

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

## Decision on relevant merger situation and substantial lessening of competition

**ME 7075/23**

The Competition and Markets Authority’s decision on relevant merger situation and substantial lessening of competition under section 33(1) of the Enterprise Act 2002 given on 21 March 2024. Full text of the decision published on 1 May 2024.

The Competition and Markets Authority (**CMA**) has excluded from this published version of the decision information which the CMA considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [X]. Some numbers have been replaced by a range, which are shown in square brackets.

### Contents

<b>SUMMARY</b> .....	<b>1</b>
<b>ASSESSMENT</b> .....	<b>7</b>
<b>1. PARTIES, MERGER AND MERGER RATIONALE</b> .....	<b>7</b>
<b>2. PROCEDURE</b> .....	<b>8</b>
<b>3. JURISDICTION</b> .....	<b>8</b>
<b>4. COUNTERFACTUAL</b> .....	<b>9</b>
4.1 North of England: Closure of News UK’s Knowsley site.....	10
4.2 South of England: Closure of DMGH’s Thurrock site .....	12
<b>5. COMPETITIVE ASSESSMENT</b> .....	<b>17</b>
5.1 Background .....	17
5.2 Market definition.....	18
5.3 Horizontal unilateral effects in the supply of third-party newspaper printing services in the North and South of England .....	20
5.4 Vertical effects.....	40

**6. ENTRY AND EXPANSION .....41**  
**7. THIRD PARTY VIEWS .....41**  
**DECISION .....43**

# 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**).

# ASSESSMENT

## 1. PARTIES, MERGER AND MERGER RATIONALE

1. DMGH is a wholly-owned subsidiary of Daily Mail and General Trust plc, which publishes several newspapers including *Daily Mail*, *The Mail on Sunday*, the *i*, and *Metro* and it operates the *MailOnline* website, [metro.co.uk](http://metro.co.uk) and [inews.co.uk](http://inews.co.uk).<sup>1</sup> The Parties submitted that DMGH manages a portfolio of companies that provide businesses and consumers with information, analysis, insight, events, news, and entertainment. DMGH (through its subsidiaries) also operates newspaper print sites at Dinnington (South Yorkshire), Thurrock (Essex) and Carn (Northern Ireland).<sup>2</sup> The turnover generated from third parties by DMGH's printing operations in financial year 2023 was £[REDACTED].<sup>3</sup>
2. News UK is a wholly-owned subsidiary of News Corporation. It publishes several newspapers including *The Sun*, *The Times* and *The Sunday Times*.<sup>4</sup> News UK owns brands that provide news, analysis, opinion, and entertainment to customers in the UK and Ireland. News UK operates newspaper print sites at Motherwell (outside of Glasgow), Broxbourne (Hertfordshire) and Knowsley (Merseyside), through its subsidiary Newsprinters.<sup>5</sup> The turnover generated from third parties by News UK's printing operations in financial year 2023 was £[REDACTED].<sup>6</sup>
3. On 3 October 2023, DMGH and News UK signed transaction documents to enter into a joint venture which involved the contribution of certain of their print assets in Great Britain.<sup>7</sup> The joint venture will be owned 50:50 by the Parties.<sup>8</sup>
4. The Parties informed the CMA that the Merger was also the subject of review by the Irish Competition and Consumer Protection Commission (which approved it on 24 November 2023), and the Irish Minister for Tourism, Culture, Arts, Gaeltacht, Sports and Media (which approved it on 22 January 2024).<sup>9</sup>
5. The Parties submitted that the main strategic rationale for the Merger is the systemic decline of national print newspaper circulation over the past decade which has resulted in significant spare capacity. By combining and rationalising their print businesses, the Parties seek to improve the efficiency of their print

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<sup>1</sup> Final Merger Notice submitted to the CMA on 31 January 2024 (FMN), paragraphs 1.2 and 3.2.

<sup>2</sup> FMN, paragraph 1.2.

<sup>3</sup> Parties' Response to RFI5, Table 1.1, 14 February 2024 (RFI5 Response); Email from Parties' advisors to the CMA, 14 March 2024.

<sup>4</sup> FMN, paragraph 3.6.

<sup>5</sup> FMN, paragraph 1.3.

<sup>6</sup> RFI5 Response, Table 1.1.

<sup>7</sup> DMGH's print facility at Carn (Northern Ireland) is outside the scope of the Merger and will continue to be operated by DMGH separately, although an employee who will transfer from DMGH to the JV will be seconded to Carn to assist with its print operations. FMN, footnote 10.

<sup>8</sup> FMN, paragraphs 2.3-2.4.

<sup>9</sup> FMN, paragraph 2.5.

operations and establish a sustainable business model for the future.<sup>10</sup> Following completion, the JV will close DMGH's sites at Dinnington and Thurrock while News UK's sites at Knowsley and Broxbourne will stay open.

6. The CMA considers that the Parties' internal documents support this rationale.<sup>11</sup>

## 2. PROCEDURE

7. The CMA commenced its phase 1 investigation on 2 February 2024. As part of its phase 1 investigation, the CMA gathered a significant volume of evidence from the Parties.
8. The CMA also gathered evidence from other market participants, including newspaper printers, newspaper publishers and distributors. This helped the CMA to better understand the competitive landscape, get their views on the impact of the Merger and the future of the print industry. The CMA also collected the print volumes from customers and forecast print capacity from key competitors.

## 3. JURISDICTION

9. A relevant merger situation exists where two or more enterprises have ceased to be distinct and either the turnover or the share of supply test is met.<sup>12</sup>
10. The Merger involves the contribution by each of the Parties of certain of their print assets in Great Britain to the JV. The assets being transferred by each of DMGH and News UK comprise printing plants, staff, supply contracts, business records, customer contracts and goodwill and therefore the CMA considers that they constitute enterprises as they are sufficient to enable the printing activities of the Parties.<sup>13</sup> As a result of the Merger, these enterprises will cease to be distinct.
11. The Parties overlap in the supply of newspaper printing services in the North of England and the South of England (the CMA considers that each of these areas is a substantial part of the UK), with a combined share in excess of 25% by volume in 2023. The Merger results in an increment of [5-10]% for overnight printing in the North of England; and [0-5]% for overnight printing in the South of England.<sup>14</sup> Additionally, the Parties submitted that they have a combined share in excess of

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<sup>10</sup> FMN, paragraphs 2.6-2.17.

<sup>11</sup> See [redacted], Attachment C to FMN, [redacted], June 2023; [redacted], Attachment H.13 to FMN, [redacted], June 2023; DMGH internal document, Attachment H.23 to FMN, [redacted], September 2023; News UK internal document, Attachment I.50 to FMN, [redacted], 19 June 2023; and News UK internal document, Attachment I.51 to FMN, [redacted], June 2019.

<sup>12</sup> [CMA2](#), chapter 4; Section 23 of the Act.

<sup>13</sup> See section 129 of the Act and [CMA2](#), paragraph 4.8. In particular, the Merger involves the transfer of assets, existing contracts and some employees, all of which are highlighted as relevant considerations in the CMA's assessment of whether a merger enables a particular business activity to be continued.

<sup>14</sup> See Tables 1 and 2 of this Decision.



25% for overnight printing in England, with an increment of [0-5]%.<sup>15</sup> The CMA therefore considers that the share of supply test in section 23 of the Act is met.

12. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
13. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 2 February 2024 and the statutory 40 working day deadline for a decision is therefore 28 March 2024.

## 4. COUNTERFACTUAL

14. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).<sup>16</sup>
15. In an anticipated merger, the counterfactual may consist of the prevailing conditions of competition, or conditions of competition that involve stronger or weaker competition between the parties to a merger than under the prevailing conditions of competition.<sup>17</sup> In determining the appropriate counterfactual, the CMA will generally focus on potential changes to the prevailing conditions of competition only where there are reasons to believe that those changes would make a material difference to its competitive assessment.<sup>18</sup>
16. In this case the Parties submitted that the counterfactual is one in which competition would be weaker than the prevailing conditions of competition on account of News UK closing its Knowsley site in the North of England and, separately, DMGH closing its Thurrock site in the South of England. The Parties submitted that consideration of what would have happened absent the Merger needs to be taken with an appreciation of broader market conditions. The Parties submitted that circulation of print newspapers throughout the UK has fallen from over 8 million newspapers per day in 2012 to under 3 million per day in 2023.<sup>19</sup> The Parties also submitted that the COVID-19 pandemic (**COVID**) accelerated the decline.<sup>20</sup> The idle capacity at print sites which were designed for a much larger volume of demand means printers are bearing costs without operating at sufficient levels to justify all of the capacity that they have. The CMA has considered the evidence on each of these submitted counterfactuals.

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<sup>15</sup> FMN, Annex 005, Figure 7.

<sup>16</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.1.

<sup>17</sup> [CMA129](#), paragraph 3.2.

<sup>18</sup> [CMA129](#), paragraph 3.9.

<sup>19</sup> FMN, figure 2.1.

<sup>20</sup> FMN, paragraph 2.7.

## 4.1 North of England: Closure of News UK's Knowsley site

### 4.1.1 Parties' submissions

17. In summer 2022, News UK started a review of its printing business looking at options to reduce costs within the broader industry context of excess capacity in the face of substantially declining demand for printing services. [REDACTED].<sup>21</sup> In a December 2022 report, [REDACTED] identified two viable options to News UK's current printing arrangements:
  - (a) **Internal restructure.** This involved the closure of the Knowsley print site and [REDACTED].
  - (b) **'Consolidation' with [REDACTED].** [REDACTED].<sup>22</sup>
18. News UK submitted that it concluded that the closure of Knowsley was a necessary short-term step to save costs within its printing business irrespective of any longer-term options that might be pursued.<sup>23</sup>
19. The proposed closure of Knowsley was considered by News UK in [REDACTED] 2023<sup>24</sup> and presented to News UK and News Corp senior management in late [REDACTED] 2023.<sup>25</sup> Final approval was given by News Corp senior management on [REDACTED] 2023.<sup>26</sup> A detailed project plan and timeline for the closure of Knowsley was presented to the Newsprinters' Board on [REDACTED] 2023.<sup>27</sup>
20. The closure decision was publicly announced in the Press Gazette on 11 May 2023<sup>28</sup> and the closure was scheduled for [REDACTED] 2023. In May 2023, News UK began statutory consultations with employees who would be made redundant as a result immediately after the announcement. News UK also took other concrete steps to begin implementing the closure decision, including provision of support, and assistance to staff at risk of redundancy; engagement with customers and suppliers, and planning and taking preparatory steps for the disposal of the land on which the facility is located.<sup>29</sup>

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<sup>21</sup> FMN, paragraph 11.5.

