

NCA INQUIRY INTO BRITISH MEDIA MERGERS

Statement of issues

The Notional Competition Authority (NCA) has today published an issues statement as part of its inquiry into the anticipated acquisition by Press Holdings or Cable World of British Media.

The issues statement is part of the NCA's process of gathering information, views and evidence and identifies clearly for all interested parties the specific questions and areas the inquiry will be examining. These will form the basis of hearings with British Media, Press Holdings and Cable World.

The full issues statement is attached to this release and raises issues for the proposed mergers concerning:

- (a) market definition;
- (b) the counterfactual – what would be likely to happen in the absence of either of the proposed mergers;
- (c) assessment of the competitive effects of either of the proposed mergers; and
- (d) customer benefits that might arise as a result of either of the proposed mergers.

The proposed mergers were referred by the Office of Fair Trading (OFT) on 15th May 2007 and the NCA is seeking to establish whether they may be expected to result in a substantial lessening of competition within media and advertising markets within the UK.

If the NCA finds that either of the proposed mergers may be expected to result in a substantial lessening of competition, it will consider whether, and if so what, remedies might be appropriate and will issue a remedies statement at a later date. The NCA is required to publish its final report by 15th November 2007.

The NCA has yet to reach any conclusions, and will not do so until it has discussed these issues with British Media, Press Holdings, Cable World and others. The purpose of making the statement of issues public is to inform all interested parties and give them an opportunity to make submissions or offer evidence to the NCA. Information about the reference is available on the NCA web site at:

<http://www.nca.gov.uk/inquiries/>

Anyone wishing to comment on any of the issues set out below, or on any other competition issue arising out of either proposed merger, is requested to do so by 7th July 2007 in writing to:

John Doe
Secretary to the British Media mergers inquiry
Notional Competition Authority
Evidentiary House
Probyn Road
London
SW2A 1BC

Or email: john.doe@nca.gsi.gov.uk

The NCA will continue to gather evidence in this inquiry and currently intends to publish its provisional findings in early September as set out in the administrative timetable on the NCA web site.

Notes for editors

The Enterprise Act 2002 empowers the OFT to refer to the NCA completed or proposed mergers for investigation and report which create or enhance a 25 per cent share of supply in the UK (or a substantial part thereof) or where the UK turnover associated with the enterprise being acquired is over £70 million (see OFT Press Release PN 01/07).

The British Media inquiry group (the Group) consists of three members of the NCA: Peter Freeman (Group Chairman) and Irwin Stelzer and George Yarrow.

The NCA has a 24-week period in which it is required to publish its report, which may be extended by no more than eight weeks if it considers that there are special reasons why the report cannot be published within that period.

Further information on the NCA and its procedures, including its policy on the provision of information and the disclosure of evidence, can be obtained from its web site at www.nca.gov.uk.

The issues that the NCA intends to consider are:

Market definition

The Group would like to explore the appropriate definition of the economic markets affected by the proposed mergers (the 'relevant markets'), in particular:

- (a) whether there are distinct product markets for national newspaper advertising and national TV advertising or whether both should be regarded as part of a wider market for national display advertising;
- (b) whether there are distinct product markets for local newspaper advertising, local radio advertising and advertising on the internet or whether all these services should be regarded as part of a wider local advertising market.
- (c) Whether there is a single distinct product market for national newspapers or whether the relevant market is broader (including other publications) or narrower (for example divided into separate markets for quality, mid-market and popular titles);
- (d) Whether there is a distinct market for the acquisition of rights to broadcast major sporting events and, if so, how this market should be defined
- (e) Whether the relevant geographic market for local newspaper advertising is the coverage area of a particular title, or broader (eg the coverage area of a group of titles) or narrower (eg one or more post code areas);
- (f) Similarly, whether the relevant geographic market for local radio advertising is the coverage area of a single station, or broader or narrower than this.

The counterfactual

The group would like to explore what would be likely to occur in the absence of either of the proposed mergers (the counterfactual), in particular:

- (a) whether, if the proposed merger with Press Holdings did not go ahead, the most likely alternative would be for British Media to merge with Cable World;

- (b) whether, if the proposed merger with Cable World did not go ahead, the most likely alternative would be for British media to merge with Press Holdings:
- (c) whether, if neither of the proposed mergers went ahead, whether British media would enter into alternative consolidation arrangements, or would remain independent.

Assessment of the competitive effects of the proposed merger

Underlying factors

Whether there are underlying trends in the relevant markets, including:

- (a) convergence between printed and broadcast media, either locally, nationally or both locally and nationally
- (b) convergence between advertising media, including television, radio and newspapers.

Competitive effects

- (a) whether, and if so to what extent, The Sentinel and The Clarion have competed, currently compete and are likely to continue to compete in the future
- (b) whether, and if so to what extent, The Courier Group and BCP have competed, currently compete and are likely to continue to compete in future;
- (c) whether, and if so to what extent, the Courier Group and WMR have competed, currently compete and may be expected to continue to compete in future;
- (d) whether, and if so to what extent, Mercia TV competes with The Sentinel
- (e) whether, and if so to what extent, Mercia TV competes with Leisure TV;
- (f) whether, and if so to what extent, Mercia TV competes with Sports TV
- (g) whether a merger between Mercia TV, CableCo and ozone would strengthen the competitive position of any or all of these businesses
- (h) whether CableCo would be less likely to grant access to competing broadcasters if it were to merge with Mercia TV
- (i) whether Mercia TV would be less likely to licence its library to competitors if it merged with Leisure TV or Sports TV

Offsetting factors

Substantial lessening of competition

Whether, taking account of all of the above, either of the proposed mergers may be expected to result overall in a substantial lessening of competition in any of the relevant markets in the UK.

Relevant customer benefits

The Group would like to explore whether any relevant customer benefits might be expected to arise as a result of either of the proposed mergers, and if so what these benefits are likely to be and which customers they would benefit. Customer benefits are benefits to customers at any point in the value chain and are not limited to benefits to end consumers.

Possible remedies

Should the Group conclude that either of the proposed mergers may be expected to result overall in a substantial lessening of competition, it will consider whether, and if so what, remedies might be appropriate, and will issue a further statement at a later date.