

Acquisition by Trinity Mirror plc of the regional newspaper titles of Guardian Media Company plc

ME/4434/10

The OFT's decision on reference under section 22(1) given on 4 May 2010. Full text of decision published 24 May 2010.

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**Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.**

## **PARTIES**

1. **Trinity Mirror PLC** (Trinity Mirror) is one of the UK's largest newspaper publishers. Its national division publishes five national newspaper titles in the UK, while the regional division of Trinity Mirror comprises 13 daily paid titles and 51 weekly paid titles, in addition to a number of free titles and associated digital sites. It also owns **Amra Multimedia** (Amra), a regional media sales company.
2. **Guardian Media Group** (GMG) is a UK newspaper publisher and media group with a portfolio including national, regional and local newspapers, radio stations, magazines and digital media. Its newspaper publishing activities were split across two core divisions: a national division – Guardian News and Media, which publishes the Guardian and the Observer; and a regional division – GMG Regional Media (GMGRM), which published a number of daily and weekly newspapers in the north-west of England and in the south of England. GMGRM comprised two operating businesses: MEN Media and Surrey & Berkshire Media (S&B Media).

## **TRANSACTION**

3. The transaction involves most of the titles and assets of MEN Media and S&B Media (the Target). The turnover attributed to the target assets in the year ended March 2009 was [ ] million. Excluded from the transaction are:

- a local television station serving Manchester, previously operated by GMG as part of MEN Media (Channel M), and
  - two local newspapers previously operated by GMG as part of S&B Media, the Woking News & Mail newspaper series (weekly, paid for) and the Woking Review newspaper series (weekly, free) – the retained titles.
4. The merger was notified by the parties on 11 February 2010 and the administrative deadline for a decision is 4 May 2010. Trinity Mirror acquired the target on 28 March 2010; the statutory deadline is therefore 27 July 2010.

## **JURISDICTION**

5. As a result of this transaction Trinity Mirror and the Target will cease to be distinct. The UK turnover of the Target exceeds £70 million, so the turnover test in section 23(1)(b) of the Enterprise Act 2002 (the Act) is satisfied. The OFT therefore believes that it is or may be the case that a relevant merger situation has been created.

## **BACKGROUND**

6. In 2009 the OFT carried out a review of the local and regional media merger regime,<sup>1</sup> as part of the Government's Digital Britain review. The review's broad conclusion was that the media merger regime, which is the same as that for most other industries, was capable of reflecting market realities, and taking into account developments in competition.
7. Consistent with its guidance on media sector mergers,<sup>2</sup> the OFT discussed the issues raised in this case with Ofcom. However, it did not consider that a formal local media assessment was required in this instance.

## **MARKET DEFINITION**

8. The parties are both active in the supply of regional and local newspapers, including the sale of advertising space in those publications, in the North

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<sup>1</sup> Final report at [www.of.gov.uk/shared\\_of/mergers\\_ea02/oft1091.pdf](http://www.of.gov.uk/shared_of/mergers_ea02/oft1091.pdf)

<sup>2</sup> Paragraph 6.15 – '*Mergers Jurisdictional and Procedural guidance*' June 2009

West and the South of England.

### **Product scope**

9. Regional and local newspapers operate in 'two-sided' markets, in that they both serve and bring together two different sets of customers – readers and advertisers. As a result, a newspaper may be constrained by other two-sided newspapers, or by constraints on either side of the market, for example other advertising media or other news outlets. Advertisers value the ability to access large numbers of readers, and some readers (such as those looking for a new property, car or job) may value the range of advertising and announcements contained in newspapers. These two customer groups offer different potential revenue streams, enabling alternative business models to operate with newspapers paid for by readers, newspapers free to readers or some combination of both. A fairly common scenario is for a publisher's local paid-for title to be published in combination with a free title with a similar geographic coverage. Editorial content produced primarily for the paid title can also be used in the free title, whilst the larger distribution level of the free title provides a higher household penetration ('reach'), which is of particular value to advertisers.
10. Where competition concerns have arisen in previous local newspaper cases, they have usually been identified in relation to the advertising side of the market<sup>3</sup>. Therefore consideration of potential demand-side substitutes typically focuses on alternatives available to advertisers, rather than substitute products for the readers' side of the market. This is the course followed in this case.
11. Additionally, the OFT has previously distinguished between local (typically published weekly) and regional or national titles (typically daily or Sunday titles), due to differences in editorial content and publication frequency.

