Acquirer:	IPMG
Target:	Pacific Magazines & Printing Ltd
Initiation:	Parties
Market Definition:	
Merger Type:	Horizontal
Guidelines Thresholds:	Crossed
Imports Above 10%:	No
Summary:	
Competition Analysis:	

The parties approached the Commission in February 2001 to outline a proposed merger between their two companies. Significant areas of overlap in their respective operations include commercial printing, magazine publishing and magazine distribution.

The Commission conducted extensive market inquiries into the matter and formed the view that the merger would lead to a substantial lessening of competition in respect of heat-set web printing services and the national distribution of consumer magazines to retail outlets.

Specifically the Commission came to the following conclusions.

PRINTING:

The relevant market is that for heat-set web printing services. Heat-set web printing is used to print large circulation and glossy magazines, retail catalogues and many newspaper inserts. The two companies have a combined market share in excess of 75% in this market.

The evidence indicated that heat-set web printing is the only form of commercial printing that can produce large circulation retail catalogues and consumer magazines of the required quality in sufficient volume and in a timely manner.

Barriers to entry to this market are high and imports are generally unviable. Market inquiries also indicated that substitutes such as cold-set web printing or sheet-fed printing are relevant only at the margin, and that any countervailing power of publishers is not high. Moreover there is evidence that the merging parties compete vigorously with each other, and they appear to be each other's greatest competitive constraint.

MAGAZINE DISTRIBUTION:

The merging parties have a combined market share in excess of 50%, with much of the remainder controlled by a subsidiary of Australia's largest magazine publisher, ACP.

Distribution involves a number of functions such as allocation, packaging, billing and merchandising.

Scale is a major barrier to entry. It appears that comprehensive new entry involving allocation, packaging, billing and merchandising would have to be effected at once across all of Australia, or else publishers would not be interested in using any new distributor. New entry would probably also involve significant sunk costs.

The merged entity's vertical integration in respect of publishing and distribution was reported to pose significant problems for publishers. This was because the merged entity would be a major competitor to many smaller publishers which may have to rely on it to distribute their magazines.

In light of these considerations the Commission decided to oppose the merger.

Outcome: Opposed ***Resolution:*** Withdrawn

Date Raised: 26-Feb-2001 ***Date Closed:*** 20-Jun-2001