<sup>22</sup> FMN, paragraph 11.5 ; News UK's Internal Document, Attachment L to the FMN, '[REDACTED]', December 2022, pages 13 and 15.

<sup>23</sup> FMN paragraph 11.5. [REDACTED]

<sup>24</sup> News UK internal document, Attachment J.1 to the FMN, '[REDACTED]', February 2023.

<sup>25</sup> News UK internal document, Attachment J.2 to the FMN, '[REDACTED]', March 2023 (**Attachment J.2**); News UK internal document, Attachment J.3 to the FMN, '[REDACTED]', April 2023 (**Attachment J.3**).

<sup>26</sup> The Parties noted that the closure of Knowsley did not require approval by News Corp's Board of Directors. The closure was approved by the News Corp CEO ([REDACTED]) and CFO ([REDACTED]) following submission of Attachment J.2. No formal written approval document was prepared, but the approval was communicated by the Office of the CEO on [REDACTED]. See email from [REDACTED] (News Corp) to [REDACTED] (News UK), [REDACTED] 2023.

<sup>27</sup> News UK internal document, Attachment J.4 to the FMN, '[REDACTED]', April 2023.

<sup>28</sup> News UK proposes closure of one of three print plants, Press Gazette, 11 May 2023 available [here](#).

<sup>29</sup> FMN, paragraph 11.10.

21. In July 2023, News UK announced it was pausing the closure process given the emergence of an ‘alternative opportunity’.<sup>30</sup> News UK submitted that this pause was only a result of the possibility of pursuing the Merger (and the closure of Knowsley should form part of the counterfactual, as it is an event that would have happened absent the Merger).<sup>31</sup> News UK further submitted that although it had decided to close Knowsley irrespective of any longer-term options that might be pursued, as part of planning for the Merger, the Parties [X], which concluded that it would be more efficient to retain the Knowsley site.<sup>32</sup>

#### 4.1.2 CMA Assessment

22. News UK undertook a detailed review of its printing operations looking at a variety of options for its printing requirements including discussions with [X] on their future requirements. [X] and considered the output of this and its internal deliberations at senior management level, and in presentations to Newsprinters’ Board and News Corp senior management. The CMA believes that the evidence shows that News Corp’s senior management approved the decision to close the Knowsley print site and transfer Knowsley’s printing to its other UK print sites in Scotland and in the South of England.<sup>33</sup>
23. According to the available evidence, concrete steps were taken to close Knowsley including the development of a detailed plan and timeline, a public announcement of the closure and consultations with staff, unions and customers. In this regard, a News UK customer ([X]) submitted that it had been provided with a comprehensive plan around the closure. [X], News UK’s intention was to use surplus capacity at its Broxbourne site to cover the majority of England, and to use capacity in its Scottish site to cover Scotland and a small part of the North of England.<sup>34</sup>
24. The evidence on the timeline shows that the decision to close Knowsley was taken separately from the Merger. As set out in paragraphs 34-38 below, while [X], negotiations around the Merger did not commence until after it made public its decision to close Knowsley.<sup>35</sup>
25. The CMA considers that these preparations were only stopped as a result of the Parties contemplating the Merger and therefore the reconsideration of closing Knowsley cannot be considered to be a part of the counterfactual.

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<sup>30</sup> Knowsley reprieve amid ‘credible’ plans to keep site open, Print Week, 24 July 2023 available [here](#).

<sup>31</sup> FMN, paragraph 11.11-11.13.

<sup>32</sup> FMN, paragraph 11.11. The review concluded that keeping Knowsley open offered an operating cost saving of £[X] when assessed on a five-year discounted cash flow basis, as compared to retaining DMGH’s Dinnington site.

<sup>33</sup> See Attachments J.2 and J.3. News UK internal document, Attachment I.19 to the FMN, ‘[X]’, 19 April 2023.

<sup>34</sup> Note of call with a third-party, paragraphs 9-11, December 2023.

<sup>35</sup> News UK made public the decision to close Knowsley on 11 May 2023. The JV proposal was first discussed between the Parties on [X] 2023. FMN, paragraph 2.2 and Annex 025.

26. The closure of Knowsley would have had several consequences. First, it would have removed some capacity from News UK. Given the capacity was considered by News UK to be in excess it is not clear how the closure would affect competition. News UK intended to move printing of the majority of its own titles and third party titles from [REDACTED].<sup>36</sup> To the extent that customers wanted printing in the North of England, it is likely Knowsley's closure would weaken competition in that region. [REDACTED].<sup>37</sup>
27. Second, the closure of Knowsley would have affected DMGH's ability to compete. DMGH outsources the printing of a part its titles in the North of England to News UK. With the closure of Knowsley, the evidence available indicates that DMGH would need to take some/all of that printing in-house (at Dinnington) therefore reducing its own ability to compete for third party contracts (given it would have had less available capacity to compete for such contracts).<sup>38</sup>
28. On the basis of the available evidence, the CMA does not consider that there is a realistic prospect that News UK would have kept open its Knowsley site, absent the Merger.
29. As a consequence, the CMA considers that News UK would have been a weaker competitor, especially in the North of England, absent the Merger. The CMA has therefore assessed the Merger in the North of England against a counterfactual of the closure of the Knowsley site and conditions of competition being weaker than prevailing conditions of competition.

## **4.2 South of England: Closure of DMGH's Thurrock site**

### **4.2.1 Parties' submissions**

30. DMGH submitted that absent the Merger, it would inevitably have closed the Thurrock site in the short-to-medium term, and possibly as soon as September 2024.<sup>39</sup>
31. DMGH submitted that it had been a long-term working assumption ([REDACTED]) of DMGH management that Thurrock would close in the short-to-medium term as a result of the decline in print newspaper circulation combined with the high fixed and variable costs of Thurrock's flexographic print process ([REDACTED]).<sup>40</sup> Before the

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<sup>36</sup> FMN, footnote 43.

<sup>37</sup> News UK internal document, Attachment J.6 to the FMN, '[REDACTED]', February 2023.

<sup>38</sup> Parties' Response to RFI4, paragraph 3.1, 12 February 2024 (RFI4 Response).

<sup>39</sup> FMN, paragraph 11.15.

<sup>40</sup> FMN, paragraphs 11.16 and 11.18.

accelerated decline in circulation prompted by COVID, internal thinking was that the closure would occur between 2026 and 2028.<sup>41</sup> [X].<sup>42</sup>

32. DMGH submitted that it began to assess options for its printing arrangements in January 2023, given that its contract with [X] was expiring in [X] 2023, and its contract with [X] was expiring in [X] 2024.<sup>43</sup>
33. An internal document from January 2023 shows that three of the four options considered by DMGH involved closing its Thurrock site by 2026 at the latest.<sup>44</sup> [X].

#### 4.2.1.1.1 February 2023

34. In [X] 2023, before it had decided to close its Knowsley site (as discussed above), News UK communicated the potential closure of its Knowsley site to DMGH. The two companies discussed the options for DMGH's printing arrangements once its contract with News UK had concluded in [X] 2024.
  - (a) **Option 1.** News UK would close its Knowsley site in January 2024 as planned, and not renew its contract with DMGH. DMGH submitted that this would mean [X].
  - (b) **Option 2.** News UK would agree to keep its Knowsley site open until 2026 and continue printing DMGH titles. [X]. However, the commercial terms offered for this option required [X] as a result of keeping Knowsley open.<sup>45</sup>
35. DMGH submitted that it had not consider either of the options to be commercially attractive.<sup>46</sup> In any event, over the next couple of months News UK had decided to close its Knowsley site.

#### 4.2.1.1.2 April 2023

36. As discussed above, in April 2023 News UK decided to close its Knowsley site. In light of this, News UK provided DMGH with a revised proposal, where it could print a certain proportion of DMGH volumes at its Broxbourne site.<sup>47</sup> DMGH submitted that under this option, the remaining DMGH volumes would have been printed in-house at its Dinnington site.<sup>48</sup> A DMGH internal document assessing this option noted that [X].<sup>49</sup> While this was a better financial situation compared to the

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<sup>41</sup> FMN, paragraph 11.19.

<sup>42</sup> FMN, paragraph 11.37; DMGH internal emails, Attachment S to the FMN, '[X]', March 2023.

<sup>43</sup> FMN, paragraph 11.22.

<sup>44</sup> DMGH internal document, Attachment J.5 to the FMN, '[X]', page 4. [X]

<sup>45</sup> FMN, paragraph 11.26; News UK internal document, Attachment J.6 to the FMN, '[X]', February 2023.

<sup>46</sup> FMN, paragraph 11.28.

<sup>47</sup> FMN, paragraph 11.33-11.35.

<sup>48</sup> FMN, paragraph 11.35.

<sup>49</sup> DMGH internal document, Attachment J.9 to the FMN, '[X]', 26 April 2023 (**Attachment J.9**).

options of February 2023, DMGH submitted that it was still considering other arrangements at that time – including [redacted] and replacing Thurrock’s flexographic printing presses. DMGH submitted that the option to replace Thurrock’s flexographic printing presses with offset presses was quickly dismissed as the cost to do so would have been uneconomical.<sup>50</sup>

#### 4.2.1.1.3 May 2023

37. On 11 May 2023, News UK announced the closure of its Knowsley site. Following this announcement, DMGH proposed [redacted].<sup>51</sup> News UK made a counter proposal to DMGH with three options, all of which assume the closure of Thurrock in the next two or three years:

- (a) [redacted];
- (b) [redacted]; or
- (c) [redacted].<sup>52</sup>

38. DMGH submitted that in light of this proposal, it considered that there was a possibility to agree a longer-term solution for its print requirements (rather than renegotiating contracts every three to five years). DMGH therefore presented a new structure – which ultimately became the JV.<sup>53</sup>

#### 4.2.1.1.4 DMGH discussions with [redacted]

39. DMGH submitted that in parallel to its discussions with News UK, it had also considered outsourcing its printing to [redacted].

- (a) [redacted].<sup>54</sup>
- (b) [redacted].<sup>55</sup> [redacted].<sup>56</sup> [redacted].<sup>57</sup>
- (c) [redacted].<sup>58</sup> [redacted].<sup>59</sup>

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<sup>50</sup> FMN, paragraph 11.36 and footnote 68.

<sup>51</sup> FMN, paragraphs 11.38-11.40.

<sup>52</sup> FMN, paragraph 11.42. News UK email, Attachment J.13 to the FMN, ‘Draft proposal’, 25 May 2023.

<sup>53</sup> FMN, paragraph 11.42.

