



Determination of the Competition Authority, dated 1st December 2005, under Section 21 of the Competition Act, 2002 in respect of Merger Notification No. M/05/071

Proposed acquisition of Joint Control of Fortunegreen Limited by Associated Newspapers Limited, The Irish Times Limited and Metro International S.A.

Introduction

1. On 4th November 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 proposed joint venture between Associated Newspapers Limited ("ANL"), The Irish Times Limited ("ITL") and Metro International S.A. ("MI"). The proposed joint venture involves ANL, ITL and MI acquiring joint control of Fortunegreen Limited ("Fortunegreen").
2. The Authority advised the Parties and the Minister that it considered the proposed transaction to be a "media merger" within the meaning of Section 23 of the Act.

The Parties

3. ANL, a wholly owned subsidiary of Daily Mail & General Trust plc (DMGT)¹, is active in newspaper publishing and advertising. ANL's activities include publishing either by itself or through its subsidiaries:
 - The Daily Mail- a UK daily, sold in Northern Ireland and in the State.
 - The Mail on Sunday- a UK Sunday newspaper, sold in Northern Ireland and in the State.
 - Ireland on Sunday- an Irish Sunday newspaper, sold in Northern Ireland and in the State. Ireland on Sunday accepts display and classified advertising, largely from Irish-based advertisers.
 - Evening Standard- an evening newspaper, largely distributed in Greater London.
 - Metro- a free daily newspaper, distributed in Greater London and other UK metropolitan areas.
 - Buy & Sell- a classified advertising publication, sold in Northern Ireland and in the State. Buy & Sell's national edition is published three times weekly. Weekly editions of Buy & Sell (Munster), Buy & Sell (Northern Ireland) and Buy & Sell (West of Ireland) are also published. Buy & Sell accepts classified and

¹ DMGT is one of the largest media companies in the UK and it is active in publishing national and regional newspapers, teletext, radio, exhibitions and information publishing.



display advertising. It also accepts private classified advertisements from private advertisers without charge for one issue only. However, it charges for display advertising and for the vast majority of classified advertisements.

4. DMG Ireland Holdings Limited, a newly-incorporated company, was created for the purpose of ANL's investment in Fortunegreen and its' only business activity is to hold such investment.
5. ITL, a company incorporated in Ireland, is primarily active in publishing The Irish Times, a daily national newspaper sold on the island of Ireland. It also has a newspaper printing business which provides printing services to a number of newspapers including ANL and Fortunegreen. [Currently, ITL provides certain services to Fortunegreen on an outsourced basis]. The parties submitted that this arrangement will continue after the joint venture is implemented. ITL offers classified and other advertising space in The Irish Times.
6. MI, a Luxembourg incorporated public company, is the publisher of the free daily newspaper, Metro. 57 daily Metro editions are published in 81 major cities in 18 countries and in 18 languages across Europe, North and South America and Asia. MI has given Fortunegreen an exclusive licence to use the "Metro" trademark in the Republic of Ireland. MI's only business activity in the State is its 10% shareholding in Fortunegreen.
7. Fortunegreen, the proposed joint venture, is a company incorporated in Ireland and based in Dublin. Fortunegreen is currently under sole control of ANL which owns 90% of its shares and the remaining 10% is owned by MI. It has been established to publish Metro, a free Monday to Friday newspaper, initially in the Greater Dublin area on an indefinite basis. Metro which was launched on 10th October, 2005 offers display and classified advertising space for Irish-based advertisers and international advertising.

The Transaction and Rationale

8. On 4 October 2005, ANL (DMG Ireland Holdings Limited), ITL, MI and Fortunegreen entered into a Subscription and Joint Venture Shareholders' Agreement ("The SJVS Agreement"), in which ITL will purchase shares, and MI retains the option to purchase additional shares in Fortunegreen such that it will lead to the effective creation of a joint venture between ANL, ITL and MI.² MI will license the necessary trademark and provide its expertise regarding the Metro concept. ANL will provide its expertise as publisher of Metro in the UK. ITL will contribute its core Irish expertise in newspaper publishing and advertising.

