



## **DETERMINATION OF MERGER NOTIFICATION M/07/002 – EASON/MENZIES/EM NEWS DISTRIBUTION**

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### **Section 21 of the Competition Act 2002**

#### **Proposed Joint venture between Eason and Son Limited and Menzies Distribution Limited**

**Dated 1/02/07**

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#### **Introduction**

1. On 5 January 2007, the Competition Authority (“the Authority”), in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposed joint venture between Eason and Son Limited (“Eason”) and John Menzies plc. The proposed joint venture involves merging Eason News, the newspaper magazine and distribution business of Eason, with Menzies Distribution Limited (“MDL”) on the island of Ireland
2. It is proposed that the joint venture will be managed in the State through EM News Distribution (Ireland) Limited and in Northern Ireland and Donegal through EM News Distribution (NI) Limited.<sup>1</sup>
3. The Competition Authority received two written submissions from third parties in relation to the proposed transaction and also received oral submissions from one of those third parties.

#### **The Undertakings Involved**

4. Eason, a company incorporated in 1886, is active both in the State and also in Northern Ireland through a subsidiary established in the early 20<sup>th</sup> century. Eason operates through four main businesses:
  - Retailing;
  - Wholesale book distribution;
  - Wholesale stationary distribution; and,
  - Wholesale newspaper and magazine distribution (Eason News).Eason is active in retailing and newspaper and magazine wholesaling in Northern Ireland.
5. Eason also has activities in: advertising through Eason Advertising Services Limited which handles advertising for clients; retailing in South East England; and, an interest in an electronic card business in South Africa.
6. In its year ended January 2006 the Eason Group generated turnover of €451 million with €318 million generated in the State.

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<sup>1</sup> In accordance with Section 16(4) of the Act, the creation of a joint venture that performs on an indefinite basis all the functions of an autonomous economic entity shall constitute a merger.

7. MDL is a wholly owned subsidiary of John Menzies plc, a company listed on the London Stock Exchange. MDL provides distribution and marketing services to the newspaper and magazine supply chain in the UK. MDL is active in wholesale newspaper and magazine distribution in Northern Ireland. It also has some wholesale accounts in County Donegal, serviced by its Belfast depot.

## **Analysis**

8. The activities of Eason News and MDL overlap in the wholesale and distribution of newspapers and magazines.
9. Eason News is active in the wholesale distribution of newspapers and magazines in the State and in Northern Ireland.
10. MDL is active in the State but its activities in the State are limited to the distribution and wholesale of newspapers and media products in County Donegal only. Historically, for logistical reasons, the distribution and wholesale of news and media products in Donegal has been undertaken by wholesalers located in Northern Ireland.<sup>2</sup> All of MDL's other wholesale and distribution activities take place outside the State.
11. In the State there will be no change in the competitive position as a result of the merger. The joint venture will simply replace the wholesale and distribution activities of Eason News throughout the State (except County Donegal), but will not affect the structure of the market or competition between wholesale distributors of newspaper and magazines as John Menzies plc is not active in the State (with the exception of County Donegal).
12. The competitive situation is different in Northern Ireland where the undertakings involved activities directly overlap and together would account for approximately a [.]% in the distribution of newspapers and almost [.]% in respect of magazines. This will occur in an already concentrated market. The Authority does not have jurisdiction over Northern Ireland and is aware that the matter is being reviewed by the Office of Fair Trading.
13. The proposed transaction does not, therefore, give rise to competition concerns in the State.
14. Concerns have been raised by third parties in relation to conduct that currently occurs in the market. These concerns largely relate to the terms and trading conditions that exist between newspaper and magazine distributors and wholesale distributors, and also between wholesale distributors and retail outlets. Given that the concerns do not relate to a change in either the competitive position or the competitive dynamics that may arise as a result of the proposed merger, they are not examined further in this Determination.<sup>3</sup>

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<sup>2</sup> There is minimal overlap between Eason and MDL in County Donegal. Eason has one retail franchise store in Letterkenny which is supplied by MDL, and other Northern Ireland distributors. This overlap is considered to be minimal in scope and does not raise foreclosure concerns since it does not satisfy the criteria set out in Competition Authority, 2002, *Notice in respect of the Guidelines for Merger Analysis* Decision No. N/02/004.

<sup>3</sup> Note that the Competition Authority as a matter of procedure considers any complaint it receives from market participants or representative bodies relating to allegations of anti-competitive conduct. Furthermore, Section 14 of the Act gives a right of private action in the Courts to persons aggrieved by behaviour that infringes the Act and any complaint to the Authority does not affect any rights a party may have under this section.

## **Determination**

The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed joint venture between Eason and Son Limited and John Menzies plc will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

## **For the Competition Authority**

Dr. Paul K. Gorecki  
Member of the Competition Authority