<sup>54</sup> Parties’ Response to RF11, paragraph 14.1, 24 November 2023 (RF11 Response); FMN, paragraph 11.41(i). DMGH also internally considered [redacted]. However, this was not pursued since it was not a financially attractive option and was not discussed with [redacted].

<sup>55</sup> DMGH internal documents, Attachments M.1-M.4 to the FMN, July 2023.

<sup>56</sup> DMGH internal document, Attachment J.11 ‘[redacted]’, slide 7, 1 May 2023.

<sup>57</sup> RF11 Response, paragraph 14.3.

<sup>58</sup> DMGH internal document, Attachment N to the FMN, ‘[redacted]’, 4 August 2023.

<sup>59</sup> RF11 Response, paragraph 14.4.

40. DMGH submitted that any acceptable agreement with [X] would also have led to the closure of Thurrock.<sup>60</sup>
41. In any event, DMGH's discussions with [X] did not advance beyond the above proposals because by [X] 2023 DMGH and News UK had agreed the broad terms of the JV for the purpose of newspaper printing.<sup>61</sup>

#### 4.2.2 CMA Assessment

42. The CMA considers that there is evidence that DMGH was assessing different options for its print arrangements. The evidence shows that the announcement of Knowsley's closure prompted DMGH to consider alternative options for printing. Having reviewed the evidence including internal documents, the CMA considers that there were two sets of discussions that were occurring before the Merger which are relevant for its consideration of the counterfactual. The first set of discussions were between DMGH and News UK. The second set of discussions were between DMGH and [X].
43. The evidence, including internal documents submitted by the Parties, indicates that all the options DMGH considered with News UK directly in light of News UK's decision to close Knowsley would have resulted in the closure of Thurrock at some point between 2024 and 2026 (assuming that replacing Thurrock's flexographic printing presses with offset presses would have been too costly).
44. The evidence on the options discussed with [X] shows that DMGH would not have been able to outsource all of its Thurrock volumes in the short-term ([X]).
45. The CMA notes that DMGH considered its options set out above in some depth and its internal documents bear this out. The CMA also notes that the Parties have submitted that the CMA does not need to conclude on any one option that DMGH would have pursued in the counterfactual, it just needs to conclude that DMGH would have pursued one of the options and that would have involved the closure of the Thurrock site.
46. However, the CMA also notes the following:
  - (a) Despite the depth of analysis on its options and despite DMGH considering the closure of Thurrock since [X], at no point did DMGH take the decision to close Thurrock.<sup>62</sup>
  - (b) Absent the Merger, the CMA considers that it is plausible that DMGH would have pursued a partnership or agreement with [X], or, potentially,

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<sup>60</sup> FMN, paragraph 11.31.

<sup>61</sup> FMN, paragraphs 11.43 and 11.45.

<sup>62</sup> FMN, paragraph 11.18.

repatriated its volumes in-house and kept Thurrock open. The CMA notes that [redacted] and (as set out in paragraph 39) [redacted]. As set out above, DMGH and [redacted] were in discussions from [redacted].<sup>63</sup> Around the same time, News UK was in discussions with DMGH on options for printing DMGH's titles given News UK's consideration of closing Knowsley ([redacted]) and directly after News UK had decided to close Knowsley (April and May 2023). Further, the Parties submitted that discussions between them turned to focusing on the creation of the JV from late [redacted] 2023 to early [redacted] 2023 when broad terms were agreed. In [redacted] 2023 the transaction documents to create the JV were signed.<sup>64</sup> As a result of the overlapping discussions and eventual JV agreement with News UK, DMGH never reached agreement on printing options with [redacted]. [redacted]. The CMA believes that this evidence suggests that without the JV agreement there was some possibility of reaching an agreement with [redacted] which may have resulted in Thurrock being used as a competing site.

(c) The CMA also believes that the evidence outlined above in (b) indicates that without the Merger, it is plausible that DMGH may have continued discussions about a commercial arrangement with News UK. Whether any further discussions could have led to a different deal with News UK that resulted in Thurrock being kept open is uncertain. Similarly, it is plausible that decisions made by News UK ([redacted]) independently of DMGH would have meant that DMGH kept Thurrock open to meet some of its printing requirements.

47. The CMA considers that there is a realistic prospect that, in the absence of the Merger, DMGH would have chosen to print its titles in-house and keep Thurrock open.
48. In considering multiple potential counterfactual scenarios where each of those scenarios is a realistic prospect, at phase 1 the CMA will choose the one where the merger firms exert the strongest competitive constraint on each other, and where third parties exert the weakest competitive constraints on the merger firms.<sup>65</sup> In this case, the counterfactual scenario where Thurrock is kept open will result in the Parties exerting the strongest constraint on each other.
49. The CMA notes that even in a scenario where Thurrock was kept open, the closure of Knowsley would likely have resulted in DMGH repatriating its titles from Knowsley and it would have had less spare capacity to compete for third-party volumes. However, the CMA generally seeks to avoid predicting the precise

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<sup>63</sup> Note of call with a third-party, paragraphs 27-28.

<sup>64</sup> FMN, Figure 11.1.

<sup>65</sup> [CMA129](#), paragraph 3.12.



details or circumstances that would have arisen absent a merger<sup>66</sup> and a detailed description of the conditions of competition that would prevail is better considered in the competitive assessment.<sup>67</sup>

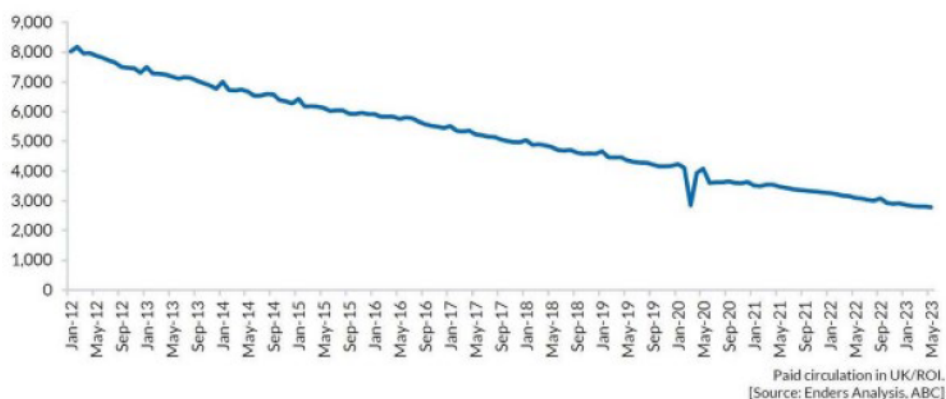
50. The CMA considers that given the uncertainty surrounding what would have happened to Thurrock in the counterfactual, especially given that DMGH did not take a decision to close Thurrock and there were a number of overlapping discussions which had the potential to impact on Thurrock, it does not have sufficient evidence to conclude that DMGH would have closed its Thurrock site absent the Merger. The CMA therefore considers that the appropriate counterfactual to assess the impact of the Merger in the South of England is the prevailing conditions of competition.

## 5. COMPETITIVE ASSESSMENT

### 5.1 Background

51. The decline in print newspaper circulation and the economies of scale involved in newspaper printing are relevant background to the Merger. The Parties submitted that there has been a systemic decline of national print newspaper circulation, dropping by 60% between 2012 and 2023. This was exacerbated by COVID where many customers turned to alternative digital news sources. The decline in newspaper circulation (and consequently, printing) resulted in significant spare capacity.<sup>68</sup>

**Figure 1 Average paid circulation of national newspapers**



Source: Enders Analysis, Attachment B.1 to the FMN, Paid newspaper circulation falls below three million, 19 July 2023 (**Attachment B.1**).

52. Evidence from both competitors and consumers confirmed that the industry is in decline, with the majority of competitors saying that they believed the Merger

<sup>66</sup> [CMA129](#), paragraph 3.11.

<sup>67</sup> [CMA129](#), paragraph 3.7.

<sup>68</sup> FMN, paragraphs 2.6, 2.7 and 2.11.

would have a 'neutral' impact on competition,<sup>69</sup> or even expressed positive views about the Merger,<sup>70</sup> precisely for the reason of the industry being in a declining state. In particular:

- (a) a competitor said that 'everyone accepts that capacity in the industry has to go down', and that it is 'not particularly concerned about the transaction and considers it a natural consequence of changes in the market';<sup>71</sup>
- (b) another competitor said 'It's a dying industry. This is re-arranging the deckchairs on the Titanic';<sup>72</sup>
- (c) a customer considered that the 'newspaper printing sector needs to consolidate to ensure the long-term viability of the industry',<sup>73</sup> with some third parties commenting that the JV will provide resilience in the newspaper supply chain;<sup>74</sup> and
- (d) another customer acknowledged that 'some degree of consolidation in the industry seems inevitable in due course'.<sup>75</sup>

53. Newspaper printing involves economies of scale and significant spare capacity can mean large, fixed costs are spread over too few productive printing hours. The Parties have submitted that print sites have high fixed costs, and this has prompted several newspaper publishers to sell or close their print operations in recent years, and instead outsource printing to third-party printers.<sup>76</sup> The CMA notes that national newspaper publishers including the Guardian Media Group, the Financial Times (FT) and The Telegraph Media Group have closed their plants in the last few years and now rely on third-party contracts for the printing of their titles. Additionally, printers including Reach and DMGH have also closed some sites in recent years.<sup>77</sup>

## 5.2 Market definition

54. Where the CMA makes an SLC finding, this must be 'within any market or markets in the United Kingdom for goods or services'. An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant

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<sup>69</sup> Response to the CMA questionnaire from third-parties, question 9, February 2024.

<sup>70</sup> Response to the CMA questionnaire from third-parties, question 9, February 2024.

<sup>71</sup> Note of call with a third-party, paragraphs 17 and 19, December 2023. Another competitor noted that declining volumes has required rationalisation of print sites and that closing individual presses in a site generates limited cost savings. The same competitor stressed the need to maintain sufficient volumes to cover fixed costs to ensure viability. See in this respect Third party presentation to the CMA.

<sup>72</sup> Response to the CMA questionnaire from a third party, question 9, February 2024

<sup>73</sup> Note of call with a third-party, paragraph 19, December 2023.

<sup>74</sup> Responses to the CMA questionnaire from third-parties, question 8, February 2024.

<sup>75</sup> Note of call with a third-party, paragraph 27, December 2023.

<sup>76</sup> FMN, paragraph 13.10.