² The parties propose to implement one of three joint control scenarios:

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9. The parties submitted that the rationale for the proposed transaction is to take advantage of the business opportunity represented by the publication of a free daily newspaper, Metro. Metro targets young and relatively affluent commuters belonging to the socio-economic categories ABC1 in the Greater Dublin area who do not currently read a morning daily newspaper. 55,000 copies of Metro are currently distributed free to readers every week day during the morning commuting hours of 7:00am and 9:30am. Fortunegreen estimates that, on average, each copy is read by two people resulting in a readership of over 100,000 of which 50% are "new readers".³ This new audience, according to the parties, are regarded as a relatively wealthy grouping attractive to advertisers.

Analysis

10. Table 1 below summarises the three market sectors in the State in which the undertakings involved are active for the purpose of assessing the proposed joint venture.

Undertakings Involved	Newspaper Printing	Newspaper Publishing	Newspaper Advertising	
			Display	Classified
ANL		✓	✓	✓
ITL	✓	✓	✓	✓
MI				
Fortunegreen		✓	✓	

Source: The Competition Authority

Note: ✓ implies active.

Newspaper Printing

11. There is no horizontal overlap between the joint venture partners in connection to printing in the State. As shown in Table 1, above, neither ANL nor MI is active in printing in the State. However, ITL prints, amongst others, The Mail on Sunday on behalf of ANL and Metro on behalf of Fortunegreen on a commercially negotiated basis. The proposed joint venture will not affect ITL's current printing arrangements.

12. Therefore, the proposed joint venture does not raise competition concerns in connection with newspaper printing.

³ New Readers refer to people who would not have regularly read a morning newspaper during the morning commuting hours.



Newspaper Publishing and Advertising

13. With the exception of MI, each of the joint venture partners is active in newspaper publishing and advertising in the State. However, this overlap is insignificant in terms of target audience and content.
14. For example, The Daily Mail has limited sales in the State and has no local content. Ireland on Sunday is a weekly newspaper published on a Sunday whilst ITL does not publish a Sunday newspaper. Metro is targeted at a Greater Dublin area ABC1 readership, half of whom would not have read a morning newspaper whereas The Irish Times is targeted at a national readership who, in the main, are regular readers of that newspaper. Further, Metro's content differs significantly from that of The Irish Times.
15. While ANL's two UK titles, the Daily Mail and The Mail on Sunday, sell advertising space to Irish-based advertisers who wish to reach readers in the UK. They do not actively sell advertising in Ireland.
16. In contrast, ANL's Irish titles, Ireland on Sunday and Buy & Sell, actively sell advertising space to Irish-based advertisers. Ireland on Sunday sells advertising space to customers who seek national coverage of classified and display advertising. Buy & Sell sells various types of classified advertising space to customers on a regional and national basis.
17. The Irish Times sells both display and classified advertising space to Irish-based advertisers and international advertisers who seek national coverage from Monday to Saturday.
18. Metro's advertising is targeted at readers in the Greater Dublin area. It sells classified advertising through ITL but actively sells display advertising.
19. The Authority's investigation of the newspaper advertising market found that advertisers and advertising agencies are more willing to reach a new targeted audience than duplicating their audience. Due to the geographic coverage and demographics of Metro's target audience, advertising on Metro is complementary rather than substitutable for the joint venture partners' newspaper advertising.
20. The Authority concludes that the introduction of Metro expands the target advertising audience to include customers who would not have bought or read a morning newspaper. This provides an additional avenue through which advertisers can complement their current advertising. The Authority also recognises the entry of HeraldAM in direct competition with Metro and the several other means of print advertising.



21. The proposed joint venture, therefore, does not give rise to competition concerns in connection with newspaper publishing and advertising.

Ancillary Restraint

22. The Authority also reviewed restrictive arrangements agreed by the joint venture partners contained in the SJVS agreement. The SJVS agreement contains a non-compete and non-solicitation clause as well as a confidentiality clause.
23. The non-compete and non-solicitation clause is for a period of two years after termination of the proposed joint venture while the confidentiality obligation is for three years after the termination of the proposed joint venture. These clauses are in line with the Authority's approach in respect of restrictive arrangements in mergers and are directly related and necessary to ensure the implementation of the proposed joint venture.

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 of joint control of Fortunegreen Limited by Associated Newspapers Limited, The Irish Times Limited and Metro International S.A. 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