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<sup>3</sup> In its February 2008 decision on Dunfermline Press Limited's acquisition of Trinity Mirror's Berkshire Regional Newspapers Business (DPL/BRN) the OFT also had concerns about the scope for unilateral effects on the reader side of the market which could result in higher cover prices for the relevant titles (see [www.oft.gov.uk/shared\\_of/mergers\\_ea02/2008/dunfermline.pdf](http://www.oft.gov.uk/shared_of/mergers_ea02/2008/dunfermline.pdf)).

## **Regional newspapers**

12. The Competition Commission (CC)<sup>4</sup> has previously considered that the news and editorial content of regional newspapers suggested that readers view them as complements to local titles for news rather than as substitutes. However, the CC considered the question of whether advertisers view them as substitutes to be more open. The OFT has not seen any evidence to depart from this view in this case.
13. GMG's MEN Media assets include one regional newspaper title, the Manchester Evening News, which is published and distributed across Greater Manchester on six days each week (Monday to Saturday).<sup>5</sup> It also publishes the 'Metro' title in Manchester (daily, Monday to Friday) under franchise from Associated Newspapers. Trinity Mirror publishes a number of regional daily newspapers, including the Liverpool Echo (evenings) and Liverpool Daily Post (mornings).

## **Local newspapers**

14. The OFT and CC have typically regarded local weekly newspaper titles, both free and paid for, as a relevant product market, while also acknowledging that other printed and non-printed media may impose some competitive constraint on local weekly newspapers for different categories of advertising.<sup>6</sup> Recent evidence of publishers switching titles between paid for and free models further supports them being analysed together.
15. From the advertisers' point of view there is little or no demand-side substitutability between different categories of advertising – classified (property, jobs, motors) and display. However, the potential for supply side responses (in terms of pagination or advertising mix) has typically been used to aggregate separate product markets by category of advertising in order to analyse all (or some) categories of advertising in local newspapers together.

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The Reading Chronicle and the Bracknell News Series, which compete with target titles in the current transaction, were also part of that transaction.

<sup>4</sup> Competition Commission: A report on the acquisition by Archant Limited of the London newspapers of Independent News and Media Limited, 22 September 2004 (Archant/INM).

<sup>5</sup> The S&B Media Reading Post had also previously been a daily title, but was converted to weekly by GMG.

<sup>6</sup> For example, see Archant/INM paragraph 4.12, and DPL/BRN paragraph 58.

16. Some non-JICREG<sup>7</sup> newspapers (that is those not covered by JICREG data), for example those published by local authorities, also carry local advertising. Therefore the relevant product market may also include these non-JICRG newspapers.

### **Competitive constraints from other media**

17. In DPL/BRN, the OFT considered whether a product market wider than local newspapers was appropriate. It took account of the likely constraint of the parties' titles on one another, in a context in which both parties' titles also competed with other advertising media such as internet and direct mail or leafleting options. However, no firm conclusion was reached.
18. During the 2009 review, arguments for a wider product market for local newspaper merger cases were put to the OFT by major publishers.<sup>8</sup> Evidence submitted to the review indicated that amongst newspaper advertisers the internet is typically the preferred alternative advertising option from the range available, and that, for certain customer groups, print media does seem to be constrained by other media. The OFT concluded<sup>9</sup> that it was quite possible that print advertising faces sufficient competitive pressure from advertising on other media, especially the internet, to protect consumers (readers and advertisers) in the face of a merger, but that this would depend on the specific facts of the case at hand.
19. In this case, Trinity Mirror submitted that other print and non-print media provide a real alternative to many of the advertisers in its newspaper titles and those of GMG. However, given its view that the transaction did not raise competition concerns it did not put forward any evidence to support a relevant product market wider than local newspapers, such as one including other print and non-print media.
20. A third party, [ ] commented that it would be concerned if this transaction created new 'local monopolies' in the press. The OFT considers that this may imply that constraints from other media are not yet sufficiently strong

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<sup>7</sup> The Joint Industry Committee for Regional Media Research, JICREG is a newspaper body that generates circulation, distribution and readership data broken down to the levels of groups of contiguous postcode sectors.

