



GAZDASÁGI
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Changes in the Hungarian media world

The Hungarian Competition Authority (GVH) has recently authorised three concentrations in the media world. The decision that allows Ringier Kft., Népszabadság Zrt., and Sanoma Zrt. to gain indirect control over MédiaLog Zrt. affects the newspaper distribution market.

Changes in the television and mobile content provider market are caused by Magyar Telekom's quitting the undertaking which runs the TV channel RTL Klub, acquiring at the same time one of the leading undertakings in the mobile content provider market.

Ringier, Népszabadság and Sanoma decided in November 2007 to acquire the German F-Log AG from the newspaper distributor MédiaLog Zrt. In the course of the transaction Magyar Előfizetői Vagyonkezelő (*Hungarian Subscribers' Trust*, MEV) Kft., the joint venture of the three publishers, holding 49 % of MédiaLog shares, bought up 51% of the parcel of shares of F-Log AG. MédiaLog was established in the summer of 2006 with the authorisation of the GVH. The undertaking provides subscription-based periodical distribution services.

Periodical distribution is a special service, the aim of which is that newspapers and periodicals reach readers directly or indirectly through specified media means. Within newspaper distribution we can distinguish buyer-seller and subscription-based distribution: the former means newspaper retail distribution, the latter home-delivery to subscribers. Buyer-seller newspaper distribution is currently managed by the sole undertaking Lapker Rt. in Hungary with almost 100% market shares. Subscription-based periodical distribution requires a wide delivery network, logistics, infrastructure and supply chain management. Besides MédiaLog Zrt. Magyar Posta is the sole national distributor. Daily papers within the subscription-based distribution market differ from other subscriptions (periodical, weekly, bi-weekly, monthly papers, hereinafter referred to altogether as magazines). Daily papers must be delivered early in the morning every day. In the subscription paper distribution market, MédiaLog Zrt. enjoys a market share exceeding 90% concerning national daily papers and about 30% concerning magazines.

As for the other participants in the transaction, they are periodicals editors. The Swiss Ringier AG group comprises, among others, the Ringier Kft. - publishing the daily yellow press "Blikk", "Nemzeti Sport" and many junior magazines – and Népszabadság Zrt., publishing the daily "Népszabadság". The Ringier group is considered to be the biggest publisher in the national daily press market on the basis of its high sales, with its 45% market share. The undertaking is also present in the magazine market with an around 5% market

share. Sanoma Zrt. with Finnish interests is considered to be a strong player in publishing, with a market share of 30%. This undertaking publishes namely - among others- the magazines Story, Nők Lapja, Figyelő, National Geographic and Cosmopolitan.

The GVH examined whether Ringier and Sanoma could get into a dominant position in the publishing market, after acquiring MédiaLog through MEV Kft. According to the GVH, daily papers and magazines do not belong to the same commodity market. Furthermore it is only Ringier among the undertakings concerned in the transaction who deals with publishing daily papers. Both big publishers are present in the magazine market, however their joint market share is not high enough to put them in a dominant position. It might arise that MédiaLog Kft., controlled by the two publishers would discriminate against other publishers in the area of distribution. To avoid this, the GVH required the compliance with the same conditions that had to be satisfied for the establishment of MédiaLog in 2006, even of the undertakings concerned in this case. Thus MédiaLog Logisztikai Zrt.:

- will provide subscription-based newspaper and magazine distribution services under the same conditions (without discrimination) for every clients wishing to use them; as well as
- it will not provide any information on business secrets provided by clients of the above-mentioned services to third parties (not even to the other applicants of the transaction in question)

These conditions were accepted by the undertakings concerned in the case, therefore the GVH authorised the transaction. The GVH however calls the attention of the parties to the fact that it will monitor the undertakings' compliance with the conditions prescribed. It shall revoke its decision should any of the conditions not be satisfied.

The other two cases affect the television and mobile content providing market. In April 2008 IKO Production Media Kft. (IKO) and Magyar Telekom signed a cooperation contract. Pursuant to this contract IKO will buy from Magyar Telekom 50% of the shares of IKO Telekom Zrt., thus it will become sole owner of the undertaking. Some assets of IKO Telekom, IKO-New Media Kft and IKO Content& Rights Kft. will be 100% Magyar Telekom property.

IKO, that prepares and manages TV programs and their advertisements slots, is in the interest of Tamás Rákosi. IKO Telekom holding owns 31% of M-RTL Zrt., running the television channel RTL Klub. IKO New Media and IKO Content & Rights Kft. provide and sell mobile content services (ringtone downloads, wallpapers, games and participation in television interactive games). There are seven important players on the market who benefit from 90% of the turnover realised. The biggest player is IKO whose market share is 30%.

The GVH authorised that IKO acquire IKO Telekom Zrt. The transaction does not affect competition as the undertaking is not active on the market. The fact that Magyar Telekom secedes from the owners of M-RTL might have an effect on market competition, but competitive disadvantages have not been identified by the GVH. The GVH also authorised that Magyar Telekom buy the two undertakings providing mobile content. Though this transaction would raise the new undertaking's market shares to 37%, its effect would be compensated by the fact that there are many significant undertakings in the market and newcomers can also enter easily. It could be speculated that the transaction might be in the interest of Magyar Telekom to ensure that only its own mobile provider undertakings use the content provided by the undertakings acquired; however, according to GVH, there is no need

for concern. On the one hand, the market is open to new players who can serve the rivals. On the other hand, value-added services amount to less than 0,001% of the turnover of mobile providers, thus this service can only have little importance in the competition of mobile providers.