<sup>77</sup> FMN, paragraph 13.11; Attachment B.1, page 3.

market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.<sup>78</sup>

55. Market definition involves identifying the most significant competitive alternatives available to customers of the merger parties and includes the sources of competition to the merger parties that are the immediate determinants of the effects of the merger.
56. While market definition can be an important part of the overall merger assessment process, the CMA's experience is that in most mergers, the evidence gathered as part of the competitive assessment, which will assess the potentially significant constraints on the merger parties' behaviour, captures the competitive dynamics more fully than formal market definition.<sup>79</sup>

### 5.2.1 Product market

57. The Parties submitted that the most appropriate product market is the supply of third-party newspaper printing services.<sup>80</sup> This is consistent with the CMA decisional practice, which in previous cases did not consider that a narrower market than the printing of newspapers was appropriate.<sup>81</sup>
58. The CMA considered whether it would be appropriate to further segment the market by printing type ie by distinguishing between flexographic and offset printing.<sup>82</sup> Third party evidence indicates that flexographic printing is usually more expensive<sup>83</sup> and customers have said that the higher quality does not offset the higher costs involved with this process.<sup>84</sup>
59. However, the relevant product market is identified primarily by reference to demand-side substitution.<sup>85</sup> Third-party evidence indicates that customers consider providers of newspaper printing services (whether offset or flexographic) to be alternatives to each other. In particular, none of the responses refer to the flexographic technology used at DMGH's Thurrock site as being more appropriate to one set of customers or contributing to the strength of its offering. Further, one third-party noted the type of printing 'is not a significant point of differentiation'

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<sup>78</sup> [CMA129](#), paragraph 9.1.

<sup>79</sup> [CMA129](#), paragraph 9.2.

<sup>80</sup> The Parties print some of their own magazines. However, neither Party offers magazine printing services to third parties and the CMA has therefore not considered this market.

<sup>81</sup> [Reach / Northern & Shell](#), paragraph 49.

<sup>82</sup> Both types involve the use of plates and ink to print content on newsprint. Flexographic printing uses more flexible (photopolymer) relief plates, specific water dilutable newspaper ink and specially manufactured newsprint with a smoother open surface. Due to the differences in the process, flexographic printing leads to products with less ink rub-off and improved vibrancy and sharper definition. See in this respect FMN, paragraph 15.54.

<sup>83</sup> Response to the CMA questionnaire from third-parties, question 9, February 2024.

<sup>84</sup> Response to the CMA questionnaire from third-parties, question 7, February 2024.

<sup>85</sup> [CMA129](#), paragraph 9.7.

when choosing a provider.<sup>86</sup> Therefore, the CMA has not considered it appropriate to segment by printing type.

### 5.2.2 Geographic market

60. The CMA considers that the appropriate geographic market is regional. The narrow window between the end of printing (c. 3 am) and delivery of newspapers for sale (c. 6am) limits the distance over which newspapers can be transported.<sup>87</sup> Printers located outside of a geographic region may represent an out-of-market constraint, and the CMA considers it appropriate to assess this in its competitive assessment below.

61. The Parties have distinguished between newspaper printing in the North of England and the South of England.<sup>88</sup> Third parties have similarly distinguished between the two regions.<sup>89</sup> This is also consistent with CMA decisional practice.<sup>90</sup>

62. The CMA has therefore assessed the impact of this Merger on the supply of third-party newspaper printing services in the North and South of England.<sup>91</sup>

### 5.3 Horizontal unilateral effects in the supply of third-party newspaper printing services in the North and South of England

63. The CMA assesses the potential competitive effects of mergers by reference to theories of harm. Theories of harm provide a framework for assessing the effects of a merger and whether or not it could lead to an SLC relative to the counterfactual.<sup>92</sup>

64. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.<sup>93</sup> Horizontal unilateral effects are more likely when the parties to a merger are close competitors.<sup>94</sup>

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<sup>86</sup> Response to the CMA questionnaire from third-parties, question 7, February 2024.

<sup>87</sup> FMN, paragraph 13.17.

<sup>88</sup> By reference to the International Territorial Level 1 regions set out by the Office for National Statistics, the following regions are located in the North of England: West Midlands (England), East Midlands (England), Yorkshire and The Humber, North West (England), North East (England), and Wales; and the following regions are located in the 'South of England': South West (England), South East (England), London, and East of England.

<sup>89</sup> Note of call with a third-party, paragraphs 11-13, December 2023; Note of call with a third-party, paragraphs 12-13.

<sup>90</sup> [Reach / Northern & Shell](#), paragraphs 59-60.

<sup>91</sup> The CMA is not considering the impact of the Merger in Northern Ireland or Scotland. DMGH's print facility at Carn (Northern Ireland) is outside the scope of the Merger. There are no overlaps in Scotland because DMGH does not have any printing activities in Scotland. FMN, paragraph 13.25.

<sup>92</sup> [CMA129](#), paragraph 2.11.

<sup>93</sup> [CMA129](#), paragraph 4.1.

<sup>94</sup> [CMA129](#), paragraph 4.8.

65. In its investigation of this Merger, the CMA considered the following theories of harm:
- (a) horizontal unilateral effects in the supply of third-party newspaper printing services in the North of England; and
  - (b) horizontal unilateral effects in the supply of third-party newspaper printing services in the South of England.
66. These theories of harm are considered together below, with differences between the North and South of England highlighted where relevant.

### **5.3.1 Closeness of competition and market structure**

67. Horizontal unilateral effects are more likely where the merger firms are close competitors or where their products are close substitutes. The more closely the merger firms compete the greater the likelihood of unilateral effects because the merged entity will recapture a more significant share of the sales lost in response to a price increase (or another worsening in the offering), making the price rise more profitable.<sup>95</sup>
68. The CMA has considered evidence from the Parties (including submissions, internal documents and sales data) and from third-party competitors and customers. In particular, the CMA has assessed:
- (a) the Parties' submissions;
  - (b) bidding data;
  - (c) the structure of the market, and in particular shares of supply and spare capacity estimates;
  - (d) third-party evidence; and
  - (e) the Parties' internal documents.

#### *5.3.1.1 Parties' submissions*

69. The Parties submitted that they are not close competitors. In particular, they do not compete materially for the supply of newspaper printing services to third parties, as evidenced by the bidding data.<sup>96</sup> The Parties do not consider shares of supply

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<sup>95</sup> [CMA129](#), paragraph 4.8

<sup>96</sup> FMN, paragraph 15.1(iii).

to be a particularly meaningful metric but note that DMGH is a small player and there remain several other competitors with spare capacity.<sup>97</sup>

70. The Parties also submitted that DMGH is not a significant provider of newspaper printing services to third parties in the North of England, printing only [0-5]% of the total (overnight and daily) third-party volumes.<sup>98</sup>
71. In the South of England, regardless of the counterfactual, the Parties' submitted that DMGH's Thurrock site represents a weak competitive constraint on News UK's Broxbourne site given that it does not currently offer printing services for any third parties.<sup>99</sup> Further, the DMGH's site is a less attractive opportunity for customers in the South of England due to its expensive flexographic printing process.<sup>100</sup> DMGH would need to absorb the additional costs of flexographic printing to be competitive in tenders.<sup>101</sup> The Parties submitted that the costs of keeping Thurrock open far outweighs the potential profits that could be made by printing for third-party customers.<sup>102</sup>

#### 5.3.1.2 Parties' bidding data

72. The Parties submitted bidding data for all known tenders or quotes for the supply of newspaper printing services to third parties in the North and South of England from 2015 to 2023.<sup>103</sup> According to the Parties, this data provides a better insight into the degree of competition between them and demonstrates the limited extent to which they compete for the supply of newspaper printing services to third parties.<sup>104,105</sup>
73. The Parties' bidding data indicates that there has been limited competition between DMGH and News UK to date. [X]. In particular:
- (a) There were [X] known opportunities for national contracts. For [X] of the [X] opportunities, both Parties bid, with [X]. For the remaining [X] opportunities, News UK bid, but DMGH did not bid ([X]).

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<sup>97</sup> FMN, paragraph 15.1(ii).

<sup>98</sup> FMN, paragraph 15.20.

<sup>99</sup> FMN, paragraph 15.50.

<sup>100</sup> FMN, paragraph 15.51.

<sup>101</sup> While DMGH does not currently have any third-party customers at Thurrock, its one third-party customer ([X]) had been transferred from DMGH's Portsmouth site when it closed in Q3 2022. Printing had been conducted using the offset printing method at Portsmouth and when the customer transferred to Thurrock, DMGH absorbed the difference in cost of printing via the flexographic process. See FMN, paragraph 15.55(i).

<sup>102</sup> RF14 Response, paragraph 4.1.

<sup>103</sup> FMN, Annex 007.

<sup>104</sup> FMN, paragraph 15.6.

<sup>105</sup> The Parties' bidding data includes the client and title of the opportunity and if it was a tender or a quote. The data also includes the start and end date of the contract as well as the region and frequency of the opportunity. The bidding data also provides the number of copies, the competing suppliers, the winner of the opportunity and the incumbent supplier.

- (b) There were [X] known opportunities for printing in the North of England. For [X] of these [X] opportunities, DMGH bid ([X]), but News UK did not. For the remaining opportunity, News UK bid, but DMGH did not ([X]).<sup>106</sup>
- (c) There were [X] known opportunities for printing in the South of England. News UK competed [X], while DMGH bid [X].

74. The CMA also notes that the estimated volumes of the [X] contracts that DMGH won in Great Britain are very small, accounting for [X] copies in total. By comparison, the [X] contracts that News UK won in Great Britain over the same period equalled to approximately [X] copies in total.<sup>107</sup>

75. The CMA considers that the large majority of contracts (and contract value) are awarded via a tender process and therefore bidding data provides a good insight to the competitive dynamics in the marketplace. The data that the Parties submitted to the CMA indicates that there has been limited competition between the Parties and suggests that they are not close competitors – News UK has been bidding mainly for national contracts and in the South of England, whereas DMGH has been competing more in the North of England.

76. In the North of England:

- (a) the bidding data shows that in the eight years since 2015 the Parties have not bid in the same tenders; and
- (b) in the counterfactual, News UK would have closed its Knowsley site and therefore the Parties would not have bid against each other in the future.

77. In the South of England:

- (a) the bidding data show that News UK not only has been a strong bidder for contracts but the strongest bidder in the South of England ([X]); and
- (b) DMGH has been a weak competitor, [X].

78. For national contracts, the CMA considers that the Parties have competed, albeit [X], DMGH may have acted as a weaker competitor than News UK, Reach and Newsquest.

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<sup>106</sup> The CMA notes that the National World tender (for which DMGH was the incumbent supplier and which was awarded to Newsquest in October 2023) is not included in the Parties' bidding data. The Parties submitted that DMGH did not bid for the [X] as the closure of Knowsley resulted in DMGH having less capacity to take on third party contracts. FMN, footnote 211.

