



DETERMINATION OF MERGER NOTIFICATION M/05/065 – Johnston Press/ Leinster Leader

S. 21 of the Competition Act 2002

Proposed acquisition by Johnston Press plc of The Leinster Leader Limited

Dated 2/12/2005

Introduction

1. On 21 September 2005, the Competition Authority (“the Authority”), in accordance with S. 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 The Leinster Leader Limited (“Leinster Leader”) and its subsidiary undertakings.
2. The Authority advised the undertakings involved and the Minister that it considers the transaction to be a “media merger”, within the meaning of S. 23 of the Act.
3. On 25 October 2005, the Authority pursuant to S. 20(2) of the Act made a formal request for further information from the undertakings involved.

The undertakings involved

Johnston – The Acquirer

4. Johnston is a fully-listed public company on the London Stock Exchange. Its activities includes: (a) the publication of a range of newspapers in Scotland, Northern Ireland, England and in the State; (b) the operation of associated internet sites of local interests in Scotland and England; (c) the operation of several printing presses in Northern Ireland, Scotland and in the State; and (d) the sale of advertising to advertisers.
5. In the State, it publishes eight paid-for weekly newspaper titles which are regional and/or local in scope. Several of these titles publish special one-day editions. Johnston only became active in the State in newspaper publishing and in press printing in 2005, following its acquisitions of Score Press Limited and Local Press Limited.¹ Prior to the acquisitions of Score Press and Local Press, Johnston Press had no presence in Northern Ireland but had a presence in Scotland and England in newspaper publishing, operation of associated websites and press printing.

¹ Competition Authority, 2005, Merger Determinations in proposed acquisition by Johnston Press of Score Press, M/05/037 and proposed acquisition by Johnston Press of Local Press, M/05/062. Available from the Authority's website at <http://www.tca.ie>.

The Leinster Leader – the Target

6. The Leinster Leader is a private limited company owned by 27 shareholders. It publishes, either directly or indirectly, through its wholly-owned subsidiaries, seven regional paid-for weekly newspaper titles in the State. It also operates two printing presses in the State – in Kildare and in Limerick.

Analysis

7. In the State, both Johnston and the Leinster Leader are active in three main areas:
 - Newspaper publishing;
 - Newspaper advertising; and
 - Printing.
8. Newspapers are mainly designed to satisfy the needs of both readers² and advertisers. As such, an assessment of the nature of competition in newspaper markets requires a consideration of the interaction between advertisers and readers. This type of assessment is carried out typically in the context of a two-sided market analysis.
9. In a two-sided market, two groups of players interact through a particular medium (e.g., newspapers) that enables them achieve their inter-related objectives. In this instance, newspaper publishers wish to attract advertisers on one side and readers on the other side to form an audience for advertisers.
10. An advertiser's demand for advertising space on a particular newspaper depends to a very large extent on the size of the readership and demographic of that readership.
11. Certain readers may buy a newspaper because of both its content and advertising. These readers may derive positive benefit from buying that newspaper. However, there are readers who buy a newspaper purely for its content. These readers may dislike advertising, especially if it is intrusive.
12. Below, the Authority considers whether, in the context of a two-sided market, the proposed transaction is likely to impact on the structure of competition in respect of regional and/or local newspaper readership and advertising in the State. In addition the Authority examines the impact of the proposed transaction on the market for printing in the State.

Newspaper Publication in the State

13. In the State, newspapers may be categorised as national³, regional, local, or imports. There are approximately 91 regional titles in the State of which, 55 are paid-for and the remaining 36 free-sheets. There are also 12 local titles published in the State.

² Circulation is used as a proxy for readership. It represents the lower limit of readership figures. See further, for the relationship between advertising and circulation/readership: *The State of the News Media 2004 – An Annual report on American Journalism* available at: <http://www.journalism.org>.

³ This includes Irish and non-Irish titles published as morning, evening, Sunday and Weekly publications – Source Medialive at <http://www.medialive.ie>.

