



GAZDASÁGI
VERSENYHIVATAL

The GVH cleared concentrations relating to Magyar RTL Televízió Zrt.

The Gazdasági Versenyhivatal (Hungarian Competition Authority – GVH) authorised RTL Group Central and Eastern Europe GmbH (RTL CEE) - that belongs to an international undertaking-group engaged in operating RTL channels - to acquire sole control over IKO Média Holding Zrt. (IMH) that has ownership rights in Magyar RTL Televízió Zrt. (M-RTL). In addition to this, after obtaining the position statement of the Media Council of the National Media and Infocommunications Authority for the approval of the concentration, the GVH cleared the transaction through which M-RTL acquired sole control over IKO Televisions Kft. (IKOT), and at the same time, accepting commitments from the parties. The latter concentration resulted in the acquisition of the broadcasting and advertising rights of Cool, Sorozat+, Prizma, Muzsika, Reflektor, Film+ and Film+2.

The international RTL-group has already acted on the Hungarian market as one of the main investors of the Hungarian RTL Klub. Due to the acquisition of RTL CEE IMH – that also belongs to the undertaking-group – the RTL-group continued to increase its shares in M-RTL. This transaction was authorised by the GVH without the imposition of conditions or acceptance of commitments on the parties concerned in a Phase I procedure. Even though several channels of the international RTL-group can be reached from Hungary (for example: RTL, VOX, RTL II, Super RTL eg.) and therefore the parties to the transaction have several television channels in Hungary, the GVH came to the conclusion that the transaction would not have harmful effects on competition as these channels are not from any viewpoint (viewers, advertisers) substitutes to the M-RTL channel, the RTL Klub. The channels described above are – in contrast to RTL – not Hungarian channels and are primarily not targeting Hungary, thus they all have a marginal significance from a Hungarian perspective.

The other concentration (the acquisition of sole control over IKOT by M-RTL) concerned Hungarian channels broadcasting their programmes in Hungarian and therefore, required detailed analysis. Within the framework of the investigation, the GVH evaluated those markets that could possibly be relevant and the competition related relationship of the parties in the Hungarian television channels from the point of the viewers, broadcasters and advertisers and moreover, the envisaged changes that could take place on the market due to the transaction, having regard to the two-sided market feature of television (and generally media services).

The GVH established that the RTL Klub and the two target undertakings do not substitute each other on the broadcasting or the advertising market, but supplementary relations dominate their relationship instead. This is the consequence of the fact that broadcasters need the nationwide known channels (RTL Klub, TV2, Cool, Film+) in order to provide their subscribers with appealing programmes. Therefore, the very popular, huge channels are

substitutes to each other, while the channels with less popularity cannot substitute each other, due to their low popularity.

While evaluating the market from the perspective of the advertisers, the television channels can be divided into two main groups which are sufficient for fulfilling different advertising functions and which, therefore, can be featured with different price levels. The first group contains RTL Klub and TV2 (and occasionally channel m1), which are appropriate for obtaining a lot of publicity over a short period of time due to the fact that they possess a high level of coverage and a lot of viewers. As a result of this, these channels are able to demand higher advertising prices. The other, generally not so well known channels (that can significantly differ from the perspective of views) can facilitate the frequency of the advertisements and are sufficient for obtaining special consumer groups with a cost saving method. By using this specified two-sidedness, the advertisers, and the advertising agencies that aim to support their work, generally promote themselves on each channel. This is underlined by the fact that the channels belonging to the latter groups are in a supplementary relationship rather than being substitutes to each other.

As a result of the abovementioned facts, the GVH aimed to clarify whether the merging of the RTL Klub (a commercial channel with a nationwide audience and a significant role in advertising) and the IKOT (and its seven thematically programmed channels) would lead to portfolio effects, thus whether it would be possible to leverage the strong market power from one market to the other or to conclude restrictive practices (mainly by tying). In the current case it would mean using RTL Klub's market power to influence the market power of IKOT channels.

Although there were some broadcasters and channels that expressed their concerns relating to the concentration, namely that as a result of the concentration it would be possible to popularise the programmes of RTL Klub and IKOT channels together. Also, the latter group were concerned that the parties would transmit the obligatory programmes to channels with small audiences, or that they will be induced to sell channels by tying them to each other – but the GVH did not find these concerns justified. The GVH established that the problems raised by the stakeholders are not merger-specific phenomena (thus they probably also existed before the transaction) and the other problematic parts can easily be restricted by the media regulator. Moreover, as a result of the characteristics of the market concerned (the forthcoming digital area, the “must have” feature of the nationwide viewed channels and the relative easiness of entering into the market of smaller channels) it is unlikely that the undertaking-group would exclude others from the market and in addition to this, the effect of the exclusion on the market can also be questioned.

According to the available data, as regards to the market of advertising, the GVH cannot preliminarily exclude the possibility of the occurrence of harmful effects. The reason for this is the fact that as a result of the concentration, two channels that hold significant advertising positions on the market and that are in a supplementary relationship towards each other will constitute one undertaking-group. This undertaking-group would jointly be able to fulfil the tasks of satisfying the requests of advertisers/agencies. A “television mix” similar to this would be very difficult to create and may only be possible with the joint intention and participation of all the other competitors. This would be a more costly solution than the one stop shop due to the transactional costs that would arise. All the above mentioned facts could result in the strengthening of the advertising potential of RTL Klub and IKOT-channels, which could not be balanced by actual or potential competitors, or by buyer power. Therefore, the significant impediment of effective competition cannot automatically be

excluded and moreover, the commitments offered by M-RTL were not sufficient to remedy these concerns.

The commitments specified by the GVH are the following: M-RTL is obliged to make possible the independent purchasing of the commercial times of RTL Klub and IKOT-channels for a period of two years after the conclusion of the contract (regarding the agreements implemented until 13 December 2013). The form of the purchasing has to comply with the requirements of reasonable, fair condition making without discrimination compared to the prices and conditions of tied purchasing, especially in order to enable the independent purchasing to be economically reasonable for the advertisers/agencies on its own, or together with other channels outside of M-RTL. M-RTL is obliged to inform advertisers/agencies on the prices and other conditions within the framework of general terms and conditions, and moreover, M-RTL should justify the specified prices and conditions to the GVH.

The abovementioned commitments ensure that the benefits relating to the joint purchasing can materialise without causing harmful effects on competition. Therefore, having regard to the abovementioned commitments, the GVH authorised the transaction.

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