<sup>107</sup> FMN, Annex 007.

### 5.3.1.3 Shares

79. The CMA collected data from the Parties and their competitors on the newspaper printing volumes that they provided to third parties in 2023. The market shares estimates based on this data and the Parties' data are presented below.<sup>108</sup> As explained further below, some third parties have raised concerns in relation to the availability of overnight printing slots, and accordingly the CMA has also considered shares of supply split out for overnight printing only. Given these concerns, the CMA has focused particularly on overnight printing.

**Table 1 Share of supply estimates for third-party newspaper printing services in the North of England (2023)**

	24-hour	Overnight only
News UK	[60-70]%	[80-90]%
DMGH	[10-20]%	[5-10]%
<b>Combined</b>	<b>[80-90]%</b>	<b>[80-90]%</b>
Newsquest	[5-10]%	[0-5]%
Reach	[5-10]%	[5-10]%
Iliffe	[0-5]%	[0-5]%
Mortons	[0-5]%	NA
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: CMA's estimates based on data from third parties and the Parties. The '24 hour' figures are based on third party volumes printed in a full 24 hour period. The 'overnight only' shares are based on third party volumes printed between 10 pm and 3 am.

Note: Mortons did not provide overnight printing data and submitted that its printing site is only open 18h a day on weekdays with extended coverage on an ad hoc overtime basis.

**Table 2 Share of supply estimates for third-party newspaper printing services in the South of England (2023)**

	24-hour	Overnight only
News UK	[80-90]%	[70-80]%
DMGH	[0-5]%	[0-5]%
<b>Combined</b>	<b>[80-90]%</b>	<b>[70-80]%</b>
Reach	[10-20]%	[10-20]%
Newsquest	[0-5]%	[5-10]%
Iliffe Print	[0-5]%	[0-5]%
Mortons	[0-5]%	NA
Sharman & Co.	[0-5]%	[0-5]%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: CMA's estimates based on data from third parties and the Parties. The '24 hour' figures are based on third party volumes printed in a full 24 hour period. The 'overnight only' shares are based on third party volumes printed between 10 pm and 3 am.

Notes: Mortons did not provide overnight printing data, and submitted that its printing site is only open 18h a day on weekdays with extended coverage on an ad hoc overtime basis. Sharman & Co.'s estimates are based on the Parties' submissions.

80. In regard to market shares, the CMA notes that:

<sup>108</sup> The CMA has allocated the National World contract to DMGH. The Parties submitted that they did not include the National World contract in DMGH's share as it lost the contract to Newsquest in 2023. Given the contract ended at the end of 2023, the CMA has allocated the contract to DMGH for the shares of supply for third-party newspaper printing services in 2023.



- (a) News UK is the largest printer of third-party newspapers in the UK. In respect to overnight-only printing, DMGH's shares in 2023 were small.
- (b) The CMA's estimates are based on data provided from 2023. Since then, DMGH has lost a significant contract (National World) given the customer shifted to a competitor in October 2023.<sup>109</sup> As a result, the share for DMGH is currently much smaller than in the above tables. The Parties submitted share estimates excluding this contract which show that DMGH's share of supply for overnight printing in the North of England is only [0-5]% and in the South of England [0-5]%.<sup>110</sup>
- (c) Market shares are largely reflective of past bidding success, with bidding data indicating that while News UK has been a strong bidder, DMGH has not (see paragraphs 72-75 above). The market shares do not, however, reflect the strength in bidding for different types of contracts. For example, the CMA has heard from some customers who have a preference for a single national contract rather than splitting contracts with regional providers.<sup>111</sup> As a consequence, a share in the North of England (for example) might reflect a provider's strength in competing for contracts in the North of England or it might reflect a provider's strength in competing for national contracts, a proportion of which are serviced in the North of England.
- (d) In the counterfactual, the closure of News UK's Knowsley site would have further decreased both News UK's and DMGH's shares in both the North and South of England. In the case of News UK, the evidence available to the CMA is that it would have reduced the amount of third-party printing it provides in the North and South of England due to a reduction in overall capacity from closing Knowsley combined with its need to print its own newspaper titles. News UK submitted that it had assumed that it would lose [X] volumes following the closure of Knowsley.<sup>112</sup> In the case of DMGH, it would also be able to provide less third-party printing, particularly in the North of England, as it would have been expected to start printing volumes that were previously printed at Knowsley in-house at its Dinnington site.<sup>113</sup>

81. For these reasons, the CMA has placed limited weight on the market shares estimates and has placed greater weight on the Parties' bidding data and the spare capacity for third-party printing as well as other evidence from third parties and internal documents.

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<sup>109</sup> FMN, Annex 006, paragraph 2.11.

<sup>110</sup> FMN, Annex 005.

<sup>111</sup> Response to the CMA questionnaire from third-party, question 6, February 2024.

<sup>112</sup> RF11 Response, paragraph 7.1.

<sup>113</sup> FMN, paragraphs 15.11-15.12.

#### 5.3.1.4 Spare capacity for third-party printing

82. The CMA has considered the spare capacity of the Parties and their competitors. Spare capacity can be a useful indicator to show who will be able to bid for future upcoming tender opportunities. Where firms have significant spare capacity, they might be better able to compete.<sup>114</sup> In its assessment the CMA has considered not only the overall capacity that will be available after the Merger, it has also considered the type of capacity that will be available (ie not all printers are able to fulfil all kinds of printing jobs).
83. Evidence collected by the CMA from the Parties and third parties shows that there are three large national contracts ([§<]) for overnight printing that will be renewed in the next three years.
84. In terms of who previously competed for these three large national contracts:
- (a) one customer told the CMA there is only one viable printing provider for its requirements (and that provider was the only one the customer considered the last time its contract became available) and the Merger does not affect it (although the customer noted that the Merger might provide for security in the newspaper supply chain);<sup>115</sup>
  - (b) another customer uses a printing provider which is not one of the Parties and this customer considers that one of the Parties and a third party are feasible suppliers;<sup>116</sup> and
  - (c) another customer uses one of the Parties and considers the other Party as a feasible supplier and as discussed in paragraph 135 below, noted that there are limitations in the offering of third parties like Reach and Newsquest.<sup>117</sup>
85. Given that two of these three are seeking to utilise competition in awarding their contracts, the CMA has considered the Parties' and each of their competitors' spare capacity to take on these contracts, both under the counterfactual and the JV scenario.
86. The Parties submitted that the JV and their competitors would have spare capacity to take on national overnight printing contracts. In particular, the Parties submitted that both Reach and Newsquest will have spare capacity to take on third parties, including the three national providers with the upcoming contracts.<sup>118</sup> Furthermore, the Parties submitted in the counterfactual, DMGH would not bid for the upcoming national contracts because upon expiration of its agreement with News UK (which

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<sup>114</sup> [CMA129](#), paragraph 4.12(c).

<sup>115</sup> Response to the CMA questionnaire from a third-party, questions 7 and 8, February 2024.

<sup>116</sup> Response to the CMA questionnaire from a third-party, questions 3 and 5, February 2024.

<sup>117</sup> Response to the CMA questionnaire from a third-party, question 3, February 2024.

<sup>118</sup> FMN, paragraphs 15.13-15.15.

would coincide with Knowsley's closure), it planned to repatriate volumes. It would not have sufficient capacity at its Dinnington site for the national contracts, although it might be able to print the *de minimis* volumes for the FT in the North of England ([REDACTED]).<sup>119</sup>

87. The Parties also submitted estimates of their spare capacity and their competitors' spare capacity over the next three years. The Parties noted that it was challenging to calculate their competitors' spare capacity estimates and that they would likely be imprecise.<sup>120</sup> The CMA asked third parties about their expected spare capacity over the next three years and notes that the responses were broadly similar with the Parties' estimates.<sup>121</sup> Given the data limitations, the CMA has considered the spare capacity estimates with caution but notes that these estimates may be a useful indicator to show who will be able to bid for future upcoming tender opportunities.
88. Overall, the spare capacity estimates indicate that:
- (a) In the North of England, the CMA considers that total spare capacity will be greater under the JV than under the counterfactual where News UK's Knowsley site would have closed. Post-Merger, two suppliers (the JV and Reach) will be able to fulfil [REDACTED] large national contracts,<sup>122</sup> while in the counterfactual only Reach would have been able to do so.<sup>123</sup> The CMA notes that larger customers generally considered Reach to be a strong competitor and a good option for their requirements. While DMGH has previously had a material share of printing overall in the North of England and most larger customers told the CMA that DMGH would be a viable option for them ([REDACTED]), the CMA considers that the evidence suggests that DMGH on its own would have had, at most, enough spare capacity to take on only the smallest of the three large national printing contracts in the counterfactual. The JV is likely to be a more optimal scenario for customers as there will be more spare capacity in the North of England.
  - (b) In the South of England, total spare capacity in the market will be less under the JV than under the counterfactual. However, the evidence shows that there will still be an excess of spare capacity. With regards to the three large national contracts, post-Merger, two suppliers (the JV and Reach) will be able to fulfil [REDACTED] contracts, which is the same as in the counterfactual (ie

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<sup>119</sup> RFI4 Response, paragraph 3.1.

<sup>120</sup> FMN, footnote 135.

<sup>121</sup> The CMA asked third party printing providers how many large national contracts they expected to have capacity to print over the next three years.

<sup>122</sup> As explained above, under the JV the Knowsley site will remain open.

<sup>123</sup> The estimates also indicate that: DMGH would only be able to print the smallest of the three contracts in the counterfactual; and Newsquest would be able to fulfil [REDACTED] of the three contracts ([REDACTED]) under both the JV and the counterfactual.

News UK and Reach).<sup>124</sup> Additionally, there will still be spare capacity for smaller or regional newspapers in this region.