14. The newspaper titles of the undertakings involved, set out in Table 1 below, will constitute, post-merger, approximately 13.1% and/or 11.6% of the total number of all regional and/or local newspapers, respectively, that are published in the State.

| Table 1: Newspaper Titles published by the undertakings involved July-December 2004 | | | | |
|--|------------------------------------|--------------------------|---------------------|--|
| Undertakings | Title | Type | Circulation | Circulation Area |
| Johnston | Kilkenny People | Weekly/Paid | 17907 | Kilkenny City, Callan Castlecomer, Thomastown, Gowran, Freshford, Beagenalstown |
| | Leitrim Observer | Weekly/Paid | 9500 | Leitrim County |
| | Longford Leader | Weekly/Paid | 13483 | Longford County |
| | Tipperary Star | Weekly Paid | 9387 | Thurles, Roscrea, Cashel, Nenagh and Templemore |
| | Nationalist and Munster Advertiser | Weekly/Paid | 15170 | Clonmel, Carrick-on-Suir, Cashel, Cahir Tipperary, East Limerick (Rural) |
| Leinster Leader | The Echo (Tallaght edt) | Weekly Freesheet | 11,952 ⁴ | Tallaght, Templeogue, Firhouse, Knocklyon, Ballyboden, Rathfarnham, Tewrenure, Saggart, Rathcoole |
| | The Echo (west edt) | Weekly Freesheet | | Clondalkin, Ballyfermot, Lucan, Palmerstown, Walkinstown, Crumlin, Drimnagh, Inchicore, Chapelizod |
| | The Leinster Leader | Weekly/Paid | 14000 | Kildare Co., West Wicklow, East Offaly |
| | The Dundalk Democrat | Weekly/Paid | 9500 | Dundalk Town, Nth Co. Louth, Carrickmacross Town + hinterland of Monaghan Co and South Armagh |
| | The Leinster Express | Weekly/Paid | 12000 | Laois Co., Limited in Tipperary, Kilkenny, Carlow and South Kildare |
| | The Offaly Express | Weekly/Paid | 3000 | Offaly Co., Limited in Westmeath Co. |
| | The Limerick Leader | Weekly Paid ⁵ | 24173 | Limerick City and Co. |

Source: The Competition Authority

15. The type of content provided by regional and local titles is, according to the undertakings involved and to the Authority's findings, focused on news, notices and events of interest to potential readers in the area in which the particular title circulates.

Competitive Assessment

16. The Authority first considered the extent to which the titles of the undertakings involved overlap in each others circulation areas.
17. Each of the titles of the undertakings involved circulate in distinctive geographic areas, as set out in Table 1 above, with the content of each paper directed at the specific circulation area in question.
18. However, while the circulation areas for each of the titles are distinct, some circulation areas of several of the titles lie in close proximity to each other. As a consequence of this proximity, minor overlap in circulation occurs in these 'peripheral' areas.
19. Table 2 below, provides details of:
- The geographic areas in which the overlap occurs; and

⁴ Source – Medialive. Notes, this figure is a combined figure for both the West and Tallaght editions of the Echo. Medialive can be accessed at <http://www.medialive.ie>.

⁵ Evening Edition Monday and Wednesday, Evening edition (The Limerick Chronicle) every Wednesday.

- The respective titles of Johnston and Leinster Leader which overlap.

| Table 2 Overlapping Circulation of Newspaper Titles | | | |
|--|---|------------------------------------|------------------------|
| Area of Overlap | | Johnston Titles | Leinster Leader Titles |
| 1 | Durrow, Castlecomer, Ballyragget | Kilkenny People | Leinster Express |
| 2 | Roscrea | Tipperary Star | Leinster Express |
| 3 | Thurles, Cappawhite, Cashel and Tipperary town | Nationalist and Munster Advertiser | Limerick Leader |
| 4 | Laois Co., Limited in Tipperary, Kilkenny, Carlow and South Kildare | Tipperary Star | Leinster Express |
| Source: The Competition Authority | | | |

20. From Table 2, it can be seen that:

- Kilkenny People overlaps with The Leinster Leader and vice versa in Durrow, Ballyragget and Castlecomer;
- Tipperary Star overlaps with the Leinster Express and vice versa in Roscrea;
- Limerick Leader overlaps with the Nationalist and Munster Advertisers in Cashel, Thurles, Cappawhite and Tipperary Town; and
- The National and Munster Advertiser overlaps with The Leinster Express in Thurles, Cappawhite, Cashel and Tipperary town.

