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Ringier renounces intentions to acquire Bors

Ringier has desisted from its intention to acquire control over Híd Rádió publishing the daily newspaper Bors and has withdrawn its application for authorisation submitted to the Hungarian Competition Authority (GVH). The GVH therefore terminates the proceeding.

Yesterday Ringier Kiadói Kft. (Ringier Publishing hereinafter Ringier) publishing the daily tabloid Blikk withdrew its application for authorisation of the acquisition of control submitted to the GVH. In November 2008 Ringier applied for the authorisation of the GVH to purchase 100% shares of Híd Rádió publishing the daily paper Bors. The GVH carried out the investigation in the case. In its preliminary standpoint, the GVH stated that by acquiring control over Híd Rádió, the Ringier-group would be in a dominant position on the market of tabloid daily newspapers, therefore the GVH would refuse to grant authorisation for the concentration. The first hearing in the case was held on 17 June 2009, but no decision was made. The next hearing would have taken place on 29 June 2009, however, Ringier informed the GVH on 25 June 2009 that it would withdraw its application since it did not wish after all to acquire control over Híd Rádió. Therefore the GVH terminates the proceeding.

Background of the case:

The buyer would have been Ringier, member of the Ringier-group controlled by the Swiss Ringier AG. As a main profile, it publishes newspapers and also runs Ringier Printing-house where besides the newspapers published by it, the printing of the daily newspaper Népszabadság – also belonging to the group Ringier – has also been carried out since January 2006. Ringier publishes the tabloid Blikk, Vasárnapi Blikk (Sunday Blikk), the daily Nemzeti Sport (National Sport), the weekly Képes Sport (with pictures), and with other undertakings jointly publishes Blikk Nők (women's weekly), Tina, Bravo, Bravo Girl, Buci Maci, Ifjúsági Magazin (youth Magazine) and the Hot magazines. Népszabadság Kiadó és Nyomdaipari Zrt. (publishing and printing) publishing the national political daily newspaper Népszabadság, and Primus Népszabadság Médiakepviseleti Kft. (media agency) providing advertisement management, phototypesetting, operation and computer services for Népszabadság also belong to the Ringier-group. Ringier and Népszabadság with another third undertaking jointly control Magyar Előfizető Vagyonkezelő Zrt (Hungarian Subscribers' Trust, MEV), which possesses 100% shares of MédiaLOG Logisztikai Zrt. dealing with nation-wide subscription-based paper distribution in Hungary. The seller would have been Híd Rádió Zrt. This undertaking publishes the tabloid Bors (earlier known as Színes Mai Lap until 26 October 2004; and Színes Bulvár Lap until 28 May 2007), and operates Sztár FM Rádió. In November 2008 the parties applied for the authorisation of the concentration at the GVH. The transaction did not concern Sztár FM radio belonging to Híd Rádió Zrt., since

Sztár FM radio would have dissolved from the latter undertaking as an independent company.

In order to establish the effects on competition arising from the concentration the GVH conducted a detailed sector analysis. On the basis of the preliminary standpoint of the GVH, the essence of the tabloids is the important role of mostly sensationalized and scandalized topics about the private lives of celebrities and stars. Besides the above, stories affecting emotions and attracting attention in connection with other topics (politics, economy, crimes etc.) are published in a free and easy style and accompanied with a lot of pictures. In Hungary there are three nation-wide distributed daily tabloids that correspond to the above criteria: *Blikk*, *Bors* and *Napi Ász*. Their prices are quite the same, however, there is a significant difference in sales. The three tabloids are also quite similar in content. Based on the information provided by Magyar Lapkiadók Egyesülete (Hungarian Publishers' Association) there have always been three daily tabloids in the recent 20 years in Hungary similarly to the present situation. Other tabloid papers could only stay on the market for a short period of time: in the middle of the 90s *Pesti Riport* and *Pesti Bulvár* for one-two weeks, recently *Képes Bulvár* for only some months between May-August 2004. The total number of daily tabloids sold per day – fluctuating between 300 and 350 thousand – has not changed significantly since 2003.

Besides tabloid papers, tabloid-like contents are also disclosed by other means of media. Regional daily papers are also interested in similar topics, however the topics are chosen and highlighted according to different aspects. Furthermore, the choice of topics is mostly regional-oriented contrary to the tabloids that are basically nation-wide. As an important difference in content from daily tabloids, it is evident that weekly tabloids (*Story*, *Best*) cannot disclose any actual daily news. Besides that, there is another difference concerning their overlapping content (stories and gossips about celebrities): stories about celebrities of the daily tabloids are often of daily actuality, which cannot be obviously provided by non-daily tabloids. The weekly tabloids cost more than twice as much as the daily tabloids. *Metropol* (originally known as *Metro*) that has been published since 1998 – free of charge – is substantially different in content from the national daily tabloids. It focuses on completely different topics. *Metropol* is almost not at all interested in the usual tabloid topics about the personal lives of celebrities; its topics and style are also different from those of the daily tabloids. *Metropol* is only available in Budapest and in bigger cities, and even there especially at traffic intersections and other fix points.