89. The CMA has received concerns from two customers who have said that because of insufficient capacity in the North of England, they are having to print their newspapers in Scotland.<sup>125</sup> One of these noted that this has resulted in an earlier editorial cut off time and it is not able to cover late night local sport news in their newspapers.<sup>126</sup>
90. The CMA has considered these concerns but as explained above, notes that these concerns do not arise as a result of the Merger (indeed, the opposite is the case). The Merger will create more spare capacity in the North of England than would have been the case without the Merger.
- (a) Once News UK's Knowsley site shuts, DMGH would have had to repatriate its volumes and would have had little or no spare capacity to print for the largest customers in the North of England.<sup>127</sup> Therefore even if DMGH won a national contract in the counterfactual, it would likely have had to subcontract volumes in Scotland and the North of England to fulfil the customers' requirements.
  - (b) In the counterfactual, News UK would not have had a site in the region but had plans to serve customers in the North of England from its printing sites in Scotland (Eurocentral) and the South of England (Broxbourne). The CMA notes that this might have led to earlier editorial cut-off times, similar to those faced by customers currently printing in Scotland but this is not Merger-specific.
  - (c) By comparison, post-Merger, the JV is expected to have spare capacity for third-party printing in the North of England.
91. One third party submitted that although utilisation alongside capacity were important metrics, it also argued that past numbers are not good indication of the success of the press in the future.<sup>128</sup> It submitted that bidding data only gives an indication of strength of competition in the past, but not in the future and that the main factor of competition is the price at which the printer can print titles and that not all presses are the same.<sup>129</sup> The CMA has considered this concern. However,

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<sup>124</sup> The estimates also indicate that: DMGH would be able to fulfil at most two of the three contracts (and not the two largest) under the counterfactual; and Newsquest would be able to fulfil [redacted] of the three contracts ([redacted]) under both the JV and the counterfactual. Therefore, although under the counterfactual both Parties could have competed for [redacted] three contracts ([redacted]), Reach and Newsquest could have also competed for these contracts.

<sup>125</sup> Response to the CMA questionnaire from third-parties, February 2024

<sup>126</sup> Note of call with a third-party, paragraph 12, November 2023.

<sup>127</sup> FMN, paragraphs 15.11-15.12, Annex 030. Additionally, DMGH internal documents show that when considering the impact of Knowsley's closure, DMGH considered repatriating volumes to Dinnington. See Attachment J.9.

<sup>128</sup> Note of call with a third-party, paragraph 3.

<sup>129</sup> Note of call with a third-party, paragraph 8.

and as stated above, the CMA has placed weight on past bidding data, which is indicative of the competitive dynamics in the market and demonstrates that the Parties are not close competitors. The CMA agrees that the evidence indicates that not all presses are the same. The bidding data does account for relevant factors such as the location of the printing site, the speed and scale of the printing site's capability and some customer-specific factors (eg whether the customer requires broadsheet or tabloid format printing).

92. The CMA has also placed weight on spare capacity, which, in the CMA's view, is a useful indicator to show who will be able to bid for future upcoming contracts. Lastly, the CMA considers that price is an important parameter of competition, and because of economies of scale, pricing might be affected by utilisation, but notes that only printing providers with spare capacity will be able to serve third party customers in the future.

#### 5.3.1.5 *Third party feedback*

93. The CMA has collected views on the strength of the Parties' offerings and closeness of competition from customers and competitors.
94. The CMA asked customers and competitors to identify the 'top printing providers' of newspapers in Great Britain; and rate the strength of their offerings.
- (a) Almost all of the customers that responded identified News UK as one of the top printing providers in Great Britain; and considered its offering to be strong.<sup>130</sup> However, less than half of the customers that responded identified DMGH as one of the top printing providers and considered its offering strong.<sup>131</sup>
- (b) Similarly, while almost all of the competitors that responded to the CMA identified News UK as a top printing provider in Great Britain; and all of them considered its offering to be strong<sup>132</sup>, only two respondents identified DMGH as a top printer<sup>133</sup>, and one of these considered its offering strong.<sup>134</sup>
95. The CMA asked customers and competitors how closely News UK and DMGH compete in the supply of third-party newspaper printing services in Great Britain; and to include if there were any closer competitors or any regional differences.
- (a) Evidence from customers was mixed with half of the customers telling the CMA that DMGH and News UK are close competitors in the supply of

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<sup>130</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>131</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>132</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>133</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>134</sup> Response to the CMA questionnaire from third-parties, February 2024.

newspaper printing services.<sup>135</sup> The other half told the CMA that the Parties are not close competitors,<sup>136</sup> or that they had no views although they stated that Reach is a close competitor to the Parties.<sup>137</sup>

- (b) Evidence from competitors was also mixed with two competitors telling the CMA that DMGH and News UK are close competitors.<sup>138</sup> One competitor told the CMA that the Parties have never competed due to DMGH offering more expensive flexographic printing.<sup>139</sup>

96. Third-party feedback generally supported the Parties' submissions that DMGH is a less attractive option for customers in the South of England as it offers flexographic printing at Thurrock. Three of the customers told the CMA that the higher quality of flexographic printing does not offset the higher costs; and all the competitors that responded said that they do not offer flexographic printing because it is more expensive.<sup>140</sup>

#### 5.3.1.6 *Internal documents*

97. In general, the Parties' internal documents are focussed on their own printing business, and they do not benchmark themselves against other competitors. There is nothing in the internal document to suggest that the Parties view each other as particularly close competitors.<sup>141</sup>

#### 5.3.1.7 *CMA's view on closeness of competition and market structure*

98. In view of the evidence above, the CMA considers that the Parties have not competed closely in the supply of third-party newspaper printing services in either the North of England or the South of England. In particular:

- (a) The Parties' bidding data shows there has been limited competition between them. Generally, News UK has been competing and winning opportunities more often than DMGH. In the North of England, the Parties have not competed for the same contracts and News UK's decision to close its Knowsley site absent the Merger removes the possibility of effective competition between them in the future. News UK has been also competing more for national opportunities and opportunities in the South of England than DMGH. DMGH prints only very small volumes for third parties and has acted as a weak constraint in bidding for contracts.

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<sup>135</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>136</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>137</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>138</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>139</sup> Response to the CMA questionnaire from a third-party, February 2024.

<sup>140</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>141</sup> Attachments K, M, N, O, P, Q, H.1-H.25, I.1-I.52 and J.1-J.14 to the FMN.

- (b) Most third parties told the CMA that News UK is a strong provider of third-party newspaper printing services, whereas fewer (less than half) customers and only two competitors mentioned DMGH as being strong.
- (c) Evidence from third parties generally supported the Parties' submissions that DMGH is a less attractive option for customers in the South of England as it only offers the more costly flexographic printing at its site in Thurrock. According to third parties, flexographic printing is less desirable for customers given its higher costs and competitors choose not to offer it. This indicates that DMGH's Thurrock site may not be a close competitor to News UK's Broxbourne site in the South of England.
- (d) The Parties do not appear to track each other in their internal documents, although the CMA acknowledges that their internal documents seem to focus on their own printing business and do not seem to track other competitors' activities.

99. The CMA also notes that without the Merger the Parties would have competed less closely in both the North and South of England. This is because both News UK and DMGH would have less spare capacity to bid for third party contracts due to the closure of Knowsley (and News UK's lack of a site in the North of England might put off some customers).

### **5.3.2 Remaining constraints**

100. Having considered the strength of competition between the Parties, the CMA has also considered the competitive constraints that would remain after the Merger. The Parties submitted that in the North of England, they face constraints from: Reach (Oldham); Newsquest (Deeside) and Mortons Print (Horncastle)<sup>142</sup> and that in the South of England, they face constraints from: Reach (Watford); Newsquest (Oxford and Weymouth); Iliffe (Cambridge) and Sharman & Co (Peterborough).<sup>143</sup> The Parties believe that all the competitors in both the North and South of England have material spare capacity which will continue to increase over time.<sup>144</sup>

101. The CMA has considered the strength of each of these providers by considering the shares of supply and spare capacity estimates, the Parties' bidding data, the Parties' internal documents and third-party views.

#### **5.3.2.1 Reach**

102. Reach provides newspaper printing services at its three sites in Watford, Oldham and Cardonald. At each of its sites, Reach offers daytime and overnight printing.

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<sup>142</sup> FMN, paragraph 15.22.

<sup>143</sup> FMN, paragraph 15.57.

<sup>144</sup> FMN, paragraphs 15.24 and 15.58.

Reach currently has broadsheet newspaper printing capabilities and carries out printing for broadsheet titles. Reach competes for national contracts.<sup>145</sup>

103. The Parties submitted that Reach is a strong competitor to the JV, accounting for [10-20]% share of supply in the North of England and a [10-20]% of share of supply in the South of England for overnight printing in 2023.<sup>146</sup> Reach is vertically integrated in the supply of newspaper printing services and publishing and until recently was the largest printer for third-party newspapers.<sup>147</sup> Additionally, the Parties submitted that Reach's Oldham site has capacity to take on any of News UK's current customers at Knowsley including the Telegraph and the FT (while also renewing its contract with the Guardian).<sup>148</sup>
104. According to the shares of supply estimates in Tables 1 and 2 above, Reach's share for overnight printing in 2023 was [5-10]% in the North of England and [10-20]% in the South of England.<sup>149</sup> However, as set out in paragraph 80 these shares may not be a good indication of future competition.
105. As discussed in paragraph 88, the CMA estimates that Reach will have capacity to print [X] of the large contracts in the North and South of England.
106. Bidding data indicates that Reach is competing and winning opportunities nationally, and in the North and South of England.<sup>150</sup>
107. Reach told the CMA that it has a large national contract with [X]. Reach submitted that as print volumes begin to decline, [X].<sup>151,152</sup>
108. As noted in paragraph 96 above, the Parties' internal documents do not generally show that they benchmark themselves against other printers. However, almost all of the customers that responded to the CMA identified Reach as a top provider of printing,<sup>153</sup> with most of them considering their offering strong or moderate. Only one customer said Reach's offering is weak due [X] printing at volume (this is discussed in Section 5.3.2.4.2 below). All the competitors that responded to the CMA identified Reach as a top provider of printing and ranked Reach's offering as strong.<sup>154</sup>

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<sup>145</sup> Response to the CMA questionnaire from third party, February 2024.

<sup>146</sup> FNM, Annex 005. Paragraph 80 sets out why these shares may not be a good indication of future competition.

<sup>147</sup> FNM, paragraph 15.33(i).

<sup>148</sup> FNM, paragraph 15.14.

<sup>149</sup> According to the shares of supply estimates, Reach's share for 24-hour printing in 2023 was [5-10]% in the North of England and [10-20]% in the South of England.

<sup>150</sup> FNM, Annex 007.

<sup>151</sup> Response to the CMA questionnaire from third party, February 2024.

<sup>152</sup> Note of call with third party, paragraph 6. [X]. The CMA has considered the respective size of the Parties and its competitors in the shares of supply sections above but given limited weight to these estimates. The CMA considers that spare capacity is a better indicator of the Parties' and its competitors' ability to compete for third party contracts.

<sup>153</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>154</sup> Response to the CMA questionnaire from third-parties, February 2024.



109. Based on this evidence, the CMA believes that Reach poses a strong constraint on the Parties in the supply of third-party newspaper printing services to customers in the North and South of England.