21. In example 1 in Table 2 above:

- In the geographic area of Kilkenny City, Callan, Castlecomer, Thomastown, Gowran, Freshford and Beagnalstown, an area in which Johnston is predominantly active, the Leinster Leader's Leinster Express sold 395 copies in Durrow, Castlecomer and Ballyragget. The 395 copies represent 0.033% of the entire circulation of the Leinster Express.
- In the geographic area of Tipperary, Kilkenny, Carlow and South Kildare, in which the The Leinster Express is predominantly active, Johnston's Kilkenny People sold 500 copies in Durrow, Castlecomer and Ballyragget. The 500 represent 0.028% of the Kilkenny People's entire circulation.

22. Having carried out the same analysis as above, in each of the areas of overlap, the Authority arrived at similar findings: in each case the extent of the overlap in circulation was minimal and the overlap occurred only on the periphery of two circulation areas in close proximity to each other.

23. Therefore, the Authority has concluded that the proposed transaction does not raise competition concerns with respect to newspaper circulation.

Advertising in Newspapers in the State

24. Newspaper titles may carry national, regional and local advertising. National and/or regional advertising may be placed either directly by the advertiser or through an advertising agency. Advertisers place advertising with a title on the collective basis of several factors, including:

- The circulation and readership figures of the newspaper;
 - The geographic area in which the newspaper is circulated; and
 - The demographic of the newspaper's readership.
25. National advertising is more often placed with regional and local titles through an advertising agency such as Mediaforce, McConnells or Carat. Agency sales generally account for the majority of all national advertising carried by the titles of the undertakings. The Authority has found that agency sales, representing national advertisers such as food retail chains, banking and financial services providers and telecommunications companies, are the single largest advertising customers of regional and local titles.
26. Mediaforce⁶, for example, is a central booking facility for the placement of advertising by national advertisers with regional and local titles. Mediaforce, represents over 50 regional and local titles around the country. In many regional and local titles, advertising sales placed by Mediaforce is the single largest source of advertising for an individual regional/ local title.
27. To a lesser extent, national advertisers may place advertising directly with a title. An example of such an advertiser is a food retail chain. The Authority notes, however, that advertising placed with a title by a national advertiser directly is not always part of a national advertising campaign and may in fact be focused on a particular franchise/outlet/branch of that national advertiser.
28. Several regional agencies, such as Southern Advertising, also place advertising with regional and local titles, on behalf of regional advertisers, that is companies/ retailers/ service providers whose presence is regional (e.g., across Munster/ Leinster) but does not extend to a national presence.
29. On request from the Authority, the undertakings involved provided details of the top ten advertisers (by revenue) for each of their respective titles.
30. In respect of each of the top ten advertisers for the respective titles of the undertakings involved, the Authority also requested the following details:
- Whether the advertising was placed by a national, regional or local advertiser;
 - Whether the advertising was placed directly with the titles of the undertakings involved or through an agency; and
 - Whether advertising placed (either directly or through an agency) with the titles of the undertakings involved by a national advertiser was a part of a national advertising campaign or whether it focused specifically on the area in which the title circulates.
31. On consideration of the information presented to the Authority in this respect the following was found:
- The ratio of national to regional to local advertisers which place advertising with the titles of the undertakings involved is approximately 30% national, 0-10% regional and 60%-70% local;

⁶ See <http://www.rnan.ie>. Note that Mediaforce replaced RNAN (Regional Newspaper Advertising Network) in 2003.

