

Anticipated joint venture between Daily Mail and General Holdings Limited and News Corp UK & Ireland Limited

SUMMARY

Overview of the CMA's decision

1. The Competition and Markets Authority (**CMA**) has found that the anticipated joint venture between Daily Mail and General Holdings Limited (**DMGH**) and News Corp UK & Ireland Limited (**News UK**) in respect of their print operations in Great Britain, is a relevant merger situation that does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects.
2. The CMA refers to this transaction as the **Merger**. DMGH and News UK are together referred to as the **Parties** and the proposed joint venture is referred to as the **JV**.

Who are the businesses and what products/services do they provide?

3. DMGH manages a portfolio of companies, including a media subsidiary that publishes a number of newspapers including the *Daily Mail* and *The Mail on Sunday*. It also operates newspaper print sites at Dinnington (South Yorkshire), Thurrock (Essex) and Carn (Northern Ireland).
4. News UK is a wholly-owned subsidiary of News Corporation and is the publisher of a number of newspapers including *The Times* and *The Sun*. Through its subsidiary, Newsprinters Limited (**Newsprinters**) it operates newspaper print sites at Motherwell (outside of Glasgow), Broxbourne (Hertfordshire) and Knowsley (Merseyside).
5. The CMA looked in detail at the supply of newspaper printing services to third parties in the North of England and the South of England.

Why did the CMA review this merger?

6. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so. In this case, the CMA has concluded that it has jurisdiction to review this Merger because arrangements are in progress or in contemplation which, if carried into effect, will create a relevant merger situation.
7. A relevant merger situation is created when, as a result of the transaction, the parties cease to be distinct enterprises and where either (a) the target company generates more than £70 million of turnover in the UK; or (b) the merger results in the parties having a share of supply of goods or services of any description in the UK (or substantial part of the UK) of 25% or more, and the merger results in an increment to the share of supply.
8. On 3 October 2023, DMGH and News UK signed transaction documents to enter into a joint venture which will be owned 50:50 by the Parties.
9. The Merger involves the contribution by each of the Parties of certain of their print assets in Great Britain to the JV. Each of the activities being transferred to the JV by DMGH and News UK are sufficient to constitute an enterprise and as a result of the Merger, these enterprises will cease to be distinct.
10. The Parties have a combined share of supply in excess of 25% in relation to the supply of third-party newspaper printing services in the North of England and the South of England (with the Merger resulting in an increment).

What evidence has the CMA looked at?

11. In assessing this Merger, the CMA considered a wide range of evidence in the round.
12. The CMA received several submissions and responses to information requests from the Parties. The CMA gathered information about their shares of supply, estimates of future spare capacity and bidding data.
13. The CMA also examined the Parties' internal documents, which showed their rationale for pursuing the Merger and an overview of competitive dynamics. These internal documents were also helpful in understanding the Parties' plans for the future of their businesses.
14. The CMA spoke to and gathered evidence from other companies and organisations to understand better the competitive landscape, to get their views on the impact of the Merger and future of the print industry. The CMA also collected

the print volumes from customers and forecast print capacity from some competitors.

What did the evidence tell the CMA...

...about what would have happened had the Merger not taken place?

15. In order to determine the impact that the Merger could have on competition, the CMA has considered what would have happened had the Merger not taken place. This is known as the counterfactual.
16. In this case, the CMA has assessed the Merger against a counterfactual where News UK would have closed its site in Knowsley. Before the Parties discussed entering into the JV, News UK decided to close its Knowsley site by the end of 2023 in order to right-size its business. The closure decision was made public in May 2023, and News UK took concrete steps to implement the decision.
17. The Parties submitted that, absent the Merger, DMGH would have also closed its site at Thurrock. Although the CMA received some evidence that DMGH was contemplating the closure, it did not consider it sufficient to conclude that this would have happened absent the Merger.

...about the effects on competition of the Merger?

18. Printing is regional in nature, because of the need to get newspapers to retailers quickly. The CMA looked at whether the Merger would lead to a substantial lessening in competition in the supply of third-party newspaper printing services in (i) the North of England; and (ii) the South of England.
19. The CMA found that the Parties are not particularly close competitors. The CMA has placed limited weight on the Parties' market shares, instead placing greater weight on bidding data and the estimates of spare capacity for third-party printing. It has also taken into account the impact on the market that News UK's closure of its Knowsley site would have had. The CMA examined internal documents from the Parties and assessed evidence submitted from third parties.
20. The bidding data indicates that they do not compete materially for third-party newspaper printing services.
21. In the North of England, the Parties have not bid for the same contract at any point over the past eight years. Moreover, News UK's decision to close its Knowsley site absent the Merger ensures that they would not have competed in the North of England had the JV not gone ahead.

22. In the South of England, although News UK is the largest printer in the region, DMGH only prints de minimis volumes for third parties and has acted as a weak constraint because its Thurrock site uses a printing process (flexographic) that is more expensive than the printing process (offset) used by other providers.
23. Additionally, the JV creates more spare capacity in the North of England than in the counterfactual scenario where News UK's Knowsley site would have closed. In the South of England, there will be less total capacity post-Merger but there will still be an excess of spare capacity. Having spare capacity means that, post-Merger, customers can have their printing needs met in both the North and the South of England. The JV will continue to face competition from Reach, an established provider of third-party printing for all kinds of services including broadsheet newspapers, and from Newsquest.
24. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the supply of third-party newspaper printing services in (a) the North of England; or (b) the South of England.

What happens next?

25. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).