#### 5.3.2.2 *Newsquest*

110. Newsquest operates four printing presses, located in Glasgow, Deeside, Oxford and Weymouth. Newsquest operates both during the day and overnight and can print broadsheet.<sup>155</sup>

111. The Parties submitted that Newsquest is a competitor in both the North and the South of England. It accounts for [10-20]% in the North of England and [0-5]% of share of supply in the South of England for overnight printing in 2023.<sup>156</sup> Newsquest won DMGH's legacy National World contract at the end of 2023.<sup>157</sup> The Parties estimate that Newsquest will have sufficient spare capacity to take on additional customers, noting that it could also likely take on a substantial portion (or possibly all) of the Telegraph's volumes when the contract comes up for renewal, provided that it does not take on the Guardian in the meanwhile.<sup>158</sup>

112. According to the shares of supply estimates in Tables 1 and 2 above, Newsquest's share for overnight printing in 2023 was [0-5]% in the North of England and [0-5]% in the South of England.<sup>159</sup> However, as set out in paragraph , these shares may not be a good indication of future competition. The CMA notes that as Newsquest won the National World contract at the end of 2023,<sup>160</sup> its current share of supply for third party printing is higher. As discussed in footnotes 123 and 124, the CMA estimates that Newsquest will have capacity to print at least two of the large contracts in the North and South of England.

113. The Parties bidding data indicates that Newsquest is bidding for some opportunities nationally and in the North of England and won in few cases. Notwithstanding this, some customers did not consider Newsquest to be a national supplier.

114. Newsquest submitted that they expect to have capacity to bid for smaller national newspapers or offer a regional/partial package to a larger national newspaper if the contracts come up for tender in a few years.<sup>161</sup>

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<sup>155</sup> FMN, paragraph 15.22.

<sup>156</sup> FMN, Annex 005. Paragraph 80 sets out why these shares may not be a good indication of future competition.

<sup>157</sup> FMN, paragraph 15.64(iii).

<sup>158</sup> FMN, paragraphs 15.15 and 15.19.

<sup>159</sup> According to the shares of supply estimates, Newsquest's share for daily printing in 2023 was [5-10]% in the North of England and [0-5]% in the South of England.

<sup>160</sup> National World agrees new print deal with Newsquest, Print Week, 8 August 2023, available [here](#).

<sup>161</sup> Response to the CMA questionnaire from a third-party, February 2024.

115. A third of customers identified Newsquest as a top provider of printing. One customer identified Newsquest as a moderate supplier of third-party printing.<sup>162</sup> This was because Newsquest lacks capacity and a national distribution network.<sup>163</sup> All the competitors that responded to the CMA identified Newsquest as a top provider of printing and almost all of them considered Newsquest to be a strong competitor.<sup>164</sup>
116. Based on this evidence, the CMA believes that Newsquest poses a constraint on the Parties in the supply of third-party newspaper printing services in the North and South of England for most customers.

### 5.3.2.3 *Other printing providers*

117. The Parties submitted that the following printers are also competitors:
- (a) In the South of England, Iliffe Print in Cambridge (which can print up until midnight) and Sharman & Co in Peterborough (which cannot do overnight printing).<sup>165</sup>
  - (b) In the North of England, Mortons Print in Horncastle (which can print up to 18 hours a day).<sup>166</sup>
118. Mortons' share for 24-hour printing in 2023 was [0-5]% in the North of England and [0-5]% in the South of England, Iliffe had a [0-5]% share in the North of England and a [0-5]% share in the South of England, and Sharman & Co. had a [0-5]% share in the South of England.
119. The Parties bidding data indicates that Iliffe has competed for [X] opportunities in the South of England and Mortons has competed for [X] in the North of England. Sharman & Co have [X] competed for [X].<sup>167</sup>
120. Iliffe and Mortons both told the CMA that they can print broadsheet papers but that [X].<sup>168</sup>
121. The customers that responded to the CMA's market testing did not identify Iliffe, Sharman & Co and Mortons as amongst the top printing providers that could meet the customers' requirements. Most competitors identified Iliffe as a top provider<sup>169</sup> and some competitors identified Mortons as a top provider.<sup>170</sup>

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<sup>162</sup> Response to the CMA questionnaire from a third-party, February 2024.

<sup>163</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>164</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>165</sup> FMN, paragraph 15.57.

<sup>166</sup> FMN, paragraph 15.22.

<sup>167</sup> FMN, Annex 007.

<sup>168</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>169</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>170</sup> Response to the CMA questionnaire from third-parties, February 2024.

122. Based on this evidence, the CMA believes that Mortons, Iliffe and Sharman & Co. (either individually or in aggregate) pose a constraint on the Parties in the supply of third-party newspaper printing services in the North and/or South of England, although weaker than the constraint posed by Reach and/or Newsquest.

#### 5.3.2.4 *Third party evidence*

##### 5.3.2.4.1 *Capacity utilisation*

123. One competitor raised concerns about the impact of the Merger on competing third-party providers. In particular, it submitted that the JV will have higher capacity utilisation which will allow it to [redacted] for upcoming opportunities [redacted].<sup>171</sup> The competitor acknowledged that it would have spare capacity, but submitted [redacted].<sup>172</sup> [redacted].<sup>173</sup>
124. The CMA has considered this concern. As an initial point, it notes that no other competitors raised these concerns. To the contrary, the other competitors said they believed the Merger would have a ‘neutral’ impact on competition.<sup>174</sup>
125. The concern raised by the competitor is that the Merger will create an efficient competitor against which it would find it [redacted]. Although the CMA has not seen evidence that it is in fact the case that the JV would be able to bid for contracts [redacted], even if it were the case, it would be to the benefit of customers and competition more broadly.
126. The CMA notes that unilateral effects can arise in a horizontal merger when the merged entity can profitably raise prices or degrade non-price aspects of its competitive offering and that its concern essentially relates to whether there is an elimination of a competitive constraint by removing an alternative that customers can switch to.<sup>175</sup>
127. The CMA notes that neither Party currently outsources a material proportion of its printing requirements.<sup>176</sup> Even without the Merger (ie in the event the Knowsley site shut down), News UK did not intend to outsource its volumes in the North of England, and instead was planning to shift the Knowsley volumes to its sites in Motherwell (outside of Glasgow) and Broxbourne ([redacted]).<sup>177</sup> The competitor will still

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<sup>171</sup> Note of call with a third-party, paragraph 7.

<sup>172</sup> Note of call with a third-party, paragraph 7. The competitor also submitted that as well as some national/larger contracts, it also prints many smaller titles for third parties. There are therefore several titles (not owned by vertically integrated publishers) in the market and post-Merger the JV would have the incentive and ability to bid for these.

<sup>173</sup> Note of call with a third-party, paragraph 18.

<sup>174</sup> Response to the CMA questionnaire from third-parties, February 2024.

<sup>175</sup> CMA129, paragraphs 4.1 and 4.3.

<sup>176</sup> FMN, paragraph 19.10. DMGH currently does not outsource any volumes in the North and South of England to any printers other than News UK. News UK outsources some printing of the *Sun on Sunday* (approximately 1.8% of its total weekly volumes) to Reach’s Oldham site.

<sup>177</sup> FMN, paragraph 11.9

have access to other customers [REDACTED]. Even if the JV will have higher capacity utilisation, the competitor has not demonstrated that the JV will [REDACTED] from other providers.

128. On this basis, the CMA considered that the concerns raised by the competitor [REDACTED] are unfounded and, even if they were not, the dynamic described by the competitor would benefit customers.
129. [REDACTED].<sup>178</sup> The CMA has undertaken its assessment of the Merger based on the impact of the Merger on competition and customers based on the evidence available at the time. The CMA has not seen any evidence from the competitor that it would [REDACTED] and therefore the CMA has not taken any hypothetical [REDACTED] into account in its assessment.

#### 5.3.2.4.2 *Secondary distribution*

130. The same competitor raised a concern that as a result of the JV, it will be in a worse position to negotiate with distributors, [REDACTED]. In particular, it submitted that the JV will have increased negotiating power with distributors (given its volumes) [REDACTED].<sup>179</sup>
131. Additionally, it articulated particular concerns around the impact of any delays in delivery to the wholesale depot. It submitted that all printers have a set deadline (3-4 am) to deliver newspapers to the wholesale depot, and any printer who misses this deadline has papers delivered late to the shops which has an impact on sales as well as reputation. Post-Merger, it believes that the distributors will afford the JV greater flexibility around the deadline (which will not be extended to other printing providers).<sup>180</sup>
132. The Parties have submitted that each of News UK and DMGH, in their capacity as publishers, [REDACTED].<sup>181</sup> The CMA notes that the JV will therefore not be negotiating a joint contract.
133. Further, the CMA notes that when a title misses a deadline at the wholesale hub for onward distribution, vans will return to collect any titles for delivery during a later slot. This 're-run' or 'double-run' will result in the newspaper publisher paying additional charges to the distributor.<sup>182</sup>
134. Given this background, the CMA does not consider that the distributors would have the incentive to offer the JV greater flexibility around the deadline. Neither does it seem likely that the JV will impact third parties' ability to negotiate with the

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<sup>178</sup> Note of call with a third-party.

<sup>179</sup> Note of call with a third-party, paragraph 21.

<sup>180</sup> Third party presentation to the CMA.

<sup>181</sup> Parties' response to RF12, paragraph 1.15, 12 January 2024 (RF12 Response).

<sup>182</sup> RF12 Response, paragraph 2.1.

distributors. On this basis, the CMA considers the arguments presented by the competitor as unfounded.

#### 5.3.2.4.3 *Printing format*

135. One customer raised a concern that post-Merger, only the JV will have the capabilities to print its newspapers in the preferred format.<sup>183</sup> The customer noted that it has specific printing requirements [redacted]. The customer said that only News UK and DMGH are capable of printing its product nationally in the current [redacted] format [redacted]. It submitted that other printers [redacted].<sup>184</sup> [redacted].<sup>185</sup> As a result, this customer was concerned that the JV would remove the competitive tension which this customer relied on in securing competitive offering for its newspaper printing contract – [redacted].<sup>186</sup>
136. On this issue, the CMA has gathered evidence from the customer, the Parties and competitors, including Reach. According to this evidence, the CMA considers that this customer would have been in a similar position with or without the Merger.
137. In the counterfactual, the evidence indicates that, after the closure of Knowsley, DMGH would have had to repatriate its volumes and would have little or no spare capacity to print the largest customer contract in the North of England (see paragraph 80(d), 88(a) and 90(a)). The Parties submitted (and this is corroborated in their internal documents) that without the Merger the printing press sites at Broxbourne (News UK) and Dinnington (DMGH) would have no spare overnight capacity. DMGH also submitted that following the closure of Knowsley spare capacity at its sites would be used to print volumes of DMGH titles repatriated from Knowsley rather than to serve third parties. Consequently, the Merger does not reduce the number of suppliers that would be able to meet this customer's requirements as, absent the Merger, DMGH would not have had spare capacity to print this customer's newspaper [redacted].
138. The CMA notes that although not all printing providers may have the same abilities to print [redacted] newspapers, each of the Parties and Reach, Newsquest, Iliffe Print and Mortons have [redacted] capabilities.<sup>187</sup> Different suppliers' capabilities may vary according to the speed at which their presses operate, the volume that they can print, the level of capacity that they have available and where they are located. The same presses can be configured to print [redacted].<sup>188</sup>

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<sup>183</sup> It also noted that the JV will be owned by publishers, who also compete directly with the customer.