- Of the national advertisers which place advertising with the titles of the undertakings involved, the majority use the services of national advertising agencies;
 - National advertising placed with each of the respective titles of the undertakings involved by national advertising agencies is complementary, forming part of a national advertising campaign;
 - One advertiser, which operates nationally, places advertising directly with the titles of the undertakings and not through an agency. Unlike the advertising placed through the agencies, this type of advertising is not 'national' in character: rather, the advertiser advertises specific branches/outlets of its national chain; and
 - The majority of advertising placed with the titles of the undertakings involved is specific to advertisers local to the area in which the title circulates. Local advertising accounts for approximately 70% of revenue derived from advertising.
32. The Authority found that the mainstay of revenue earned by regional and/or local titles derives from local advertising placed by local advertisers. In terms of revenue derived from local advertising the largest buyers of advertising space are local businesses (such as car dealerships, auctioneers, hotels and bars) and, in particular, local authorities in the particular area in question.
33. The Authority also found that very little, if any, overlap in advertising exists in respect of the titles of the undertakings involved which, due to their targeting of the local area in which their titles circulate, attracts advertisers from that local area.
34. In addition to analysing both overlap in circulation and the nature of the advertising activities of the undertakings involved, the Authority took into account the alternative for the placement of advertising targeting the geographic areas in which the titles of the undertakings circulate.
35. Finally, the Authority also considered alternative sources for advertising placement in the area in which the titles circulate.
36. In each area of overlap identified in Table 2 the Authority found several other alternative print media and other media sources⁷ for advertisers seeking to advertise in one or all of the areas of overlap. Table 3 below, sets out the alternative advertising sources, the sources including national/regional and or local newspaper titles circulating in the area of overlap.

⁷ See Merger Determinations: e.g. Kerry/Midland Radio, SRH/Highland Radio, that radio advertising, in respect of *certain types* of advertising may not be substitutable with other forms of advertising media such as print, billboard and cinema. Available from the Authority website at <http://www.tca.ie>

Table 3: Alternative Sources of Advertising in areas of circulation overlap

| Area of Overlap | | Johnston Titles | Leinster Leader Titles | Other Sources |
|-----------------|---|------------------------------------|------------------------|--|
| 1 | Durrow, Catslecomer, Ballyragget | Kilkenny People | Leinster Express | The Irish Times The Irish Independent The Laois Nationalist People group newspapers |
| 2 | Thurles, Cappawhite, Cashel and Tipperary town | Nationalist and Munster Advertiser | Limerick Leader | The Irish Times The Independent The Limerick Echo The Limerick Post The Observer The Kerryman |
| 3 | Roscrea | Tipperary Star | Leinster Express | The Irish Times The Independent The Midland Tribune |
| 4 | Laois Co., Limited in Tipperary, Kilkenny, Carlow and South Kildare | Tipperary Star | Leinster Express | The Irish Times The Independent The Carlow Nationalist |

Source: The Competition Authority

37. On the basis of:

- The minimal overlap in circulation;
- The lack of overlap in advertising; and
- The existence of several other alternative advertising sources for print media advertising; and
- That the impact on the structure of regional newspaper publishing in the State, post-merger is minimal: Johnston will have approximately a 13.1% of all regional titles in the State,

the Authority has concluded that no competition concerns arise in respect of the newspaper publishing and advertising activities of the undertakings involved post-merger.

Printing Presses

38. Both the Leinster Leader and Johnston operate printing presses. Prior to the acquisition of Local Press, Johnston operated 14 printing presses – 1 printing press in Kilkenny, 1 in Northern Ireland and 13 across Scotland and England. The Leinster Leader operates two printing presses in the State in Limerick (newspaper printing) and in Kildare (commercial printing).
39. The type of printing activities that may be carried on by the printing presses of the undertakings involved can be generally categorised as:
- i. Printing of the titles of the undertakings involved (“own-titles”);
 - ii. Printing of third-party titles (“third-party titles”); and

- iii. Commercial sheet fed printing (“commercial”).
40. Commercial printing comprises the printing of, for example, books, magazines and other regular or irregular periodicals or journals or more specialist commercial printing such as race cards, brochures, promotional advertising material, advertising material and reports.
41. Table 4 below sets out the printing activities of the undertakings involved and a breakdown of those activities - the titles of the undertakings involved that are printed by the printing presses of the undertakings involved (Category (i)), the third-party titles published by the undertakings involved (Category (ii)) and the type of customer for whom commercial printing is carried out.