Programs with tabloid content on radio or TV (e.g. *Sláger Bumeráng* or *Danubius Pirítós*, and *TV2 Aktív* or *RTLklub Fókusz*) also differ from daily tabloid papers since the way they are “consumed” significantly differs from paper reading. A program on radio or TV can treat simultaneously neither in time nor in space such a high number of topics than the daily tabloids. Neither of them is able to make the same content available within the same time and in the same manner necessary for reading a tabloid paper. Due to the constraints of the program structure on radio and TV, the reception of the content is more bound to time than in the case of printed media.

Thanks to the spread of the Internet, online media with tabloid content, among them online versions of daily paper-based tabloids have become available for a wide range of consumers. As a significant difference between reading online and reading daily printed tabloids, some of the electrical appliances are bound to space and are not paper-based.

In the course of the investigation of the concentration, the GVH established in its preliminary standpoint that the Ringier-group has 73,2% and *Híd Rádió*, thanks to the newspaper *Bors*,

21,2% of shares on the daily tabloid market. With such a high percentage of shares, the creation of dominant position can only be avoided in a special case e.g. if the range of undertakings competing with each other gets wider in the future. However there is only a slight chance for that since there have always been three players on the market in the past 20 years. The situation would have not changed even after the concentration since Ringier was planning to publish Blikk and Bors simultaneously, though with different content. However, based on the preliminary standpoint of the GVH, this would not facilitate the newcomers entering the market; the new entrants would have even less possibilities in acquiring enough readers for an effective functioning by publishing daily tabloids that are different from the ones already existing on the market.

On the other hand the appearance of new entrants is unlikely also because of the fact that the market of daily tabloids has been stagnant since 2002. In spite of this fact some newcomers have made some attempts to enter the market, but all of them have failed. Moreover, the more significant market players that were interviewed by the GVH stated unequivocally that they wished neither to enter the daily tabloid market nor to increase the rate of tabloid content. Based on all the above mentioned, according to the preliminary standpoint of the GVH, the new undertaking - as the result of the planned concentration - would not have had to face significant competition, thus the Ringier-group would have got into an economic dominant position on the readers' market of daily tabloid papers.

The creation (strengthening) of a dominant position by acquisition does not provide ground in itself for the prohibition of the concentration. According to the Competition Act, the GVH may not refuse to grant authorisation for a concentration where the concentration does not create or strengthen a dominant position, which would impede the formation, development or continuation of effective competition on the relevant market. According to the preliminary standpoint of the GVH, by Blikk and Bors getting under the same control, competition would be lessened since the two papers are the most significant competitors of each other. In the recent years, Bors by increasing its market shares has put a more and more intense competition-pressure on Blikk; thus as a result of the concentration, the Ringier-group would prevent this sole and increasing competition-pressure. Furthermore, the shares of the third player on the market, Napi Ász is minimal and about to decrease; even the applicants considered this player as a small and insignificant competitor.

The GVH also analysed the advertisement market in the course of the investigation, and concluded that in the case of tabloid papers the theoretical relationship between the reader and advertising market is rather limited. Based on the information acquired in the course of the investigation, the readers' demand for Blikk and Bors is not elastic (i.e. even 10% increase in price can be carried out without significant losses in sales), the advertising market does not react to small changes in sales and only a small income of the daily tabloids derives from advertisement. Therefore, the preliminary standpoint of the GVH states that the creation of a dominant position on the readers' market cannot even be prevented by conditions on the advertisement market.

Nevertheless the GVH could have cleared the transaction in spite of the facts mentioned if the advantages of the concentration would have overpassed the disadvantages resulting from the creation, strengthening of the dominant position. For instance it would be an advantage if more favourable prices and quality were available on the market resulting from the fact that the increasing of competitiveness cannot be possible otherwise. Based on the preliminary standpoint of the GVH, it is not the lessening of competition, but competition pressure which guarantees that the advantages mentioned prevail against the

disadvantages. However, there is slight chance for competition pressure if the Ringier-group gets into an increasing economic dominant position by the concentration.

The Ringier-group also referred to the fact that, by this concentration, the maintenance and long-term competitive functioning of a daily tabloid newspaper – also beloved by content consumers and advertisers – can be assured. Based on the practice of the GVH, the circumstance that without the concentration further market functioning of the undertaking to be acquired is endangered can only constitute grounds for the authorisation of the concentration, which is otherwise disadvantageous, if the applicant proves that the undertaking would not in deed be able to stay on the market and there have not been any other bids for the acquisition of the undertaking that are less disadvantageous. The Ringier-group has not submitted any evidence on the merits for complying with the above-mentioned indispensable conditions. Furthermore, according to the GVH, by the concentration the Ringier-group would have had the opportunity to increase the barriers to entry, which were high anyway. Therefore the “rescuing” of Bors by the Ringier-group was not considered to be an advantage of the concentration by the preliminary standpoint of the GVH. Furthermore, the statement of the applicant on further maintenance of Bors was not considered a binding commitment. The Ringier-group could have decided later on without any competition consequences to terminate the publishing of Bors.

Therefore, since by acquiring control over Híd Rádió the Ringier-group would have got into an economic dominant position on the market of daily tabloids, without any advantages which could counterweight the disadvantages resulting from the increasing of the economic dominant position, in its preliminary standpoint, the GVH intended to prohibit the concentration.

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