<sup>184</sup> Response to the CMA questionnaire from third-party, February 2024.

<sup>185</sup> Response to the CMA questionnaire from third-party, February 2024.

<sup>186</sup> Response to the CMA questionnaire from third-party, February 2024.

<sup>187</sup> FMN, paragraph 13.31; Response to the CMA questionnaire from third-parties, February 2024.

<sup>188</sup> FMN, paragraph 13.31; RFI2 Response, question 5. This was also confirmed by a competitor. Third party response to RFI, paragraph 13.1, 17 January 2023.

139. After the Merger, the customer will be able to use the JV [X] and, potentially, Reach on a national basis.
140. This customer submitted that Reach is unable to meet its [X] requirements [X] and this is the main reason that it is not a good alternative to either of the Parties.<sup>189</sup> Reach agreed that [X] requirement is an issue. However, it said that it could meet the customer's requirement if the contract enables Reach to invest in the necessary equipment<sup>190</sup> or if the customer makes some changes in relation to its product format.<sup>191</sup> The customer said that, absent the Merger, [X].<sup>192</sup> However, Reach considers that it is a realistic prospect that the customer [X]. In this regard, Reach submitted that publishers can choose to alter their printing requirements in order to obtain competitive printing tenders,<sup>193</sup> [X].<sup>194</sup>
141. Although the CMA acknowledges the customer's comment on [X], the CMA notes that this customer also has the option of introducing more competition in the tender process by inviting other providers with the necessary capabilities in order to enter into regional contracts with them.
142. In relation to [X] printing, the evidence that the CMA has assessed indicates that:
- (a) Conditions of competition from previous tender rounds are unlikely to be replicated in the future even without the Merger. For the reasons discussed above, News UK's closure of Knowsley would have meant that News UK could service [X] from sites located in Scotland and the South of England, but DMGH would not be in a position to offer printing services on [X]. Therefore, even without the Merger there will be a loss of choice for customers awarding [X] printing compared to their previous tenders;
  - (b) to the extent that a customer requires [X] on a single, national contract, Reach may be a feasible option. However, the evidence strongly suggests that Reach would need to invest in additional equipment [X];
  - (c) customers requiring [X] might have the option of splitting contracts by geography. In this scenario, customers are likely to have more choice (paragraph 138) however, the CMA acknowledges that some customers may not wish to split contracts.
143. Based on the evidence above, the CMA believes that the Merger itself will not reduce the number of national suppliers that would have been able to meet this

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<sup>189</sup> Email response from a third party, February 2024.

<sup>190</sup> Third party response to RFI, paragraph 13.1, 17 January 2023.

<sup>191</sup> Third party response to RFI, paragraph 4.10 and footnote 20, 17 January 2023.

<sup>192</sup> Response to the CMA questionnaire from third-party, February 2024.

<sup>193</sup> In particular, it provided the example of The Guardian, who changed its print format from the traditional 'Berliner' format to 'Tabloid' in order to take advantage of lower print costs ([Guardian and Observer to relaunch in tabloid format | The Guardian | The Guardian](#)). Third party response to RFI, paragraph 13.3 and footnote 20, 17 January 2023.

<sup>194</sup> Third party response to RFI, paragraph 13.3, 17 January 2023.

customer's particular requirements and, moreover, there are some options for customers that require [redacted].

#### 5.3.2.5 *View on alternative constraints*

144. On the basis of the evidence above, the CMA believes that the JV will be constrained by Reach, an established provider of third-party newspaper printing services in the North and South of England. Newsquest will pose a constraint on the JV in both the North and South of England. Either individually or in aggregate, Iliffe, Mortons and Sharman & Co. appear to also provide a constraint in the North and/or South of England, although weaker than the constraint posed by Reach and Newsquest.

### 5.3.3 **Conclusion on horizontal unilateral effects**

145. The evidence reviewed by the CMA indicates that the Parties are not close competitors in the supply of third-party newspaper printing services in either the North of England or the South of England.

146. While the Parties' shares of supply estimates appear high (particularly when looking at overnight printing), the CMA notes that DMGH represents a modest increment to News UK's existing shares of supply, and the shares of supply estimates are likely to overstate DMGH's current share and the Parties' current combined share. This is because DMGH stopped providing services to a large customer at the end of 2023 and the Parties' shares would have likely decreased further in without the Merger due to the closure of News UK's Knowsley site. The CMA has accordingly placed more weight on other evidence, as set out below.

147. The Parties' bidding data indicates that there has been limited competition between the Parties. Rather it indicates that News UK has been bidding mainly for national contracts and in the South of England, whereas DMGH has been competing more in the North of England and generally it has been less successful than News UK. In particular, in the North of England, the Parties have not competed for the same contracts and News UK's decision to close its Knowsley site in the counterfactual removes the possibility of effective competition between them in the future. In the South of England, News UK is the strongest bidder, but DMGH only bid for [redacted] for which it was unsuccessful. Third party feedback similarly indicates that DMGH may not be a close competitor to News UK, particularly in the South of England, where DMGH only offers the more costly flexographic printing at its site in Thurrock.

148. The spare capacity estimates indicate that, compared with the counterfactual scenario, the JV will create more capacity in the North of England and will have a limited impact on capacity in the South of England.

149. For a subset of customers who have specific requirements – eg [X] – the CMA considers that conditions of competition from previous tender rounds are unlikely to be replicated in the future even without the Merger. For the reasons discussed in this Decision, News UK’s closure of Knowsley would have meant that News UK could service [X] from sites located in Scotland and the South of England, but DMGH would not be in a position to offer printing services on a large, single national contract.
150. The CMA also received evidence that the JV will face a strong competitive constraint from Reach, and will be also constrained from Newsquest, in both the North and the South of England, as well as a limited competitive constraint from Iliffe, Mortons and Sharman & Co in the North and/or the South.
151. 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.

#### **5.4 Vertical effects**

152. The CMA also considered if the JV could cause any loss of competition due to vertical effects. In particular:
- (a) whether the JV could foreclose downstream third-party publishers by not printing the publishers’ newspapers;
  - (b) whether the JV could foreclose newspaper distributors by not supplying them with newspapers printed by the JV; and
  - (c) given DMGH uses third-party printing providers for printing some of its newspapers, whether the JV could foreclose upstream printers if the JV prints all its volumes in-house.
153. The CMA notes that the foreclosure concerns at paragraph 149(a) would be covered by the assessment of horizontal unilateral effects in the supply of third-party newspaper printing services considered above. When considering whether a merged entity will have the ability to foreclose downstream rivals, the CMA will consider position of the merged entity in the upstream market, including the constraint from upstream rivals, as well as the importance of the input.<sup>195</sup> In this case, as set out above, the JV will face constraints from other printers in both the North and South of England, so rival publishers will have access to alternative printing suppliers. Moreover, as noted above, the evidence indicates that in the North of England there will be more spare capacity to serve customers under the

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<sup>195</sup> [CMA129](#), paragraph 7.14.



JV than under the counterfactual, and that in the South of England the JV will have a limited impact on spare capacity and that there will still be excess spare capacity.

154. In relation to the foreclosure concern at paragraph 149(b), the CMA notes that there are only two wholesale distributors – Menzies and Smith – in the UK, each of which operate a network of exclusive territories<sup>196</sup> and considers that the JV may not have the incentive to foreclose the distributors. As set out in paragraph 132 above, [3<]. The CMA also notes that the Parties do not compete with the wholesale distributors, and it is in their interests to maximise distribution capacity and ensure their papers are distributed nationally on a timely manner.
155. In relation to the concern at paragraph 149(c), the CMA notes that neither Party currently outsources a material proportion of its printing requirements.<sup>197</sup> Third party printing providers will still have access to other customers and, when vertically integrated, their own newspapers volumes.
156. For the above reasons, the CMA considers that the JV may not cause a loss of competition due to vertical effects and did not consider these concerns further.

## **6. ENTRY AND EXPANSION**

157. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. The CMA will consider entry and/or expansion plans of rivals who do so in direct response to the merger as a countervailing measure that could prevent an SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>198</sup> As the CMA has concluded that the merger does not give rise to competition concerns, it is not necessary to consider countervailing factors in this decision.

## **7. THIRD PARTY VIEWS**

158. The CMA contacted customers, competitors and distributors of the Parties. A few third parties raised concerns regarding the available capacity in the North of England, the impact of the Merger on competing third party providers and secondary distribution, and the options available to customers to print in their preferred format post-Merger. No other third parties raised concerns about the Merger.

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<sup>196</sup> FMN, paragraph 13.9; Attachment B.1.

<sup>197</sup> FMN, paragraph 19.10. [3<]

<sup>198</sup> [CMA129](#), paragraph 8.31.

159. Third party comments have been taken into account where appropriate in the competitive assessment.
160. The CMA also received a concern from a customer with respect to its future contractual arrangements with [X]. However, the CMA considers it is not a Merger-specific concern, and as such it has not considered it as part of the competitive assessment above. In particular, this customer noted that [X]. This customer is concerned that if it had to buy newsprint itself it would lose the efficiencies that come from buying in large quantities [X].<sup>199</sup>
161. The Parties have submitted that they will continue to procure newsprint separately. [X]. The Parties submit that the JV's purchasing power in relation to newsprint will be no greater than News UK's on a standalone basis.<sup>200</sup>
162. The CMA notes that the customer's concerns [X]. Given that these arrangements are outside the scope of the JV, this does not appear to be a Merger-specific concern.

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<sup>199</sup> Response to the CMA questionnaire from third-party, February 2024.

<sup>200</sup> FMN, paragraph 17.2.

## **DECISION**

163. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.
164. The Merger will therefore not be referred under section 33(1) of the Act.

**Tim Geer**  
**Director**  
**Competition and Markets Authority**  
**21 March 2024**