

MEDIA RELEASE

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Competition Commission prohibits knock and drop distribution merger

The Competition Commission has prohibited the acquisition of Primedia@Home, a printed advertisement distribution business of Primedia (Pty) Ltd, by Paarl Media (Proprietary) Limited (“Paarl”), jointly controlled by Media 24 Limited and Lambert Phillips Retief. The Commission found that this transaction would substantially lessen competition in the market for knock and drop leaflet distribution.

This transaction was previously approved by the Commission on 25 January 2011; however, Caxton and CTP Publishers and Printers Ltd (“Caxton”) asked the Competition Tribunal (“Tribunal”) to review it. On 25 July 2011, the Tribunal set aside the Commission’s decision to unconditionally approve the merger and the matter was sent back to the Commission for its reconsideration.

The new investigation uncovered further information, including strategy documents that were not previously submitted to the Commission by the merging parties. This information indicated that there was vigorous competition between the merging parties, being the two main national players in the market for knock-and-drop leaflet distribution. This is contrary to the arguments made by the merging parties that they competed in a broader market which included community newspapers and other media. The Commission’s investigation concluded that the merger will thus substantially lessen competition.

The Commission further took into account that this market is highly concentrated with significant barriers to entry which makes it difficult to enter the knock-and-drop distribution market and be an effective competitor at a national level. Consideration of the ability of those in other distribution modes, like newspapers, to perform knock-and-drop distribution nationally indicates that this constraint is not significant and highly unlikely to materialise.

In addition, the merged entity (through Paarl) has a leading position in printing, particularly heatset printing and will, by virtue of the transaction, be in a position to leverage its position in distribution into the printing market, and foreclose its rivals in printing and distribution, to the detriment of competition in these markets.

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