<sup>8</sup> Represented collectively by both the Local Media Alliance (a body consisting of the largest regional publishers), and the Newspaper Society.

<sup>9</sup> Final Report – paragraph 1.4

to prevent the exercise of market power by a single owner of local newspapers in any given area.

## **Geographic scope**

### **National**

21. Although Trinity Mirror did not submit a market wider than regional or local newspapers as a candidate relevant market, given the parties are two of the seven largest UK regional newspaper publishers (by circulation), the OFT has considered the impact of the transaction on the national supply structure.

### **Regional**

22. There are no substantive overlaps between the circulation areas of the parties' regional newspapers (GMG's Manchester Evening News, and Trinity Mirror's titles including the Liverpool Echo and Liverpool Daily Post). However, The OFT has considered whether the relevant regional scope of the transaction may be wider – such as the North West of England – where both of the parties' regional and local newspaper titles would be present.

### **Local**

23. Trinity Mirror submitted that local markets were the only relevant geographic markets for the analysis of the current transaction.
24. In order to define the geographic market for local newspapers, the JICREG circulation or distribution areas where the parties' titles overlap 'significantly' is generally taken as the narrowest candidate geographic market.
25. In DPL/BRN the OFT found that the relevant geographic market was local, but noted<sup>10</sup> that the market could be either wider or narrower than the JICREG areas in which the merging parties overlap, depending on the patterns of distribution of titles, and the proportion of a title's total

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<sup>10</sup> Para 52-53 of DPL/BRN decision.

circulation accounted for by a specific area.<sup>11</sup>

26. In previous cases, the OFT and the CC have used a 'rule of thumb' filter to identify 'significant' overlaps. This filter mechanism requires the merging parties to have at least a combined share of circulation or distribution (within any one area) of 50 per cent, with an increment of at least 10 per cent. This threshold is met (for one JICREG area) in relation to the overlap between Trinity Mirror titles and GMG's Surrey Advertiser.
27. There are no substantive circulation overlaps between MEN Media's local titles and Trinity Mirror's local titles. However, in relation to S&B Media, its Surrey Advertiser title has JICREG area circulation overlaps with the Surrey Herald; the Walton & Weybridge Informer; the Woking Informer; and the Richmond & Kingston Informer, all Trinity Mirror titles.

### **Conclusion on market definition**

28. In this case, the OFT has not been required to conclude on market definition, since the transaction did not raise competition concerns even under the narrowest plausible market definition. The OFT's cautious approach to market definition here, takes into account that local newspapers serving a similar local circulation area tend to be close competitors to each other for both readers and advertisers. In this case, therefore, the appropriate relevant market has been taken as the provision of advertising space in local newspapers in all overlapping JICREG areas.

### **HORIZONTAL ISSUES**

#### **Relevant counterfactual**

29. Competition assessment in merger cases compares the situation arising through a merger transaction with that which would have existed in the absence of the transaction ('the counterfactual'). The pre-merger scenario is usually the preferred counterfactual, unless there is good reason to depart from it. Trinity Mirror has made no submissions that an alternative counterfactual is appropriate in this case.

