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CABLE WORLD/BRITISH MEDIA PRESENTATION TO THE NCA

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Rationale of the transaction

- Cable World is a consumer orientated media group aimed at providing high quality content through all platforms
- Cable World has made a significant investment in the UK through previous acquisitions
- Cable World would like to acquire British Media in order to give it a platform to increase the quality, content and level of competition in each of the free-TV, national daily newspaper and Internet Service Provider markets

Cable World's interests

- CableCo – cable platform operator
- Sports TV - pay-TV channel provider
- Ozone – mobile phone operator
- Black Country Press - local newspapers (Walsall)

British Media's interests

- *The Clarion* – upmarket national daily newspaper
- Mercia TV – free TV broadcaster
- The Courier Group – local newspapers in Birmingham
- Web Demon – Internet Service Provider

Press Holdings' interests

- *The Sentinel* – national daily newspaper (upmarket – like *The Clarion*)
- Leisure TV - Pay-TV channel provider
- *West Midlands Radio* – local radio stations (overlap with British Media's local papers in Birmingham)

Relevant counterfactual

- British Media is likely to merge with either Press Holdings or Cable World:
 - British Media has been on the market for some time as Global Inc has been in financial difficulties (highly geared – in breach of borrowing covenants)
 - Global Inc's desire to sell widely known – but no other purchasers

Market definition

- “Relevant market” labels as reference framework, at times with fluid borders
- Linguistics might be misleading
- Difficulties in applying SSNIP methodology due to Cellophane Fallacy

Affected sectors

- Daily national newspapers
- Television
- Local newspapers/radio

Daily national newspapers

- British Media/Cable World merger avoids anti-competitive overlap between *The Clarion* and *The Sentinel*
 - *The Clarion* and *The Sentinel* are closest competitors
 - Merger to monopoly in high-quality commentary and editorial analysis
- Press Holdings' bad track record of running *The Sentinel* against the interests of consumers

Television

- British Media's Mercia TV and Cable World's Sports TV are unlikely to be competitors
 - pay TV versus FTA TV
 - “active” versus “passive” TV viewing
- Mercia TV and Sports TV might be complementary
 - Complementary content
- A merger with Cable World would avoid the potential horizontal overlap between Mercia TV and Press Holdings' Leisure TV

Television II – sports rights

- In the short term there is no competition between Sports TV and Mercia TV
 - Sports TV has secured key rights
- In the longer term, Mercia TV is unlikely to be a competitive constraint
 - Mercia TV unlikely to have the second-highest valuation
 - Appropriate auction design

Local newspapers

- Courier Group and Black Country Press are able to charge relatively high prices
 - High industry concentration
 - Significant product differentiation
 - Derek Dougan effect
- “Cellophane Fallacy”
 - Prices have risen to the point where radio has become the main constraint

Local newspapers/local radio

- Local radio is the main constraint on local newspapers
 - British Media's Courier Group controls 75% of circulation in Birmingham area
 - Press Holdings' West Midlands Radio controls 50% of local radio
- Combination of Courier Group and West Midlands Radio eliminates the main constraint on local newspapers
- When assessed against counterfactual, Cable World/British Media merger is pro-competitive

Summary

- The Clarion will become owned by a media group which will expand its circulation and further invest in its online service
- The national newspaper counterfactual is avoided
- Sports TV's and Mercia TV's complementarity will be researched and maximised
- The SLC caused by combining Leisure TV and Mercia TV will be avoided
- The SLC from removing West Midlands Radio as a constraint on the Courier Group would be avoided
- All other parts of British Media's assets will benefit from being owned by Cable World