

New distribution company was jointly established by three significant Hungarian publishers

The application

The application was submitted by the Ringier Kft., the Népszabadság Zrt. (they both make up the Ringier-group), the Sanoma Zrt. (Sanoma group) and the F-Log AG (providing integrated logistics services). The undertakings wanted to set up a new distribution company – the MediaLOG Zrt – under the joint control of the applicants which main aim was to provide newspaper delivery services.

The MediaLOG Zrt. wanted to provide national subscription services for newspaper delivery using partly its own distribution system, partly the system of the subcontractor Magyar Posta (Hungarian Post).

The Ringier Kft., the Népszabadság Zrt. and the Sanoma Zrt. jointly established the Magyar Előfizetői Vagyonkezelő Kft. (MEV Kft.) to fulfil the management tasks of the MediaLOG Zrt.

The 51% of the shares of the MediaLOG Zrt. is owned by the F-Log AG, and 49 % is owned by the MEV Kft. A seven-member Board of Directors exercise the general management of the company. Three members are the representatives of the MEV Kft., and four members are delegated by the F-Log AG. One of the F-Log representatives is announced to deal with the daily affairs as a CEO.

The Hungarian market, and the market situation of the applicants

Newspaper distribution

It was stated in the decision made in relation to the merger application that the newspaper distribution can be divided into two parts. One part of the newspapers is distributed through vendors, and the other part is distributed through subscriptions. This case was focusing only on the subscription services, because the market of newspaper distribution through vendors is dominated by a separate undertaking, (Lapker Zrt.) which owns nearly the 100 % of the shares.

The subscription press distribution requires an extensive distribution system, as well as logistics and transportation equipment. Important to mention that prior this merger application a nationwide press distribution was provided only by the Magyar Posta which owned the 50 % of the shares.

Within the subscription press distribution a differentiation can be made between the daily and other papers (seasonal, weekly, fortnightly, monthly publications), as in case of the daily papers an early morning delivery should be guaranteed every day which presupposes the collection of newspapers by night, and ensures the early morning availability for the public. At the time of submitting the merger application, only the Magyar Posta distributed national dailies.

Paper publishing

In Hungary plenty of undertakings are dealing with paper publishing. The two main published categories are daily newspapers and the magazines which two significantly vary from each other in price and in quality. Within the category of daily newspapers, there is a clear distinction between the local and national papers.

As regards the national dailies, the main publisher is the Ringier-group, which (based on the number of copies)

- owns the 60 % of the market share of the political daily press (by the Népszabadság),
- as regards the boulevard daily-papers (Ringier Kft.), it has the market share around 80 %,
- was the only sports daily publisher in the country.

As regards the magazines (based on the income figures)

- the Sanoma-group has the market share around 20-30%
- the Ringier-group owns less than 5% of the market shares

Legal assessment

During the procedure, the GVH analysed the horizontal, vertical, portfolio and conglomerate effects of the concentration.

In relation of horizontal effect, it has been established that since the founding companies are not combining their similar activities carried out before, therefore, theoretically horizontal effect cannot be expected. However two from the founders, the Ringier group and the Sanoma group are also present on the magazine publishing market, the cooperation within the frames of a joint venture can raise the risk of coordination restricting competition. It could be stated that within the publishing, the magazines and newspapers do not belong to the same commodity market. On the market of publishing daily newspapers, from the two groups of undertakings, the Ringier group is the only one which is present on the market, so in this respect there is no question of the possibility of coordination. On the market of publishing magazines both groups of undertakings are present, but their market share is less than 30 % which means that thus the risk of coordination is not so high what would establish dominant position. Taking into account the above mentioned facts no restrictive effect could be identified regarding the concentration.

The existence of vertical effect was clearly stated, having regard to the fact that the joint venture was set up to carry out an activity, which is the subsequent step after the founder undertakings basic activity in the production-distribution chain. It was stated, that in case of authorizing the merger, the MediaLOG Zrt. should not have to reckon with significant competition on the market of subscription national daily newspapers. In addition, on the market of nationwide distribution of magazines it also could not be excluded that the competitor Magyar Posta will be crowded out or appreciably suppressed from this market. In this case, the applicant Ringier group and Sanoma group could have the opportunity to discriminate other undertakings, or to obtain important information on competitors through the control of the MediaLOG Zrt., which could have a restrictive vertical effect in terms of

competition. According to the point of view of the Competition Council (CC) of the GVH, in case of fulfilment of the commitments outlined below, these adverse effects could be eliminated, thus in this respect the CC could not find any reason to prohibit the merger.

The GVH established that any adverse portfolio and conglomerate effect through creation of a new undertaking could not be identified.

Decision

The Competition Council approved the concentration, imposing the following requirements in the same time:

- Through their joint management rights the applicants will ensure that the MediaLOG Zrt.:
 - provides conditions subscription newspaper and magazine distribution services to all parties wishing to use it under the same, and
 - does not reveal any business secret obtaining from parties using its above mentioned services.