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<sup>11</sup> This led the OFT to exclude the Ascot area from its analysis in DPL/BRN, since Ascot accounted for only two per cent of the circulation of the relevant DPL title and its share of

## **National issues**

30. Data publically available from the Newspaper Society<sup>12</sup> shows that post-merger; Trinity Mirror would have a combined share of 23 per cent by circulation and 14 per cent share by titles (172 out of 1,212 titles, as at 1 January 2010). This combined share is not enough to give the OFT prima facie cause for concern over unilateral effects. Other major national players have the following shares of circulation: Johnston Press – 16 per cent, Newsquest Media Group – 14 per cent, and Northcliffe Media – 13 per cent. While the national ownership picture is relatively concentrated, third parties raised no concerns over coordinated effects on a national basis.

## **Regional issues**

31. National or regional advertisers may seek to reach target audiences by purchasing space in a package of local titles across a regional area. In this context individual local newspapers titles could be either complements (packaged together as part of an offered bundle), substitutes (part of competing bundles of titles) or could be competitively unrelated (with advertisers enjoying 'one stop shopping' economies of scale or scope in purchasing by buying them together).

### **North West England**

32. Various third parties noted that the transaction would significantly increase the size and coverage of Trinity Mirror's portfolio of titles in the North West of England. In the 'Lancashire (North West) ISBA Area'<sup>13</sup> used for regional analysis on the Newspaper Society website, the parties together have 44 local and regional titles out of a total of 115. Shares of circulation are set out below.

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circulation was below 10 per cent.

<sup>12</sup> [www.newspapersoc.org.uk](http://www.newspapersoc.org.uk)

<sup>13</sup> Newspaper Society website link: [www.newspapersoc.org.uk/PDF/ISBA\\_north-west\\_feb10.pdf](http://www.newspapersoc.org.uk/PDF/ISBA_north-west_feb10.pdf)

Incorporated Society of British Advertisers (ISBA), the representative body for major advertisers.

**Table 1: Share of weekly circulation of local and regional newspapers – North West (source: Newspaper Society)**

<b>GMG (MEN Media)</b>	<b>27.3 per cent</b>
<b>Trinity Mirror</b>	<b>22.3 per cent</b>
Newsquest	21.0 per cent
Johnston Press	17.5 per cent
Others	11.9 per cent

33. However, there is no substantive geographic overlap between the Trinity Mirror and GMG's MEN Media titles. Within the region, MEN Media's local titles are clustered in the Greater Manchester area to the east, and Trinity Mirror's titles are clustered in the Merseyside area to the west. Newsquest and Johnston Press titles appear to have a significant presence in the area between these clusters, in Warrington, St Helens, Wigan and Crewe. This suggests that GMG's and Trinity Mirror's respective clusters of titles may not be particularly close pre-merger substitutes for advertisers looking to put together a regional or sub-regional campaign.
34. No complaints have been received about the merger from regional advertisers specifically located or active in the North West, and the position in the North West is therefore not considered further.

### **South of England**

35. In the south of England, GMG's S&B Media titles circulate in areas of Berkshire, Hampshire and Surrey, while Trinity Mirror titles are present in Surrey.
36. In Surrey, the combination of Trinity Mirror and the Target local newspaper titles (excluding the retained Woking titles) account for 46.5 per cent combined share of circulation, with an increment of 18 per cent<sup>14</sup>. The parties accepted that there was less geographical separation between the areas in which the parties' titles circulate in Surrey than in the North West of England. However, county boundaries may have limited relevance to

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<sup>14</sup> Source: Trinity Mirror, from Newspaper Society data.

most national or regional advertisers. Surrey, however, falls within the ISBA London regional area used for regional analysis on the Newspaper Society website; here the parties have a combined share of circulation of 17 per cent, increment six per cent.

37. Other publishers with significant titles circulating in (parts of) Surrey include Newsquest Media, Northcliffe Media and Tindle Newspapers.
38. No customers or customer representatives expressed concern about Trinity Mirror's post merger share of local titles circulating in Surrey, nor on the basis of any wider regional area where S&B Media's titles were circulated.

