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Proposed Joint Venture (JV) between Kodak Limited & Guiton Group Limited

Decision

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Jersey Competition and Regulatory Authority
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Background

On 23 October 2015 the Jersey Competition Regulatory Authority (JCRA) received an application for approval of a joint venture (JV) arrangement between Kodak and Guiton Group. For the purposes of the Competition (Jersey) Law 2005, a JV is considered to be a merger or acquisition in accordance with article 2 of the Law.

The JCRA registered the application on its website on 23 October, with a deadline for comments of 6 November 2015.

No comments were received.

Details of the parties

Guiton Group Limited (GGL) is a company registered in Jersey, number 770, registered office Guiton House, Five Oaks, St Saviour Jersey. GGL is a wholly owned subsidiary of Claverly Holdings Limited, 51-53 Queen Street, Wolverhampton, WV1 1ES, a company registered in England and Wales number 08114933.

Kodak Limited (Kodak) is a company registered in England, number 59535 at Croxley Green Business Park, Building 8, Hatters Lane, Watford WD18 8PX. Kodak Limited is a wholly owned subsidiary of Eastman Kodak Company Limited, 343 State Street, Rochester, New York, 14650, a company incorporated in New Jersey.

The transaction

Under the JV arrangement and shareholder agreement, Kodak and GGL will form a new business, KP Services (Jersey) Limited (KPS), which will be jointly owned and controlled by the parties. This company will have an exclusive agreement for printing GGL's Jersey newspapers, and will also print the UK newspapers for the Guernsey and Jersey markets for onward distribution by the existing distributors in Jersey and Guernsey. Both parties will contribute to the financing of KPS, Kodak will provide state of the art printing equipment, a number of staff currently employed at GGL will be offered new roles with the JV. Each parent will appoint two executive directors. GGL will purchase printed newspapers from the JV on a "tolling" type arrangement, where GGL pays an agreed set of prices for the feedstock (newsprint, ink) to the process and to cover printing costs. GGL is expected to gradually increase its share of the JV over time and has the option to buy out the JV in full at pre-determined dates.

Need for referral

GGL currently holds a 100% share of the market for printing of local newspapers sold in Jersey. The JV will take over this market share for the printing of newspapers and add the printing of UK newspapers for distribution in Jersey and Guernsey. The JV arrangement will continue the existing market share for the printing of local newspapers in Jersey currently held by GGL, and Kodak will supply the equipment required to carry out the newspaper printing process. At present, UK newspapers are imported daily by air into Jersey and Guernsey from the UK by the existing distributors. These distributors are expected in future to source the newspapers via KPS, rather than UK suppliers, improving the efficiency and reliability of distribution in Jersey and moving the import for Guernsey from a daily UK flight to a daily boat journey from Jersey. The parties are aware of the need to notify CICRA and potentially seek appropriate exemptions in accordance with the relevant competition law[1] in the event that exclusive agreements are made with suppliers or distributors.

There is no change to the arrangements for printing the GP in Guernsey and there is no requirement for a referral to the Guernsey Competition Regulatory Authority for approval of this transaction in Guernsey.

Effect on competition

The impact on competition in the market for printing newspapers in Jersey arising from the transaction is expected to be limited given the existing high market share enjoyed by GGL. The JV will introduce a different route for distributing UK newspapers from the existing delivery by plane each day.

Given the existing market share, there would not appear to be any significant lessening of competition in the markets for newspaper publishing in Jersey and there is no lessening of competition in the market for printing and distribution of UK newspapers in Jersey.

Conclusion

On the basis of the information provided by the parties, the JCRA concludes that the JV arrangement should be approved in accordance with article 20 of the Competition (Jersey) Law 2005.

4 December 2015 **By order of the JCRA board**

[1] The Competition (Jersey) Law 2005 in Jersey and the Competition (Guernsey) Ordinance in Guernsey.