| Table 4: Undertakings’ Printing Activities in Ireland | | | | |
|---|---------------------------------|--|---|-----------------------------|
| Type of Printing Activity → | | Own Titles | Third Party Titles | Commercial |
| Johnston | Kilkenny People | Kilkenny People Leitrim Observer Longford Leader Tipperary Star Nationalist and Munster Advertiser | None | Third Party Print Customers |
| | Derry ⁸⁹ | The Donegal Democrat | The Donegal Times The Gaelic Game NI titles | N/A |
| | Belfast ¹⁰ | N/A | Limited NI titles | N/A |
| Type of Printing Activity → | | Own Titles | Third Party Titles | Commercial |
| Leinster Leader | Leader Print Limited (Limerick) | The Leinster Leader The Dundalk Democrat The Leinster Express The Offaly Express The Limerick Leader Leader Print Limited | Some third-party titles | None |
| | The Leinster Leader (Kildare) | None | None | Third Party Print Customers |
| | Aluset (Dublin) ¹¹ | Not applicable | Not applicable | Not applicable |

Source: The Competition Authority

42. The Leinster Leader’s Offaly Express title and both editions of The Echo are printed by a third-party printer.
43. Two potential areas of overlap exist in respect of the printing activities of the undertakings involved in the printing of third-party titles (Category (ii)) and commercial printing (Category (iii)).

⁸ Two of Johnston’s printing presses in Northern Ireland, acquired through its acquisition of Local Press provide, *inter alia*, contract printing services for other newspaper titles in addition to the printing of its own titles. Approximately 98% of the titles printed by Local Press on its two printing presses are targeted at the Northern Irish market.

⁹ 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.

¹⁰ Acquired following the acquisition by Johnston of Local Press: see M/05/062 Johnston Press/Local Press available at <http://www.tca.ie>.

¹¹ Prior to the completion of the notified transaction, The Leinster Leader held a 55% interest in Aluset, accompany based in Glasnevin whose primary activities focus on security printing and more particularly on the printing of match and concert tickets.

Third-Party Title Printing

44. Post-merger, Johnston will own and control two newspaper printing presses and two commercial printing presses in the State. Two of the four printing presses carry out minimal third-party title printing. As an alternative to Johnston's printing presses, companies wishing to have their titles printed have a variety of printing suppliers available to them: The Irish Times, the Irish Independent, The Meath Chronicle, Midland Tribune, Smurfit News International, Datascope, The Kerryman, Kerry's Eye, Connaught Tribune and several facilities operated by The Examiner. A new printing facility for title printing will be commissioned in Cork in 2006.
45. The Authority has concluded that post-merger, no competition concerns arise in the availability of alternative printing press facilities for third parties seeking to have their titles printed.

Commercial Printing

46. Both the Leinster Leader and Johnston's commercial printing activities compete with each other for the supply of commercial printing services. The range of commercial printing services provided by both of the undertakings involved is broadly similar: printing of books, reports, advertising material brochures and race cards, for example.
47. The Authority has found, however, that post-merger, Johnston will face competitive pressure from a range of companies providing commercial printing services including: for example, Turner Printers, E. Brook Printing, Cork City Printers, Intacta Printers and Colour World Printer. These companies and others not listed above are widely located across the State. Further, the Authority has concluded that commercial printing is generally characterised by over-capacity at commercial printing facilities, a fact supported by the submissions of the undertakings involved in this regard and as evidenced by the closure of several commercial printing facilities over the last number of years in the State.
48. The Authority has concluded that post-merger, no competition concerns arise in the availability of alternative printing press facilities for third-parties seeking to have their commercial printing needs satisfied.

Ancillary Restraints

49. 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.
50. Both clauses contained in the covenant are imposed for a one-year duration post-completion of the sale and purchase of the Leinster Leader.
51. 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 The Leinster Leader while not unduly restricting the covenanters in their future business pursuits.

52. The ancillary restraints contained in the proposed transaction do not give rise to competition concerns.

Conclusion

53. The Authority's investigation into the proposed acquisition by Johnston Press plc of Local Press Limited has found that in each of the areas of overlap identified, namely newspaper publishing, newspaper advertising and printing, the proposed transaction does not give rise to competition concerns

Determination

The Competition Authority, in accordance with S. 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 S. 23(9)(a) of the Act.

For the Competition Authority

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Member of the Competition Authority