### **Potential competition**

39. Mergers between publishers with a common regional presence but limited actual geographic overlap may raise concerns about a reduction in potential competition. A competitor with operations nearby may be a more likely potential entrant into a local area than other publishers lacking such a presence. If the threat of potential entry is a significant constraint on an incumbent's behaviour then the loss of such a constraint due to a merger may be significant.
40. In order to test whether either of the parties provided a significant pre-merger constraint from the threat of potential local entry or footprint expansion, the OFT considered the parties' response to the current difficulties facing the regional newspaper industry. Both parties have closed or reduced the frequency of certain local titles and have taken significant cost reduction measures. It seems unlikely; therefore, that either posed a significant pre-merger constraint that would be removed as a result of this transaction.

### **Local overlap issues**

41. S&B Media's Surrey Advertiser (a paid for weekly in broadsheet format) has circulation area overlaps with four weekly Trinity Mirror newspapers – the Surrey Herald (paid for), the Walton & Weybridge Informer, the Woking Informer and the Richmond & Kingston Informer (all free).
42. The Surrey Advertiser has a large footprint for a local newspaper, but is published as several different localised editions (in, for example Guildford,

Godalming and Woking) which carry specific local editorial content on the front page but otherwise carry common content and advertising. About 40 per cent of its total circulation is accounted for by the 'Guildford' and 'Guildford Rural' JICREG areas, where it achieves a household penetration rate of around 25 per cent. Its penetration rate in most of the areas where it overlaps with Trinity Mirror titles is significantly lower than this (below five per cent other than in Cobham and Woking).

43. S&B Media's share of circulation in the JICREG areas (Surbiton and Tolworth) where its Surrey Advertiser overlaps with Trinity Mirror's Richmond & Kingston Informer is below one per cent, so these two areas are not considered further.

#### **Analysis of Surrey overlaps**

44. Having applied the 'Rule of thumb' filters to identify significant overlaps between the parties, the next step is to apply filters to assess the substantive overlaps, namely whether the titles have a household penetration of at least 10 per cent; and the areas thus identified account for over 30 per cent of each title's total circulation (that is, they are 'core areas'). After applying these filters to individual JICREG areas in this case there are no local overlap areas that fail these filters.
45. In only one JICREG area does the merging parties' combined share exceed 50 per cent with an increment greater than 10 per cent, namely Cobham. The parties' circulation overlap in Cobham is between Trinity Mirror's Walton & Weybridge (W&W) Informer and the Surrey Advertiser. However, the Cobham JICREG area (which is relatively small in population terms – with only 6,261 households) accounts for only 12 per cent of the total distribution of the W&W Informer, and only four per cent of the total circulation for the Surrey Advertiser. Indeed, across the total footprint of the W&W Informer, its most significant competitor in terms of circulation would appear to be Newsquest Media's (free) Elmbridge Guardian. The Surrey Advertiser's share of total circulation across the W&W Informer's footprint is only about three per cent.
46. Given these factors the OFT would not expect the overlap that has arisen in the Cobham JICREG area to incentivise the merged entity to raise advertising prices for these titles, since it accounts for a small proportion of their wider competing circulations.

47. The table below details shares of circulation in the overlap areas considered, with the retained Woking titles separated out from the S&B Media target titles. On this evidence the OFT would not anticipate horizontal unilateral effects concerns to arise from Trinity Mirror's acquisition of the relevant S&B Media titles.

**Table 2: Shares of circulation in overlap JICREG areas (%)**

	Trinity Mirror <sup>15</sup>	Target titles <sup>16</sup>	S&B Media (Retained) <sup>17</sup>	Newsquest <sup>18</sup>	Northcliffe <sup>19</sup>
Addlestone	45	1	24	31	-
Byfleet	41	1	38	19	-
Chertsey	86	3	11	-	-
Cobham	73	18	-	8	2
Esher	26	2	-	72	-
Lightwater Chobham	54	3	42	-	-
Molesey	54	1	-	45	-
Oxshott	42	4	-	3	52
Walton-on-Thames	49	2	-	49	-
Weybridge	53	2	4	40	0
Woking	45	4	51	0	-
TOTAL	49	3	27	21	0.5

Source: Newspaper Society website

<sup>15</sup> Walton & Weybridge Informer, Woking Informer, Richmond & Kingston Informer, Surrey Herald News.

