authority does not consider that the proposed acquisition will raise competition concerns regarding the sale of national newspaper advertising.

Sale of Regional/Local Newspaper Advertising

16. The Authority has previously found that daily national newspapers and weekly regional/local newspapers do not operate in the same product market for the sale of advertising.⁷ Although INM-owned national newspapers are sold in Sligo, there is no geographic overlap in the activities of the parties in the sale of regional/local newspaper advertising in that area. This is because regional newspapers do not compete with other regional newspapers that are not sold in the same region. As outlined above, INM does not currently own regional newspapers circulating in the distribution region of the *Sligo Champion*. The Authority does not therefore have competition concerns in this regard.

Newspaper Printing

17. The Champion printing press and third party printing contracts will not be transferred to INM in the proposed transaction (aside from typesetting facilities and staff). The printing facility will be disposed of separately by the vendors. As outlined above, as Champion Printing's principal activity is the printing of the *Sligo Champion* and as INM is not acquiring the printing facility itself, the Authority does not have any competition concerns regarding this issue. As regards the third party submission that Champion Printing is a potential entrant to the printing market as it has excess capacity, the Authority understands from the parties that its printing press is not up-to date (e.g. it [has a limited capability to] print in colour), so that realistically, it can only do small-scale third party printing and is not a potential entrant to the newspaper printing market.

Newspaper Distribution

18. Distribution of the *Sligo Champion* is mostly performed in-house. Champion Publications also engages six local private operators, on an *ad hoc* basis, to distribute the newspaper. Each makes about one run per week at a cost of less than [...] per week. These third parties are not specifically engaged in the newspaper distribution business, but provide general distribution services using a car or van. INM has no local distribution activities in the distribution area of the *Sligo*

⁷ For a recent example, see Determination M/07/064, *Johnston Press/Clonnad*.

Champion. It outsources the distribution of the majority of its regional newspaper titles [..]. As a result of the above, in particular the fact that the *Sligo Champion* is mostly self-distributed, the Authority does not have any competition concerns regarding newspaper distribution. In addition, as regards the final comment of the third party submission, as distribution occurs in house, or is outsourced on an *ad hoc* basis, there is no question of eliminating existing competition with Newsread.

Determination

19. The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Independent News and Media Holdings (Ireland) Limited of Champion Publications and Champion Printing 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

Dr. Paul K. Gorecki
Member of the Competition Authority