



DETERMINATION OF MERGER NOTIFICATION M/11/027 -

Scripps/UKTV

Section 21 of the Competition Act 2002

Proposed acquisition by Scripps Networks Interactive Inc. of 50% in each of UK Channel Management Ltd, UK Gold Holdings Ltd and UKTV New Ventures Ltd.

Dated 1 September 2011

Introduction

1. On 19 August 2011, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Southbank Media Limited, a wholly owned subsidiary of Scripps Networks Interactive Inc ("Scripps"), would acquire 50% in each of UK Channel Management Limited, UK Gold Holdings Limited and UKTV New Ventures Limited (collectively "UKTV").
2. The other 50% stake in UKTV is held by BBC Worldwide Limited ("BBCW"), a wholly owned subsidiary of the British Broadcasting Corporation ("BBC"). Scripps will acquire its 50% stake in UKTV from Flextech Broadband Limited, a wholly owned subsidiary of Virgin Media Inc. Following the proposed transaction, Scripps will jointly control UKTV with BBCW.
3. On 19 August 2011, the Authority forwarded a copy of the notification to the Minister and notified the undertakings involved in the proposed transaction that the Authority considered it to be a "media merger" within the meaning of section 23 of the Act.

The Undertakings Involved

The Acquirer

4. Southbank Media Limited, a new company set up for the purpose of the proposed transaction, is incorporated in England and Wales and is a wholly owned subsidiary of Scripps. Scripps is incorporated in Ohio in the United States of America ("U.S.A") and is active in the development of lifestyle oriented content¹ for different media platforms such as television, mobile and publishing. Its television channels and brands include Home and Garden Television ("HGTV"); Food Network; Travel Channel; DIY Network; Cooking Channel; and, Great American Country. Scripps operates websites associated with these television channels. Scripps also provides Interactive Services.

¹ This is content based on subjects such as cooking, home, garden and family life.

5. In the State, only Scripps' Food Network UK channel² is available to British Sky Broadcasting plc ("Sky") subscribers and via free-to-air satellite. Scripps has entered into advertising and sales agency agreement with Sky in relation to advertising on Scripps' Food Network UK channel. However, no Irish airtime is sold.
6. For the financial year ending 31 December 2010, Scripps generated worldwide turnover of approximately €1.6 billion³. For the same period, Scripps generated [...] in the State.

The Target

7. UKTV is active in developing, scheduling and broadcasting television channels, websites and on-demand services. Its television channels can be categorised by their entertainment, lifestyle and factual content. UKTV's portfolio of channels includes: G.O.L.D, Dave, Watch, Alibi, Home, Good Food, Really, Eden, Blighty and Yesterday.⁴ UKTV is active in commissioning, acquiring and exploiting audiovisual content in connection with its television channels in the United Kingdom ("U.K."), the Channel Islands, the Isle of Man and the State.
8. In the State, UKTV's full range of channels is available to Sky subscribers. Its G.O.L.D, Dave, Home and Alibi channels are available on UPC and some of its channels are available via 3 Play Plus Limited, Magnet Networks Ltd, Casey Cablevision Limited and Smart Telecom. [...].
9. For the financial period ending 31 December 2010, UKTV generated worldwide turnover of approximately €[...]⁵. For the same period, UKTV generated approximately €[...] million in the State.

BBCW

10. BBCW is the main commercial arm of the BBC and has seven core businesses: Global Channels; Global TV Sales; Magazines; Content & Production; Home Entertainment; Global Brands; and, Digital Media.
11. BBC offers a wide range of television programme content including news, current affairs, entertainment, sport, educational, lifestyle and factual genres. A number of BBC television channels are available in the State, including BBC1, BBC One HD, BBC2, BBC4, BBC News, BBC HD, CBBC, CBeebies and BBC Parliament. These channels do not carry advertising.
12. For the financial period ending 31 March 2011, BBCW generated worldwide turnover of approximately €1.33 billion⁶. For the same period, BBCW generated €[...] million in the State.⁷

² This includes its time shifted version: Food Network UK +1. A time shifted channel is a television channel carrying a time-delayed rebroadcast of its "parent" channel's output.

³ Using the average ECB exchange rate as at December 2010 of Euro/Dollar 1/1.3220.

⁴ Included in its portfolio are the time shifted channels associated with all of its channels except for Really and Blighty.

⁵ Using the ECB reference exchange rate as at December 2010 of Euro/UK Sterling of 1/0.84813.

⁶ Using the ECB reference exchange rate as at March 2011 of Euro/UK Sterling of 1/0.86655.

⁷ *Ibid.*

Proposed Transaction

13. Following the proposed transaction, Scripps will jointly control UKTV with BBCW. Also, Scripps will acquire [...] stake in UK Programme Distribution Limited, the remaining [...] being held by BBCW.

Third Party Submissions

14. No submissions were received.

Analysis

15. There is horizontal overlap in the activities of Scripps, UKTV and BBCW as they are all active in the production and supply, i.e. broadcasting, of non-premium television channels in the State. In the State, Scripps, UKTV and the BBC are all active in the provision of television channels carrying lifestyle content. However, the UKTV and Scripps' channels are broadcast as they are in the U.K. with no advertising targeted specifically at an audience in the State. The only Scripps channel broadcast in the State is Food Network UK together with its time shifted version.
16. There are vertical relationships between the BBCW and UKTV as BBCW provides programming for UKTV channels. Also, a number of Scripps programmes⁸ are currently under licence to UKTV for broadcast in the U.K. and in the State.
17. The Authority considers that the proposed acquisition will not raise competition concerns in the State for the following reasons:
 - (i) Scripps has only one television channel broadcast in the State which has an estimated market share of approximately less than 0.1%.⁹
 - (ii) Whilst UKTV does not track its audience share in the State, its market share in the U.K. is approximately [0-10]%.¹⁰
 - (iii) None of the channels of Scripps or UKTV carry advertising targeted specifically at an Irish audience.
 - (iv) [...].
18. In light of the above, the Authority considers that the proposed acquisition does not raise competition concerns in the State in the supply of non-premium content television channels.

Ancillary Restraint

19. As part of the proposed transaction, Southbank Media Limited and Flextech Broadband Limited have respectively entered into a number of restrictive obligations [...]. None of these obligations exceed three years in duration. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction

⁸ [...].

⁹ This market share estimate was provided by the parties and is based on the percentage share of viewing by platform.

¹⁰ This market share estimate was provided by the parties and is based on the percentage share of viewing by platform.

Determination

20. The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed transaction whereby Southbank Media Limited, a wholly owned subsidiary of Scripps Networks Interactive Inc, would acquire 50% in each of UK Channel Management Limited, UK Gold Holdings Limited and UKTV New Ventures Limited, will not be to substantially lessen competition in markets for goods or services in the State and accordingly, that the acquisition may be put into effect, subject to section 23(9)(a) of the Act.

For the Competition Authority

Noreen Mackey

Member of the Competition Authority

Director, Mergers Division