<sup>16</sup> Surrey Advertiser

<sup>17</sup> Woking News & Mail, Woking Review

<sup>18</sup> Elmbridge Guardian, Surrey Comet

<sup>19</sup> Dorking & Leatherhead Advertiser

## NON-HORIZONTAL ISSUES

### The retained Woking titles and coordinated effects

48. As noted above, GMG has retained ownership of two local weekly newspaper titles in Surrey,<sup>20</sup> the Woking News & Mail (paid for) and the Woking Review (free). These retained titles have circulation overlaps with Trinity Mirror's Woking Informer (free), Walton & Weybridge Informer (free), and Surrey Herald (paid for) weekly titles.
49. The retained titles operate from the same office premises – Stoke Mill, Guildford – as the other titles that are part of the transaction, including the Surrey Advertiser. Trinity Mirror has acquired these premises in the transaction. The parties have a 'Transitional Services Agreement' (TSA) and a printing agreement for the retained titles, setting out the arrangements under which Trinity Mirror will provide the retained business with printing services and other services, [ ]. This allows the retained titles to continue in independent operation with staff retained under the TUPE regulations.
50. The OFT understands that the retained titles are being actively marketed for sale to trade buyers, but will continue to be run by GMG until a buyer is found.
51. One possible concern arising from these arrangements is that the contractual links and potential degree of transparency between the retained titles and Trinity Mirror's businesses, operating via the TSA could give rise to coordinated effects. The OFT received no evidence of pre-existing coordination. Trinity Mirror submitted that all TSA services will be provided to GMG on an arm's length basis, with all commercial decisions at each stage being the responsibility of GMG. In addition, print contracts between competing publishers are not uncommon in newspaper markets.<sup>21</sup> Structural and cyclical instability should tend to make coordination less sustainable, and relevant external (non-newspaper) constraints on editorial quality and advertising rates will also continue to apply.

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<sup>20</sup> Using the filters above, these overlaps would have been identified as a potential competition issue had they been acquired by Trinity Mirror, since in each of the Woking, Lightwater Chobham, and Chertsey JICREG areas, Trinity Mirror and the former S&B media titles (including its Woking titles) accounted for 100 per cent of circulation.

<sup>21</sup> For example: Trinity Mirror printed GMG's MEN Titles.

52. On this basis, the OFT does not consider that the merger is likely to give rise to coordinated effects.

### **Conglomerate ('portfolio effects') issues**

53. A few third parties queried whether the retained titles would continue to be viable post-transaction on a stand-alone basis, suggesting that they would be unattractive to purchasers and likely to exit the market within months. They argued that the retained titles have been supported by advertising revenues gained from sales of advertising bundled or packaged with space in other S&B titles, in particular the Surrey Advertiser (circulation of which is centred on nearby Guildford). On this basis they submitted that post-merger, Trinity Mirror will now be able to sell advertising as a package across its titles focused on Guildford and Woking – specifically the Surrey Advertiser and the Woking Informer - and that this will redirect essential revenue away from the retained titles.
54. The OFT has characterised these concerns as a form of conglomerate 'portfolio power', albeit in a context where the retained titles and the Surrey Advertiser were already part of an existing regional portfolio prior to the merger. In this respect, the post-merger ownership structure might simply be regarded as a transfer of (some) portfolio power from S&B Media pre-merger to Trinity Mirror post-merger. This is illustrated in the table at paragraph 56 below.
55. The OFT notes that bundled or packaged selling is normally competitively benign at worst and may even be pro-competitive. Against this background, to assess these concerns, the OFT considered:
- whether the addition of the Surrey Advertiser to Trinity Mirror's Woking Informer enhanced its ability to sell advertising as a package relative to the ability enjoyed pre-merger by S&M Media's portfolio of the Surrey Advertiser, Woking News & Mail and Woking Review, and if so
  - whether the retained S&M Media titles (the Woking News & Mail and the Woking Review) would be likely to exit as a consequence.
56. The OFT notes that, given that it is Trinity Mirror which could potentially benefit through conglomerate effects from the retained titles losing economies of scale and/or scope, any such effects appear to be linked to

the transaction as other potential buyers of GMG's regional newspaper assets would not have had to carve out the Woking titles.

	Guildford	Woking
Pre-merger <sup>22</sup>		
S&B Media	Surrey Advertiser	Woking News & Mail
		Woking Review
Trinity Mirror		Woking Informer
Post-merger		
S&B Media		Woking News & Mail
		Woking Review
Trinity Mirror	Surrey Advertiser	Woking Informer

57. On the first point:

- third parties regarded the retained titles as a stronger product and advertising proposition than Trinity Mirror's Woking Informer, and
- the Woking Informer was already part of Trinity Mirror's wider existing portfolio of titles in Surrey. It is one of a number of titles (including the paid for Surrey Herald) published by the North Surrey & London Newspapers division of Trinity Mirror Southern, located in Chertsey, Surrey. Data provided to the OFT by Trinity Mirror indicates that [55 - 65] per cent of the Woking Informer's advertising revenues came from advertising sold into a package of titles. It is therefore not accurate to describe the Woking Informer as a 'stand-alone' title pre-merger.

58. On the second point:

- Trinity Mirror estimated that only about [ ] of the retained titles' advertising revenues came from 'packaged selling' with other S&B Media titles

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<sup>22</sup> Dashed lines indicate packaged selling.

- financial data indicated that [ ]. This is consistent with the view that the Woking Informer has previously represented only a weak or marginal source of rivalry to the stronger S&B Woking titles,<sup>23</sup> and
- [ ] GMG stated that since the successful launch of the Woking titles as a separate entity, it has received enquiries from prospective buyers.

59. Since completion of the merger no complaints have been received from advertisers about any reduction in choice or competition in the Woking local area arising from the transaction.

60. In light of the above, the OFT does not consider that the merger results in anti-competitive conglomerate effects.

#### **Vertical issue – Trinity Mirror's national sales house**

61. The transaction involves a vertical overlap in relation to Trinity Mirror's national sales house, Amra.<sup>24</sup> Its website states that it represents over 190 regional newspapers (including virtually all of Trinity Mirror's titles), and offers various packages of titles to advertising customers. Its list of packages of titles offered include those termed 'Dailies', 'London', 'West Midlands', and 'Scotland'.

62. Sales houses are typically responsible for the sale of advertisements in publishers' local and regional titles to national media buying agencies and major national advertisers. This enables titles belonging to smaller or regionally-focused publishers to be marketed as part of wider regional or national packages. Buyers include those looking to place national or regional campaigns across a range of titles simultaneously, and those representing clients with a national scope but targeting different areas with different advertisements. Sales houses may be part of publisher groups, such as Trinity Mirror's Amra and Newsquest's Media Sales, or independent such as Mediaforce.

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<sup>23</sup> Turnover of which is estimated at around [ ] million.

<sup>24</sup> [www.amra.co.uk](http://www.amra.co.uk)

### **National aspects**

63. If the acquired titles have their sales house representation transferred to Amra (at some point), the transaction would enhance Amra's share on a national basis and within the relevant regions affected. This includes parts of Berkshire, where Amra currently also represents DPL's Berkshire Media Group (BMG) titles circulating in Reading, Bracknell and Wokingham. This aspect of the transaction was noted by third parties.
64. A third party, [ ], noted that it had some general growing (non merger-specific) concerns about the concentration of national sales house representation amongst a few companies. Another, [ ] suggested the deal would, by increasing Amra's scale, help to counterbalance the size of Mediaforce. However, it had also been advised of some concerns about Amra's resultant position in the North West, and in and around Reading.
65. Whether or not the acquired titles move their representation to Amra post-merger, Amra will still remain the second largest UK national sales, but still significantly smaller than Mediaforce, which has a 38.2 per cent share in terms of number of titles and circulation represented.<sup>25</sup> Consistent with the data on national shares of circulation, the maximum increment to Amra's national share from the GMGRM's titles would be around 4 per cent. Trinity Mirror submitted that on a national level, even if all the acquired titles were represented by Amra its share of sales would remain below 25 per cent.

### **Berkshire aspects**

66. The OFT considered whether vertical foreclosure may arise in Berkshire. Trinity Mirror's acquired Target titles in Reading, Bracknell and Wokingham compete directly with BMG titles, for whom Amra is the national sales house. On this basis, BMG submitted, Amra could reduce its efforts in representing BMG titles to national advertising clients to the benefit of Trinity Mirror's competing titles (partial foreclosure), or could terminate their current contract (total foreclosure).
67. Trinity Mirror submitted that it has not determined the post-merger sales house arrangements for the Target titles, given an existing contract [ ]. Hence, existing contractual arrangements may delay any changes in sales

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<sup>25</sup> Source: [www.newspapersoc.org.uk/Default.aspx?page=873](http://www.newspapersoc.org.uk/Default.aspx?page=873)

house representation of the acquired titles, which are currently represented by Mediaforce. [ ]. [ ] also recognised that BMG was not tied to Amra and could change its advertising arrangements. BMG confirmed that its contractual arrangements with Amra would only require it to give [ ] notice of termination.

68. Further, Amra is not itself a dominant provider of national sales house representation.<sup>26</sup> Trinity Mirror would therefore not appear to have the ability to prevent BMG from switching to an alternative supplier (such as Mediaforce used by BMG's parent Dumfermline Press Group). In addition national advertising revenue only accounts for a portion of total advertising revenues.
69. On balance, the vertical relationships created or impacted by the transaction would not generate substantial and lasting potential foreclosure effects, given the status of existing contracts and the incentives for market participants to seek to offer advertisers access to alternative packages of titles in future.

## **BARRIERS TO ENTRY AND EXPANSION**

70. Since this transaction does not give rise to competition concerns it has not been necessary to conclude on barriers to entry.

## **THIRD PARTY COMMENTS**

71. In response to the Invitation to Comment, the OFT received a number of comments directed more at claimed public interest concerns than specific competition concerns, these were therefore forwarded to the Department for Business, Innovation and Skills to inform the Secretary of State's consideration of a public interest intervention.
72. There has been a limited volume of comment from advertisers and other publishers in response to our market enquiries. The OFT focused its customer enquiries on media buying agencies, which put together national or regional campaigns for clients, or seek to target a specific local area. A third party [ ], commented on the vertical issue identified in Berkshire, and

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<sup>26</sup> See paragraph 65, plus Amra's website states that: of 1,300 regional newspapers it represents over 190, of the 10 paid for evening newspapers Amra represents five, and of the 755 regional magazines and niche publications it represents over 30.

explained why it did not foresee problems arising. Very few concerns have been expressed by advertising customers and their representative groups.

73. Publishers' views have been more mixed. However, none raised national or regional concerns. Although, as discussed above there are specific localised aspects of the transaction (in Woking and Berkshire) about which certain publishers were uneasy.

## **ASSESSMENT**

74. As discussed above, there is only a limited direct overlap between the local newspaper titles of Trinity Mirror and the Target businesses. These overlaps do not appear sufficient to trigger local market competition concerns, nor does the acquisition raise substantial concerns on a national or regional basis. Customer views on the transaction have been generally positive, with only a few narrow concerns expressed.

75. Vertical links arising in Berkshire between certain Target titles and Trinity Mirror's national sales house, Amra, have been considered but the prospect of a lasting substantial detriment to competition (through possible input foreclosure) arising on this basis appears narrow.

76. The retention of the Woking titles is a complicating factor, but the parties' have put in place arrangements that have retained, in broad terms, the competitive dynamic between the titles in the Woking area which existed pre-merger and which would have been lost if the relevant titles had not been excluded from the transaction.

77. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

## **DECISION**

78. This merger will therefore **not be referred to** the Competition Commission under section 22(1) of the Act.